

Triumph Bancorp, Inc.  
Form 10-Q  
August 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-36722

TRIUMPH BANCORP, INC.

(Exact name of registrant as specified in its charter)

Texas 20-0477066  
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

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(Address of principal executive offices)

(214) 365-6900

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock — \$0.01 par value, 18,107,493 shares, as of August 1, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

June 30, 2016

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

June 30, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	June 30, 2016 (Unaudited)	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$ 22,567	\$ 23,447
Interest bearing deposits with other banks	39,183	81,830
Total cash and cash equivalents	61,750	105,277
Securities - available for sale	159,790	163,169
Securities - held to maturity, fair value of \$28,362 and \$0, respectively	27,502	—
Loans held for sale, at fair value	—	1,341
Loans, net of allowance for loan and lease losses of \$13,772 and \$12,567, respectively	1,396,746	1,279,318
Federal Home Loan Bank stock, at cost	6,368	3,818
Premises and equipment, net	19,629	22,227
Other real estate owned, net	6,074	5,177
Goodwill	15,968	15,968
Intangible assets, net	10,192	11,886
Bank-owned life insurance	29,786	29,535
Deferred tax assets, net	15,042	15,945
Other assets	34,548	37,652
Total assets	\$ 1,783,395	\$ 1,691,313
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Noninterest bearing	\$ 170,834	\$ 168,264
Interest bearing	1,104,320	1,080,686
Total deposits	1,275,154	1,248,950
Customer repurchase agreements	13,635	9,317
Federal Home Loan Bank advances	180,500	130,000
Junior subordinated debentures	24,823	24,687
Other liabilities	9,520	10,321
Total liabilities	1,503,632	1,423,275
<b>Commitments and contingencies - See Note 8 and Note 9</b>		
<b>Stockholders' equity - See Note 12</b>		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	182	181
Additional paid-in-capital	195,711	194,297

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Treasury stock, at cost	(741	)	(560	)
Retained earnings	73,340		64,097	
Accumulated other comprehensive income	1,525		277	
Total stockholders' equity	279,763		268,038	
Total liabilities and stockholders' equity	\$ 1,783,395		\$ 1,691,313	

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

For the Three and Six Months Ended June 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Interest and dividend income:</b>				
Loans, including fees	\$18,547	\$17,158	\$34,635	\$30,397
Factored receivables, including fees	8,639	8,654	16,461	16,163
Taxable securities	965	659	1,733	1,337
Tax exempt securities	6	16	13	28
Cash deposits	197	110	405	251
<b>Total interest income</b>	<b>28,354</b>	<b>26,597</b>	<b>53,247</b>	<b>48,176</b>
<b>Interest expense:</b>				
Deposits	2,020	1,667	4,013	3,237
Junior subordinated debentures	312	278	614	550
Other borrowings	115	7	224	19
<b>Total interest expense</b>	<b>2,447</b>	<b>1,952</b>	<b>4,851</b>	<b>3,806</b>
<b>Net interest income</b>	<b>25,907</b>	<b>24,645</b>	<b>48,396</b>	<b>44,370</b>
Provision for loan losses	1,939	2,541	1,428	3,186
<b>Net interest income after provision for loan losses</b>	<b>23,968</b>	<b>22,104</b>	<b>46,968</b>	<b>41,184</b>
<b>Noninterest income:</b>				
Service charges on deposits	695	666	1,354	1,278
Card income	577	578	1,123	1,101
Net OREO gains (losses) and valuation adjustments	(1,204)	52	(1,215)	78
Net gains on sale of securities	—	242	5	242
Net gains on sale of loans	4	491	16	1,033
Fee income	504	502	1,038	924
Bargain purchase gain	—	—	—	12,509
Asset management fees	1,605	1,274	3,234	2,232
Other	1,487	964	3,094	2,031
<b>Total noninterest income</b>	<b>3,668</b>	<b>4,769</b>	<b>8,649</b>	<b>21,428</b>
<b>Noninterest expense:</b>				
Salaries and employee benefits	12,229	12,042	24,481	25,311
Occupancy, furniture and equipment	1,534	1,555	3,027	3,127
FDIC insurance and other regulatory assessments	281	271	505	534
Professional fees	1,101	852	2,174	2,179
Amortization of intangible assets	717	895	1,694	1,659



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Advertising and promotion	628	526	1,147	1,069
Communications and technology	1,263	927	2,695	1,813
Other	2,578	2,567	4,686	4,726
Total noninterest expense	20,331	19,635	40,409	40,418
Net income before income tax	7,305	7,238	15,208	22,194
Income tax expense	2,679	2,586	5,576	3,498
Net income	4,626	4,652	9,632	18,696
Dividends on preferred stock	(195 )	(195 )	(389 )	(387 )
Net income available to common stockholders	\$4,431	\$4,457	\$9,243	\$18,309
Earnings per common share				
Basic	\$0.25	\$0.25	\$0.52	\$1.03
Diluted	\$0.25	\$0.25	\$0.51	\$1.01

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Six Months Ended June 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$4,626	\$4,652	\$9,632	\$18,696
Other comprehensive income:				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during the period	536	(557 )	1,993	431
Reclassification of amount realized through sale of securities	—	(242 )	(5 )	(242 )
Tax effect	(199 )	292	(740 )	(76 )
Total other comprehensive income (loss)	337	(507 )	1,248	113
Comprehensive income	\$4,963	\$4,145	\$10,880	\$18,809

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock – Series A		Preferred Stock – Series B		Common Stock		Additional Paid-in-Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Liquidation Preference Amount	Shares Outstanding	Par Amount		Shares Outstanding	Cost			
Balance, January 1, 2015	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,049	10,984	\$(161)	\$35,744	\$951	\$237,509
Issuance of restricted stock awards	—	—	—	—	77,956	1	(1 )	—	—	—	—	—
Forfeiture of restricted stock awards	—	—	—	—	(667 )	—	9	667	(9 )	—	—	—
Stock based compensation	—	—	—	—	—	—	1,548	—	—	—	—	1,548
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(181 )	—	(181 )
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(206 )	—	(206 )
Net income	—	—	—	—	—	—	—	—	—	18,696	—	18,696
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	113	113
Balance, June 30, 2015	45,500	\$4,550	51,956	\$5,196	18,041,072	\$181	\$192,605	11,651	\$(170)	\$54,053	\$1,064	\$257,479
Balance, January 1, 2016	45,500	\$4,550	51,956	\$5,196	18,018,200	\$181	\$194,297	34,523	\$(560)	\$64,097	\$277	\$268,038
Issuance of restricted stock awards	—	—	—	—	101,105	1	(1 )	—	—	—	—	—
Forfeiture of restricted stock	—	—	—	—	(6,759 )	—	101	6,759	(101)	—	—	—

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Awards													
Excess tax benefit on restricted stock vested	—	—	—	—	—	—	35	—	—	—	—	—	35
Stock based compensation	—	—	—	—	—	—	1,279	—	—	—	—	—	1,279
Purchase of treasury stock	—	—	—	—	(5,053 )	—	—	5,053	(80 )	—	—	—	(80 )
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(182 )	—	—	(182 )
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(207 )	—	—	(207 )
Net income	—	—	—	—	—	—	—	—	—	9,632	—	—	9,632
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	—	1,248	1,248
Balance, June 30, 2016	45,500	\$4,550	51,956	\$5,196	18,107,493	\$182	\$195,711	46,335	\$(741)	\$73,340	\$1,525	\$279,763	

See accompanying condensed notes to consolidated financial statements.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended June 30, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income	\$9,632	\$18,696
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,162	1,069
Net accretion on loans and deposits	(3,453 )	(2,720 )
Amortization of junior subordinated debentures	136	130
Net amortization on securities	326	301
Amortization of intangible assets	1,694	1,659
Deferred taxes	(135 )	(366 )
Provision for loan losses	1,428	3,186
Stock based compensation	1,279	1,548
Origination of loans held for sale	(891 )	(36,220 )
Proceeds from loan sales	2,248	36,445
Net gains on sale of securities	(5 )	(242 )
Net loss on transfer of loans to loans held for sale	81	—
Net gains on sale of loans	(16 )	(1,033 )
Net OREO (gains) losses and valuation adjustments	1,215	(78 )
Bargain purchase gain	—	(12,509 )
Income from CLO warehouse investments	(1,758 )	(1,151 )
(Increase) decrease in other assets	944	608
Increase (decrease) in other liabilities	(801 )	3,888
Net cash provided by (used in) operating activities	13,086	13,211
Cash flows from investing activities:		
Purchases of securities available for sale	(3,264 )	(15,072 )
Proceeds from sales of securities available for sale	4,345	12,559
Proceeds from maturities, calls, and pay downs of securities available for sale	3,872	5,973
Purchases of securities held to maturity	(27,409 )	—
Purchases of loans (shared national credits)	(995 )	(16,685 )
Proceeds from sales of loans (shared national credits)	4,038	—
Net change in loans	(119,071)	(115,935)
Purchases of premises and equipment, net	(779 )	(813 )
Net proceeds from sale of OREO	528	2,926
Net cash paid for CLO warehouse investments	(10,000 )	—
Net proceeds from CLO warehouse investments	14,000	2,450

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Purchases of FHLB and FRB stock, net	(2,550 )	(804 )
Cash paid for acquisitions, net of cash acquired	—	(127,591)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765
Net cash provided by (used in) investing activities	(137,285)	(216,227)
Cash flows from financing activities:		
Net increase in deposits	26,323	24,184
Increase (decrease) in customer repurchase agreements	4,318	3,729
Increase (decrease) in Federal Home Loan Bank advances	50,500	16,000
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659 )
Purchase of treasury stock	(80 )	—
Dividends on preferred stock	(389 )	(387 )
Net cash provided by (used in) financing activities	80,672	141,842
Net increase (decrease) in cash and cash equivalents	(43,527 )	(61,174 )
Cash and cash equivalents at beginning of period	105,277	160,888
Cash and cash equivalents at end of period	\$61,750	\$99,714
Supplemental cash flow information:		
Interest paid	\$4,717	\$3,629
Income taxes paid, net	\$6,018	\$2,488
Supplemental noncash disclosures:		
Loans transferred to OREO	\$425	\$747
Premises transferred to OREO	\$2,215	\$—
Securities transferred in satisfaction of other borrowings	\$—	\$98,316
Loan purchases, not yet settled (shared national credits)	\$—	\$12,929
Loans transferred to loans held for sale at fair value	\$4,038	\$—
See accompanying condensed notes to consolidated financial statements.		

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Triumph Bancorp, Inc. (collectively with its subsidiaries, “Triumph”, or the “Company” as applicable) is a financial holding company headquartered in Dallas, Texas. The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Triumph Capital Advisors, LLC (“TCA”), Triumph CRA Holdings, LLC (“TCRA”), TBK Bank, SSB (“TBK Bank”), TBK Bank’s wholly owned subsidiary Advance Business Capital LLC, which currently operates under the d/b/a of Triumph Business Capital (“TBC”), and TBK Bank’s wholly owned subsidiary Triumph Insurance Group, Inc. (“TIG”).

TBK Bank does business under the following names: (i) Triumph Community Bank (“TCB”) and Triumph Savings Bank (“TSB”) with respect to its community banking business in respective markets; (ii) Triumph Commercial Finance (“TCF”) with respect to its asset-based lending, equipment lending and general factoring commercial finance products; (iii) Triumph Healthcare Finance (“THF”) with respect to its healthcare asset-based lending business; and (iv) Triumph Premium Finance (“TPF”) with respect to its insurance premium financing business.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and in accordance with guidance provided by the Securities and Exchange Commission. Accordingly, the condensed financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal and recurring adjustments considered necessary for a fair presentation. Transactions between the subsidiaries have been eliminated. These condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016.

The Company has four reportable segments consisting of Factoring, Banking, Asset Management, and Corporate. The Company’s Chief Executive Officer uses segment results to make operating and strategic decisions.

Newly Issued, But Not Yet Effective Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The new standard was originally effective for the Company on January 1, 2017. However, in

August 2015 the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers – Deferral of the Effective Date” which deferred the mandatory effective date the new standard would take effect to reporting periods beginning after December 15, 2017, with early adoption allowed as of the original effective date for public companies. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”). The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the effect that ASU 2016-01 will have on its consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The FASB issued this ASU to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018. Early application of this ASU is permitted for all entities. The Company is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of the Company.



TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

In March 2016, the FASB issued ASU 2016-09, “Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (“ASU 2016-09”). The FASB issued this ASU to improve the accounting for share-based payments. ASU 2016-09 simplifies several aspects of the accounting for share-based payment award transactions, including: the presentation of income tax consequences, classification of awards as either equity or liabilities, classification on the statement of cash flows, and calculation of diluted earnings per share. The amendments in this ASU are effective for fiscal years beginning after December 31, 2016, and interim periods within those years for public business entities. Early adoption is permitted in any interim or annual period provided that the entire ASU is adopted. Adoption of ASU 2016-09 is not expected to have a material impact on the Company’s financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). Among other things, ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better form their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 31, 2019, and interim periods within those years for public business entities that are SEC filers. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the impact that the adoption of this standard will have on the financial condition and results of operations of the Company.

NOTE 2 – Business combinations

ColoEast Bankshares, Inc.

On August 1, 2016, the Company acquired 100% of the outstanding common stock of ColoEast Bankshares, Inc. (“ColoEast”) and its community banking subsidiary, Colorado East Bank & Trust, in an all-cash transaction for \$70,000,000. Colorado East Bank & Trust, which was merged into TBK Bank upon closing, offers personal checking, savings, CD, money market, HSA, IRA, NOW and business accounts, as well as consumer, commercial and mortgage loans from 18 branches and one loan production office located throughout Colorado and far western Kansas. The acquisition expands the Company’s market into Colorado and further diversifies the Company’s loan, customer, and deposit base.

The initial accounting for the ColoEast acquisition has not been completed because the fair value of loans, deposits, and numerous other items has not yet been determined.

Doral Money Acquisition

On February 27, 2015, the Company entered into a Purchase and Sale Agreement with the Federal Deposit Insurance Corporation (“FDIC”), in its capacity as receiver of Doral Bank, to acquire 100% of the equity of Doral Money, Inc. (“Doral Money”), a subsidiary of Doral Bank, and the management contracts associated with two active collateralized loan obligations (“CLOs”) with approximately \$700,000,000 in assets under management. The consideration transferred in the acquisition consisted of cash paid of \$135,864,000. The primary purpose of the acquisition was to expand the CLO assets under management at TCA.

On February 26, 2015, the Company entered into a \$99,975,000 secured term loan credit facility payable to a third party, with an interest rate equal to LIBOR plus 3.5%, and a maturity date of March 31, 2015. The proceeds from the loan were used by the Company to partially fund the Doral Money acquisition.

The acquisition was completed on March 3, 2015, at which time the Company also repaid the \$99,975,000 third party secured term loan credit facility in full by delivering the securities issued by the CLOs that were acquired from Doral Money with an acquisition date fair value of \$98,316,000 and cash representing payments received on the CLO securities in the amount of \$1,659,000.

## TRIUMPH BANCORP, INC. AND SUBSIDIARIES

## CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A summary of the fair values of assets acquired, liabilities assumed, net consideration transferred, and the resulting bargain purchase gain is as follows:

(Dollars in thousands)	Initial Values Recorded at Acquisition Date	Measurement Period Adjustments	Adjusted Values
<b>Assets acquired:</b>			
Cash	\$ 8,273	\$ —	\$8,273
CLO Securities	98,316	—	98,316
Intangible asset - CLO management contracts	1,918	—	1,918
Loans	36,765	900	37,665
Prepaid corporate income tax	3,014	1,688	4,702
Other assets	772	—	772
	149,058	2,588	151,646
<b>Liabilities assumed:</b>			
Deferred tax liability	663	—	663
Other liabilities	22	(20 )	2
	685	(20 )	665
Fair value of net assets acquired	148,373	2,608	150,981
Net consideration transferred	135,864	—	135,864
Bargain purchase gain	\$ (12,509 )	\$ (2,608 )	\$ (15,117 )

The Company completed the acquisition via an FDIC bid process for Doral Money as part of the Doral Bank failure and the resulting nontaxable bargain purchase gain represents the excess of the fair value of the net assets acquired over the fair value of the net consideration transferred. The Company subsequently recorded measurement period adjustments related to the finalization of income taxes associated with the transaction and the valuation of loans acquired in the transaction, which increased the bargain purchase gain by \$1,708,000 and \$900,000 during the three months ended September 30, 2015 and the three months ended December 31, 2015, respectively.

## NOTE 3 - SECURITIES

Securities have been classified in the financial statements as available for sale or held to maturity. The amortized cost of securities and their approximate fair values at June 30, 2016 and December 31, 2015 are as follows:

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(Dollars in thousands) June 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>Available for sale securities:</b>				
U.S. Government agency obligations	\$ 90,388	\$ 1,749	\$ —	\$92,137
Mortgage-backed securities, residential	25,004	623	—	25,627
Asset backed securities	13,179	12	(335 )	12,856
State and municipal	1,266	36	—	1,302
Corporate bonds	27,358	351	(11 )	27,698
SBA pooled securities	168	2	—	170
Total available for sale securities	\$ 157,363	\$ 2,773	\$ (346 )	\$ 159,790