

Triumph Bancorp, Inc.
Form 10-Q
April 19, 2019

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 March 31, 2019

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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, 26,705,437 shares, as of April 17, 2019

TRIUMPH BANCORP, INC.

FORM 10-Q

March 31, 2019

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PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

March 31, 2019 and December 31, 2018

(Dollar amounts in thousands, except per share amounts)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Cash and due from banks	\$ 61,726	\$ 96,218
Interest bearing deposits with other banks	110,224	138,721
Total cash and cash equivalents	171,950	234,939
Securities - equity investments	5,183	5,044
Securities - available for sale	339,465	336,423
Securities - held to maturity, fair value of \$7,278 and \$7,326, respectively	8,499	8,487
Loans held for sale	610	2,106
Loans, net of allowance for loan and lease losses of \$27,605 and \$27,571, respectively	3,585,264	3,581,073
Federal Home Loan Bank stock, at cost	21,191	15,943
Premises and equipment, net	84,931	83,392
Other real estate owned, net	3,073	2,060
Goodwill	158,743	158,743
Intangible assets, net	38,272	40,674
Bank-owned life insurance	40,667	40,509
Deferred tax assets, net	7,608	8,438
Other assets	64,327	41,948
Total assets	\$ 4,529,783	\$ 4,559,779
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	\$ 667,597	\$ 724,527
Interest bearing	2,646,843	2,725,822
Total deposits	3,314,440	3,450,349
Customer repurchase agreements	3,727	4,485
Federal Home Loan Bank advances	405,000	330,000
Subordinated notes	48,956	48,929
Junior subordinated debentures	39,200	39,083
Other liabilities	72,244	50,326
Total liabilities	3,883,567	3,923,172
Commitments and contingencies - See Note 8 and Note 9		
Stockholders' equity - See Note 12		
Common stock, 26,709,411 and 26,949,936 shares outstanding, respectively	271	271
Additional paid-in-capital	470,292	469,341

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Treasury stock, at cost	(9,881)	(2,288)
Retained earnings	185,274	170,486
Accumulated other comprehensive income (loss)	260	(1,203)
Total stockholders' equity	646,216	636,607
Total liabilities and stockholders' equity	\$4,529,783	\$ 4,559,779

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2019 and 2018

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Interest and dividend income:		
Loans, including fees	\$45,094	\$36,883
Factored receivables, including fees	24,556	15,303
Securities	2,644	1,310
FHLB stock	192	105
Cash deposits	778	517
Total interest income	73,264	54,118
Interest expense:		
Deposits	8,218	4,277
Subordinated notes	839	837
Junior subordinated debentures	760	597
Other borrowings	2,136	1,277
Total interest expense	11,953	6,988
Net interest income	61,311	47,130
Provision for loan losses	1,014	2,548
Net interest income after provision for loan losses	60,297	44,582
Noninterest income:		
Service charges on deposits	1,606	1,145
Card income	1,844	1,244
Net OREO gains (losses) and valuation adjustments	209	(88)
Net gains (losses) on sale of securities	(11)	(272)
Fee income	1,612	800
Insurance commissions	919	714
Gain on sale of subsidiary or division	—	1,071
Other	1,359	558
Total noninterest income	7,538	5,172
Noninterest expense:		
Salaries and employee benefits	26,439	19,404
Occupancy, furniture and equipment	4,522	3,054
FDIC insurance and other regulatory assessments	299	199
Professional fees	1,865	1,640
Amortization of intangible assets	2,402	1,117

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Advertising and promotion	1,604	1,029
Communications and technology	4,874	3,359
Other	6,561	4,240
Total noninterest expense	48,566	34,042
Net income before income tax	19,269	15,712
Income tax expense	4,481	3,644
Net income	14,788	12,068
Dividends on preferred stock	—	(190)
Net income available to common stockholders	\$ 14,788	\$ 11,878
Earnings per common share		
Basic	\$0.55	\$0.57
Diluted	\$0.55	\$0.56

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2019 and 2018

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income	\$ 14,788	\$ 12,068
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	1,893	(1,708)
Reclassification of amount realized through sale of securities	11	272
Tax effect	(441)	322
Total other comprehensive income (loss)	1,463	(1,114)
Comprehensive income	\$ 16,251	\$ 10,954

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Three Months Ended March 31, 2019 and 2018

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Preferred Stock Liquidation Preference Amount	Common Stock Shares Outstanding	Par Amount	Additional Paid-in- Capital	Treasury Stock Shares Outstanding	Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance, January 1, 2018	\$ 9,658	20,820,445	\$ 209	\$ 264,855	91,951	\$(1,784)	\$ 119,356	\$(596)	\$ 391,698
Issuance of restricted stock awards	—	5,492	—	—	—	—	—	—	—
Stock based compensation	—	—	—	486	—	—	—	—	486
Forfeiture of restricted stock awards	—	(1,574)	—	69	1,574	(69)	—	—	—
Stock options exercised	—	146	—	(4)	—	—	—	—	(4)
Series A Preferred dividends	—	—	—	—	—	—	(90)	—	(90)
Series B Preferred dividends	—	—	—	—	—	—	(100)	—	(100)
Net income	—	—	—	—	—	—	12,068	—	12,068
Other comprehensive income	—	—	—	—	—	—	—	(1,114)	(1,114)
Balance, March 31, 2018	\$ 9,658	20,824,509	\$ 209	\$ 265,406	93,525	\$(1,853)	\$ 131,234	\$(1,710)	\$ 402,944
Balance, January 1, 2019	\$ —	26,949,936	\$ 271	\$ 469,341	104,063	\$(2,288)	\$ 170,486	\$(1,203)	\$ 636,607
Issuance of restricted stock	—	8,063	—	—	—	—	—	—	—

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awards									
Stock based compensation	—	—	—	911	—	—	—	—	911
Forfeiture of restricted stock awards	—	(1,276)	—	40	1,276	(40)	—	—	—
Purchase of treasury stock	—	(247,312)	—	—	247,312	(7,553)	—	—	(7,553)
Net income	—	—	—	—	—	—	14,788	—	14,788
Other comprehensive income	—	—	—	—	—	—	—	1,463	1,463
Balance, March 31, 2019	\$ —	26,709,411	\$ 271	\$ 470,292	352,651	\$ (9,881)	\$ 185,274	\$ 260	\$ 646,216

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2019 and 2018

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 14,788	\$ 12,068
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	1,961	1,216
Net accretion on loans	(1,557)	(1,977)
Amortization of subordinated notes issuance costs	27	25
Amortization of junior subordinated debentures	117	111
Net amortization on securities	174	331
Amortization of intangible assets	2,402	1,117
Deferred taxes	389	439
Provision for loan losses	1,014	2,548
Stock based compensation	911	486
Net (gains) losses on sale of debt securities	11	272
Net (gains) losses on equity securities	(139)	75
Origination of loans held for sale	(4,010)	—
Proceeds from sale of loans originated for sale	5,594	—
Net gains on sale of loans		