

Triumph Bancorp, Inc.
Form 10-Q
May 04, 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 March 31, 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, 18,111,475 shares, as of May 3, 2016

TRIUMPH BANCORP, INC.

FORM 10-Q

MARCH 31, 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

March 31, 2016 and December 31, 2015

(Dollar amounts in thousands, except per share amounts)

	March 31, 2016 (Unaudited)	December 31, 2015
ASSETS		
Cash and due from banks	\$ 18,616	\$ 23,447
Interest bearing deposits with other banks	105,099	81,830
Total cash and cash equivalents	123,715	105,277
Securities - available for sale	161,517	163,169
Securities - held to maturity, fair value of \$26,133 and \$0, respectively	25,796	—
Loans held for sale, at fair value	3,043	1,341
Loans, net of allowance for loan and lease losses of \$12,093 and \$12,567, respectively	1,233,747	1,279,318
Federal Home Loan Bank stock, at cost	4,234	3,818
Premises and equipment, net	19,934	22,227
Other real estate owned, net	7,478	5,177
Goodwill	15,968	15,968
Intangible assets, net	10,909	11,886
Bank-owned life insurance	29,658	29,535
Deferred tax assets, net	15,240	15,945
Other assets	36,556	37,652
Total assets	\$ 1,687,795	\$ 1,691,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest bearing	\$ 160,818	\$ 168,264
Interest bearing	1,099,575	1,080,686
Total deposits	1,260,393	1,248,950
Customer repurchase agreements	9,641	9,317
Federal Home Loan Bank advances	110,000	130,000
Junior subordinated debentures	24,754	24,687
Other liabilities	8,893	10,321
Total liabilities	1,413,681	1,423,275
Commitments and contingencies - See Note 8 and Note 9		
Stockholders' equity - See Note 12		
Preferred Stock Series A	4,550	4,550
Preferred Stock Series B	5,196	5,196
Common stock	181	181
Additional paid-in-capital	194,687	194,297

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Treasury stock, at cost	(597)	(560)
Retained earnings	68,909		64,097	
Accumulated other comprehensive income	1,188		277	
Total stockholders' equity	274,114		268,038	
Total liabilities and stockholders' equity	\$ 1,687,795		\$ 1,691,313	

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Interest and dividend income:		
Loans, including fees	\$ 16,088	\$ 13,239
Factored receivables, including fees	7,822	7,509
Taxable securities	768	678
Tax exempt securities	7	12
Cash deposits	208	141
Total interest income	24,893	21,579
Interest expense:		
Deposits	1,993	1,570
Junior subordinated debentures	302	272
Other borrowings	109	12
Total interest expense	2,404	1,854
Net interest income	22,489	19,725
Provision for loan losses	(511)	645
Net interest income after provision for loan losses	23,000	19,080
Noninterest income:		
Service charges on deposits	659	612
Card income	546	523
Net OREO gains (losses) and valuation adjustments	(11)	26
Net gains on sale of securities	5	—
Net gains on sale of loans	12	542
Fee income	534	422
Bargain purchase gain	—	12,509
Asset management fees	1,629	958
Other	1,607	1,067
Total noninterest income	4,981	16,659
Noninterest expense:		
Salaries and employee benefits	12,252	13,269
Occupancy, furniture and equipment	1,493	1,572
FDIC insurance and other regulatory assessments	224	263
Professional fees	1,073	1,327
Amortization of intangible assets	977	764

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Advertising and promotion	519	543
Communications and technology	1,432	886
Other	2,108	2,159
Total noninterest expense	20,078	20,783
Net income before income tax	7,903	14,956
Income tax expense	2,897	912
Net income	5,006	14,044
Dividends on preferred stock	(194)	(192)
Net income available to common stockholders	\$4,812	\$13,852
Earnings per common share		
Basic	\$0.27	\$0.78
Diluted	\$0.27	\$0.76

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, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Net income	\$5,006	\$14,044
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period	1,456	988
Reclassification of amount realized through sale of securities	(5)	—
Tax effect	(540)	(368)
Total other comprehensive income (loss)	911	620
Comprehensive income	\$5,917	\$14,664

See accompanying condensed notes to consolidated financial statements.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 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		Comprehensive Income	Total Equity	
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	
Stock based compensation	—	—	—	—	—	—	696	—	—	—	—	696	
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(90)	—	(90)	
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(102)	—	(102)	
Net income	—	—	—	—	—	—	—	—	—	14,044	—	14,044	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	620	620	
Balance, March 31, 2015	45,500	\$4,550	51,956	\$5,196	17,963,783	\$180	\$191,745	10,984	\$(161)	\$49,596	\$1,571	\$252,677	
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	
Forfeiture of restricted stock awards	—	—	—	—	(2,777)	—	37	2,777	(37)	—	—	—	
Stock based compensation	—	—	—	—	—	—	353	—	—	—	—	353	
Series A Preferred dividends	—	—	—	—	—	—	—	—	—	(91)	—	(91)	
Series B Preferred dividends	—	—	—	—	—	—	—	—	—	(103)	—	(103)	
Net income	—	—	—	—	—	—	—	—	—	5,006	—	5,006	
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	911	911	

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Balance,

March 31, 2016	45,500	\$4,550	51,956	\$5,196	18,015,423	\$181	\$194,687	37,300	\$(597)	\$68,909	\$1,188	\$274,114
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See accompanying condensed notes to consolidated financial statements.

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TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2016 and 2015

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net income	\$5,006	\$14,044
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	572	528
Net accretion on loans and deposits	(1,190)	(1,194)
Amortization of junior subordinated debentures	67	64
Net amortization on securities	176	160
Amortization of intangible assets	977	764
Deferred taxes	(133)	(58)
Provision for loan losses	(511)	645
Stock based compensation	353	696
Origination of loans held for sale	(891)	(19,276)
Proceeds from loan sales	2,006	19,705
Net gains on sale of securities	(5)	—
Net gains on sale of loans	(12)	(542)
Net OREO (gains) losses and valuation adjustments	11	(26)
Bargain purchase gain	—	(12,509)
(Increase) decrease in other assets	1,272	(172)
Increase (decrease) in other liabilities	(1,428)	1,493
Net cash provided by (used in) operating activities	6,270	4,322
Cash flows from investing activities:		
Purchases of securities available for sale	(3,264)	—
Proceeds from sales of securities available for sale	4,345	—
Proceeds from maturities, calls, and pay downs of securities available for sale	1,829	1,491
Purchases of securities held to maturity	(25,775)	—
Purchases of loans (shared national credits)	(995)	—
Net change in loans	45,253	(5,153)
Purchases of premises and equipment, net	(494)	(311)
Net proceeds from sale of OREO	59	1,955
Purchases of FHLB and FRB stock, net	(416)	437
Cash paid for acquisitions, net of cash acquired	—	(124,990)
Proceeds from sale of loans obtained through Doral Money Inc. acquisition	—	36,765

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Net cash provided by (used in) investing activities	20,542	(89,806)
Cash flows from financing activities:		
Net increase in deposits	11,496	8,530
Increase (decrease) in customer repurchase agreements	324	(616)
Increase (decrease) in Federal Home Loan Bank advances	(20,000)	(3,000)
Proceeds from the issuance of other borrowings	—	99,975
Repayment of other borrowings	—	(1,659)
Dividends on preferred stock	(194)	(192)
Net cash provided by (used in) financing activities	(8,374)	103,038
Net increase (decrease) in cash and cash equivalents	18,438	17,554
Cash and cash equivalents at beginning of period	105,277	160,888
Cash and cash equivalents at end of period	\$123,715	\$178,442
Supplemental cash flow information:		
Interest paid	\$2,348	\$1,856
Income taxes paid	\$1,123	\$528
Supplemental noncash disclosures:		
Loans transferred to OREO	\$156	\$497
Premises transferred to OREO	\$2,215	
Securities transferred in satisfaction of other borrowings	\$—	\$98,316
Loans transferred to Loans held for sale	\$2,805	\$—

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 (“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 months ended March 31, 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.

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. 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)

NOTE 2 – Business combinations

ColoEast Bankshares, Inc.

On March 6, 2016, the Company entered into an agreement to acquire ColoEast Bankshares, Inc. (“ColoEast”) and its community banking subsidiary, Colorado East Bank & Trust, in an all-cash transaction for \$70,000,000. Consideration could be reduced to \$69,000,000 should ColoEast not achieve certain targets. ColoEast had total assets of \$759,000,000, total loans of \$453,000,000, and total deposits of \$664,000,000 as of December 31, 2015. Colorado East Bank & Trust 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 transaction, which is expected to close during the third quarter of 2016, is subject to customary closing conditions, including approval of the merger agreement by ColoEast shareholders and receipt of required regulatory approvals.

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. (“DMI”), 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 at closing of \$133,263,000 and a sales price adjustment of \$2,601,000 which was accrued for at March 31, 2015 and settled on April 7, 2015, for total consideration transferred 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 DMI 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 DMI 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.

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	Measurement Period Adjustments	Adjusted Values
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	Acquisition Date		
Assets acquired:			
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
Liabilities assumed:			
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)

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company completed the acquisition via an FDIC bid process for DMI 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.

The Company incurred pre-tax expenses related to the acquisition of approximately \$243,000 for the three months ended March 31, 2015, which are included in professional fees in the consolidated statements of income.

In addition, during March 2015 the Company sold the loans acquired in the DMI acquisition to third parties for a sales price equal to their acquisition date fair value. No gains or losses were recognized on the sales.

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 March 31, 2016 and December 31, 2015 are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2016				
Available for sale securities:				
U.S. Government agency obligations	\$ 90,460	\$ 1,508	\$ —	\$ 91,968
Mortgage-backed securities, residential	26,667	510	—	27,177
Asset backed securities	13,239	—	(396)	12,843
State and municipal	1,298	29	—	1,327
Corporate bonds	27,786	239	(2)	28,023
SBA pooled securities	177	2	—	179
Total available for sale securities	\$ 159,627	\$ 2,288	\$ (398)	\$ 161,517
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
Held to maturity securities:				
CLO securities	\$ 25,796	\$ 337	\$ —	\$ 26,133

(Dollars in thousands) December 31, 2015	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities:				
U.S. Government agency obligations	\$ 90,533	\$ 518	\$ (17)	\$91,034
Mortgage-backed securities, residential	28,006	361	(27)	28,340
Asset backed securities	17,957	24	(455)	17,526
State and municipal	1,509	17	—	1,526
Corporate bonds	24,542	74	(57)	24,559
SBA pooled securities	183	1	—	184
Total available for sale securities	\$ 162,730	\$ 995	\$ (556)	\$163,169

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The amortized cost and estimated fair value of securities at March 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(Dollars in thousands)	Available for Sale Securities		Held to Maturity Securities	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$20,707	\$20,757	\$—	\$—
Due from one year to five years	96,606	98,273	—	—
Due from five years to ten years	1,562	1,575	—	—
Due after ten years	669	713	25,796	26,133
	119,544	121,318	25,796	26,133
Mortgage-backed securities, residential	26,667	27,177	—	—
Asset backed securities	13,239	12,843	—	—
SBA pooled securities	177	179	—	—
	\$159,627	\$161,517	\$25,796	\$26,133

During the three months ended March 31, 2016, securities were sold resulting in proceeds of \$4,345,000, gross gains of \$5,000, and no losses. There were no sales of securities during the three months ended March 31, 2015.

Securities with a carrying amount of approximately \$82,826,000 and \$100,034,000 at March 31, 2016 and December 31, 2015, respectively, were pledged to secure customer repurchase agreements, Federal Home Loan Bank advances, and for other purposes required or permitted by law.

Information pertaining to securities with gross unrealized losses at March 31, 2016 and December 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are summarized as follows:

(Dollars in thousands)	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2016						
Available for sale securities:						
U.S. Government agency obligations	\$—	\$ —	\$—	\$ —	\$—	\$ —
Mortgage-backed securities, residential	—	—	—	—	—	—
Asset backed securities	12,843	(396)	—	—	12,843	(396)

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State and municipal	—	—	—	—	—	—
Corporate bonds	2,704	(2)	—	—	2,704	(2)
SBA pooled securities	—	—	—	—	—	—
	\$15,547	\$ (398)	\$—	\$ —	\$15,547	\$ (398)

(Dollars in thousands) December 31, 2015	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities:						
U.S. Government agency obligations	\$10,029	\$ (17)	\$—	\$ —	\$10,029	\$ (17)
Mortgage-backed securities, residential	4,948	(27)	—	—	4,948	(27)
Asset backed securities	8,031	(416)	4,605	(39)	12,636	(455)
State and municipal	—	—	—	—	—	—
Corporate bonds	10,434	(57)	—	—	10,434	(57)
SBA pooled securities	—	—	—	—	—	—
	\$33,442	\$ (517)	\$4,605	\$ (39)	\$38,047	\$ (556)

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value.

As of March 31, 2016, management does not have the intent to sell any of the securities classified as available for sale in the table above and believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of March 31, 2016, management believes the unrealized losses detailed in the previous table are temporary and no other than temporary impairment loss has been recognized in the Company's consolidated statements of income.

NOTE 4 - LOANS AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Loans at March 31, 2016 and December 31, 2015 consisted of the following:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Commercial real estate	\$293,485	\$291,819
Construction, land development, land	41,622	43,876
1-4 family residential properties	76,973	78,244
Farmland	33,250	33,573
Commercial	509,433	495,356
Factored receivables	199,532	215,088
Consumer	13,530	13,050
Mortgage warehouse	78,015	120,879
Total	1,245,840	