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 incorporation or organization) | (I.R.S. Employer Identification No.) |

12700 Park Central Drive, Suite 1700

Dallas, Texas 75251

(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

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

1

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 |

| | | |
|---|---|---|
| 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 |

| | | |
|---|---|---|
| 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 | Common Stock | | | Treasury Stock | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount | Shares Outstanding | Par Amount | Additional Paid-in-Capital | 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 | — | — | — | — | — | — | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 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 | (88) | — |
| Net OREO (gains) losses and valuation adjustments | (209) | 88 |
| Gain on sale of subsidiary or division | — | (1,071) |
| Net change in operating leases | 30 | — |
| (Increase) decrease in other assets | (948) | (1,780) |
| Increase (decrease) in other liabilities | 301 | (4,498) |
| Net cash provided by (used in) operating activities | 20,768 | 9,450 |
| Cash flows from investing activities: | | |
| Purchases of securities available for sale | (60,146) | — |
| Proceeds from sales of securities available for sale | 37,467 | 34,196 |
| Proceeds from maturities, calls, and pay downs of securities available for sale | 21,122 | 21,210 |
| Proceeds from maturities, calls, and pay downs of securities held to maturity | 220 | 185 |
| Net change in loans | (4,452) | (62,509) |
| Purchases of premises and equipment, net | (3,500) | (1,181) |
| (Purchases) redemptions of FHLB stock, net | (5,248) | (502) |
| Proceeds from sale of subsidiary or division, net | — | 73,849 |
| Net cash provided by (used in) investing activities | (14,537) | 65,248 |
| Cash flows from financing activities: | | |
| Net increase (decrease) in deposits | (135,909) | (87,850) |
| Increase (decrease) in customer repurchase agreements | (758) | (4,737) |

| | | |
|---|---|---|
| Increase (decrease) in Federal Home Loan Bank advances | 75,000 | (10,000) |
| Stock option exercises | — | (4) |
| Purchase of treasury stock | (7,553) | — |
| Dividends on preferred stock | — | (190) |
| Net cash provided by (used in) financing activities | (69,220) | (102,781) |
| Net increase (decrease) in cash and cash equivalents | (62,989) | (28,083) |
| Cash and cash equivalents at beginning of period | 234,939 | 134,129 |
| Cash and cash equivalents at end of period | $171,950 | $106,046 |

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 |
| Supplemental cash flow information: | | |
| Interest paid | $10,164 | $7,562 |
| Income taxes paid, net | $42 | $48 |
| Cash paid for operating lease liabilities (See Note 1) | $1,023 | $— |
| Supplemental noncash disclosures: | | |
| Loans transferred to OREO | $804 | $83 |
| Lease liabilities arising from obtaining right-of-use assets (See Note 1) | $530 | $— |

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 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").

On March 16, 2018, the Company sold the assets of Triumph Healthcare Finance ("THF") and exited its healthcare asset-based lending line of business. THF operated within the Company's TBK Bank subsidiary. See Note 2 – Business Combinations and Divestitures for details of the THF sale and its impact on our consolidated financial statements.

### Principles of Consolidation and 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, 2018. Operating results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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

### Premises and Equipment

The Company leases certain properties and equipment under operating leases. For leases in effect upon adoption of Accounting Standards Update 2016-02, "Leases (Topic 842)" at January 1, 2019 and for any leases commencing thereafter, the Company recognizes a liability to make lease payments, the "lease liability", and an asset representing the right to use the underlying asset during the lease term, the "right-of-use asset". The lease liability is measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate. The right-of-use asset is measured at the amount of the lease liability adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term, any unamortized initial direct costs, and any impairment of the right-of-use-asset. Operating lease expense consists of a single lease cost calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset.

Certain of the Company’s leases contain options to renew the lease; however, these renewal options are not included in the calculation of the lease liabilities as they are not reasonably certain to be exercised. The Company’s leases do not contain residual value guarantees or material variable lease payments. The Company does not have any material restrictions or covenants imposed by leases that would impact the Company’s ability to pay dividends or cause the Company to incur additional financial obligations.

The Company has made an accounting policy election to not apply the recognition requirements in Topic 842 to short-term leases. The Company has also elected to use the practical expedient to make an accounting policy election for property leases to include both lease and nonlease components as a single component and account for it as a lease.

The Company’s leases are not complex; therefore there were no significant assumptions or judgements made in applying the requirements of Topic 842, including the determination of whether the contracts contained a lease, the allocation of consideration in the contracts between lease and nonlease components, and the determination of the discount rates for the leases.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 new standard was adopted by the Company on January 1, 2019. ASU 2016-02 provides for a modified retrospective transition approach requiring lessees to recognize and measure leases on the balance sheet at the beginning of either the earliest period presented or as of the beginning of the period of adoption. The Company elected to apply ASU 2016-02 as of the beginning of the period of adoption (January 1, 2019) and will not restate comparative periods. Adoption of ASU 2016-02 resulted in the recognition of lease liabilities totaling $21,918,000 and the recognition of right-of-use assets totaling $22,123,000 as of the date of adoption. Lease liabilities and right-of-use assets are reflected in other liabilities and other assets, respectively. The initial balance sheet gross up upon adoption was primarily related to operating leases of certain real estate properties. The Company has no finance leases or material subleases or leasing arrangements for which it is the lessor of property or equipment. The Company has elected to apply the package of practical expedients allowed by the new standard under which the Company need not reassess whether any expired or existing contracts are leases or contain leases, the Company need not reassess the lease classification for any expired or existing lease, and the Company need not reassess initial direct costs for any existing leases. Adoption of ASU 2016-02 is not expected to materially change the Company's recognition of lease expense in future periods. See Note 5 – Premises and Equipment for additional disclosures related to leases.

Newly Issued, But Not Yet Effective Accounting Standards

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"). ASU 2016-13 makes significant changes to the accounting for credit losses on financial instruments and disclosures about them. The new current expected credit loss (CECL) impairment model will require an estimate of expected credit losses, measured over the contractual life of an instrument, which considers reasonable and supportable forecasts of future economic conditions in addition to information about past events and current conditions. The standard provides significant flexibility and requires a high degree of judgment with regards to pooling financial assets with similar risk characteristics, determining the contractual terms of said financial assets and adjusting the relevant historical loss information in order to develop an estimate of expected lifetime losses. In addition, ASU 2016-13 amends the accounting for credit losses on 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. The Company will adopt ASU 2016-13 on January 1, 2020. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018, however, the Company does not currently plan to early adopt the ASU. ASU 2016-13 permits the use of estimation techniques that are practical and relevant to the Company's circumstances, as long as they are applied consistently over time and faithfully estimate expected credit losses in accordance with the standard. The ASU lists several common credit loss methods that are acceptable such as a discounted cash flow (DCF) method, loss-rate method and roll-rate method. Depending on the nature of each identified pool of financial assets with similar risk characteristics, the Company currently plans on implementing a DCF method or a loss-rate method to estimate expected credit losses. The Company expects ASU 2016-13 to have a significant impact on the Company's accounting policies, internal controls over financial reporting and footnote disclosures. The Company has assessed its data and system needs and has begun designing its financial models to estimate expected credit losses in accordance with the standard. Further development, testing and evaluation of said models is required to determine the impact that adoption of this standard will have on the financial condition and results of operations of the Company.

## NOTE 2 – Business combinations AND DIVESTITURES

### First Bancorp of Durango, Inc. and Southern Colorado Corp.

Effective September 8, 2018 the Company acquired (i) First Bancorp of Durango, Inc. (“FBD”) and its community banking subsidiaries, The First National Bank of Durango and Bank of New Mexico and (ii) Southern Colorado Corp. (“SCC”) and its community banking subsidiary, Citizens Bank of Pagosa Springs, in all-cash transactions. The acquisitions expanded the Company’s market in Colorado and into New Mexico and further diversified the Company’s loan, customer, and deposit base.

TRIUMPH BANCORP, INC. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

A summary of the estimate fair values of assets acquired, liabilities assumed, consideration transferred, and the resulting goodwill is as follows:

| (Dollars in thousands) | FBD | SCC | Total |
|---|---|---|---|
| Assets acquired: | | | |
| Cash and cash equivalents | $151,973 | $14,299 | $166,272 |
| Securities | 237,183 | 33,477 | 270,660 |
| Loans held for sale | 1,238 | — | 1,238 |
| Loans | 256,384 | 31,454 | 287,838 |
| FHLB stock | 786 | 129 | 915 |
| Premises and equipment | 7,495 | 840 | 8,335 |
| Other real estate owned | 213 | — | 213 |
| Intangible assets | 11,915 | 2,154 | 14,069 |
| Other assets | 2,715 | 403 | 3,118 |
| | 669,902 | 82,756 | 752,658 |
| Liabilities assumed: | | | |
| Deposits | 601,194 | 73,464 | 674,658 |
| Federal Home Loan Bank advances | 737 | — | 737 |
| Other liabilities | 1,313 | 64 | 1,377 |
| | 603,244 | 73,528 | 676,772 |
| Fair value of net assets acquired | 66,658 | 9,228 | 75,886 |
| Cash consideration transferred | 134,667 | 13,294 | 147,961 |
| Goodwill | $68,009 | $4,066 | $72,075 |

The Company has recognized goodwill of $72,075,000, which was calculated as the excess of both the consideration exchanged and the liabilities assumed as compared to the fair value of identifiable net assets acquired and was allocated to the Company's Banking segment. The goodwill in these acquisitions resulted from expected synergies and expansion in the Colorado market and into the New Mexico market. The goodwill will be deducted for tax purposes. The intangible assets recognized in the transactions will be amortized utilizing an accelerated method over their ten year estimated useful lives. The initial accounting for the acquisitions has not been completed because the fair values of the assets acquired and liabilities assumed have not yet been finalized.

In connection with the acquisitions, the Company acquired loans both with and without evidence of credit quality deterioration since origination. The acquired loans were initially recorded at fair value with no carryover of any allowance for loan and lease losses. Acquired loans were segregated between those considered to be purchased credit impaired ("PCI") loans and those without credit impairment at acquisition. The following table presents details of the estimated fair value of  acquired loans at the acquisition date:

| | Loans Excluding PCI Loans | | PCI Loans | Total Loans |
|---|---|---|---|---|
| (Dollars in thousands) | FBD | SCC | | |