

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 September 30, 2019

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: 001-35913

**TRISTATE CAPITAL HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

20-4929029

(I.R.S. Employer Identification No.)

One Oxford Centre

301 Grant Street, Suite 2700

Pittsburgh, Pennsylvania 15219

(Address of principal executive offices)

(Zip Code)

(412) 304-0304

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	TSC	Nasdaq Global Select Market
Depository Shares, Each Representing a 1/40th Interest in a Share of 6.75% Fixed-to-Floating Rate Series A Non-Cumulative Perpetual Preferred Stock	TSCAP	Nasdaq Global Select Market
Depository Shares, Each Representing a 1/40th Interest in a Share of 6.375% Fixed-to-Floating Rate Series B Non-Cumulative Perpetual Preferred Stock	TSCBP	Nasdaq Global Select Market

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 for 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) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

[Table of Contents](#)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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   
Non-accelerated filer

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

As of October 31, 2019, there were 29,303,970 shares of the registrant’s common stock, no par value, outstanding.

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TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

<b><u>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</u></b>	<b><u>4</u></b>
<b><u>PART I – FINANCIAL INFORMATION</u></b>	
<u>ITEM 1. FINANCIAL STATEMENTS</u>	<u>6</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION</u>	<u>6</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME</u>	<u>7</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</u>	<u>8</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY</u>	<u>9</u>
<u>UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>10</u>
<u>NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>12</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>44</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>76</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>76</u>
<b><u>PART II – OTHER INFORMATION</u></b>	
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>76</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>76</u>
<u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>77</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>77</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>77</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>77</u>
<u>ITEM 6. EXHIBITS</u>	<u>78</u>
<b><u>SIGNATURES</u></b>	<b><u>79</u></b>

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance, as well as our goals and objectives for future operations, financial and business trends, business prospects and management’s outlook or expectations for earnings, revenues, expenses, capital levels, liquidity levels, asset quality or other measures of future financial or business performance, strategies or expectations. These statements are often, but not always, indicated through the use of words or phrases such as “achieve,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “maintain,” “may,” “opportunity,” “outlook,” “plan,” “potential,” “predict,” “projection,” “seek,” “should,” “sustain,” “target,” “trend,” “will,” “will likely result,” and “would,” or the negative version of those words or other comparable statements of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections and beliefs or assumptions made by management, many of which, by their nature, are inherently uncertain. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that change over time and are difficult to predict, including, but not limited to, the following:

- our ability to prudently manage our growth and execute our strategy; including the successful integration of past and future acquisitions, our ability to fully realize the cost savings and other benefits of our acquisitions, manage risks related to business disruption following those acquisitions, and manage customer disintermediation;
- deterioration of our asset quality;
- our level of non-performing assets and the costs associated with resolving problem loans, including litigation and other costs;
- possible loan and lease losses and impairment, changes in the value of collateral securing our loans and leases and the collectability of loans and leases;
- possible changes in the speed of loan prepayments by customers and loan origination or sales volumes;
- business and economic conditions and trends generally and in the financial services industry, nationally and within our local market areas, including the effects of an increase in unemployment levels, slowdowns in economic growth and changes in demand for products or services or the value of assets under management;
- our ability to maintain important deposit customer relationships, our reputation and otherwise avoid liquidity risks;
- changes in management personnel;
- our ability to recruit and retain key employees;
- volatility and direction of interest rates;
- changes in accounting policies, accounting standards, or authoritative accounting guidance, including the current expected credit loss (“CECL”) model, which may increase the level of our allowance for credit losses after adoption on January 1, 2020;
- any impairment of our goodwill or other intangible assets;
- our ability to develop and provide competitive products and services that appeal to our customers and target markets;
- our ability to provide investment management performance competitive with our peers and benchmarks;
- fluctuations in the carrying value of the assets under management held by our Chartwell Investment Partners, LLC subsidiary, as well as the relative and absolute investment performance of such subsidiary’s investment products;
- operational risks associated with our business, including technology and cyber-security related risks;
- increased competition in the financial services industry, particularly from regional and national institutions;
- negative perceptions or publicity with respect to any products or services we offer;
- adverse judgments or other resolutions of pending and future legal proceedings, and costs incurred in defending such proceedings;
- changes in the laws, rules, regulations, interpretations or policies relating to financial institutions, accounting, tax, trade, monetary and fiscal matters, and potential expenses associated with complying with such laws and regulations;
- our ability to comply with applicable capital and liquidity requirements, including our ability to generate liquidity internally or raise capital on favorable terms;
- regulatory limits on our ability to receive dividends from our subsidiaries and pay dividends to shareholders;

[Table of Contents](#)

- further government intervention in the U.S. financial system;
- natural disasters and adverse weather, acts of terrorism, cyber-attacks, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control;
- the effects of any reputation, credit, interest rate, market, operational, legal, liquidity, regulatory or compliance risk resulting from developments related to any of the risks discussed above; and
- other factors that are discussed in the section entitled “*Risk Factors*” in our Annual Report on Form 10-K, filed with the SEC, which is accessible at [www.sec.gov](http://www.sec.gov).

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this document. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Accordingly, you should not place undue reliance on any such forward-looking statements. New factors emerge from time to time, and it is not possible for us to predict which will arise. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
<b>ASSETS</b>		
Cash	\$ 355	\$ 367
Interest-earning deposits with other institutions	378,182	183,625
Federal funds sold	5,411	5,993
Cash and cash equivalents	383,948	189,985
Debt securities available-for-sale, at fair value	261,180	233,296
Debt securities held-to-maturity, at cost	187,210	196,131
Equity securities, at fair value	4,807	12,661
Federal Home Loan Bank stock	15,524	24,671
Total investment securities	468,721	466,759
Loans and leases held-for-investment	6,016,680	5,132,873
Allowance for loan and lease losses	(13,374)	(13,208)
Loans and leases held-for-investment, net	6,003,306	5,119,665
Accrued interest receivable	22,157	20,702
Investment management fees receivable, net	7,453	7,299
Goodwill	41,660	41,660
Intangible assets, net of accumulated amortization of \$9,935 and \$8,429, respectively	24,697	26,203
Office properties and equipment, net of accumulated depreciation of \$13,591 and \$12,385, respectively	7,764	5,126
Operating lease right-of-use asset	23,088	—
Bank owned life insurance	69,607	68,309
Prepaid expenses and other assets	146,048	89,947
<b>Total assets</b>	<b>\$ 7,198,449</b>	<b>\$ 6,035,655</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits	\$ 6,094,605	\$ 5,050,461
Borrowings, net	330,000	404,166
Accrued interest payable on deposits and borrowings	5,705	5,204
Deferred tax liability, net	4,529	3,513
Acquisition earn out liability	—	2,920
Operating lease liability	24,037	—
Other accrued expenses and other liabilities	135,066	90,037
<b>Total liabilities</b>	<b>6,593,942</b>	<b>5,556,301</b>
<b>Shareholders' Equity:</b>		
Preferred stock, no par value; Shares authorized - 150,000; Series A Shares issued and outstanding - 40,250 and 40,250, respectively	38,468	38,468
Series B Shares issued and outstanding - 80,500 and 0, respectively	77,596	—
Common stock, no par value; Shares authorized - 45,000,000; Shares issued - 31,410,262 and 30,893,584, respectively; Shares outstanding - 29,296,970 and 28,878,674, respectively	294,188	293,355
Additional paid-in capital	21,480	15,364
Retained earnings	205,807	164,009
Accumulated other comprehensive income (loss), net	(530)	(1,331)
Treasury stock (2,113,292 and 2,014,910 shares, respectively)	(32,502)	(30,511)
<b>Total shareholders' equity</b>	<b>604,507</b>	<b>479,354</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,198,449</b>	<b>\$ 6,035,655</b>

See accompanying notes to unaudited condensed consolidated financial statements.



**TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Interest income:</b>				
Loans and leases	\$ 61,551	\$ 48,470	\$ 179,392	\$ 132,111
Investments	3,993	2,893	12,497	6,977
Interest-earning deposits	2,188	1,061	5,084	2,536
Total interest income	67,732	52,424	196,973	141,624
<b>Interest expense:</b>				
Deposits	34,114	22,182	95,602	52,279
Borrowings	1,302	1,423	7,380	5,473
Total interest expense	35,416	23,605	102,982	57,752
Net interest income	32,316	28,819	93,991	83,872
Provision (credit) for loan and lease losses	(607)	(234)	(1,696)	376
Net interest income after provision for loan and lease losses	32,923	29,053	95,687	83,496
<b>Non-interest income:</b>				
Investment management fees	8,902	9,828	27,580	28,422
Service charges on deposits	129	146	343	420
Net gain on the sale and call of debt securities	206	—	346	6
Swap fees	4,171	1,881	7,666	5,066
Commitment and other loan fees	464	373	1,251	1,036
Other income	371	523	2,105	1,392
Total non-interest income	14,243	12,751	39,291	36,342
<b>Non-interest expense:</b>				
Compensation and employee benefits	18,707	16,967	52,467	48,177
Premises and occupancy costs	1,704	1,432	4,808	3,986
Professional fees	1,305	889	3,706	3,538
FDIC insurance expense	994	1,053	3,462	3,333
General insurance expense	258	278	811	767
State capital shares tax	(720)	485	40	1,396
Travel and entertainment expense	1,339	986	3,214	2,638
Intangible amortization expense	502	502	1,506	1,465
Other operating expenses	3,684	3,094	12,016	9,554
Total non-interest expense	27,773	25,686	82,030	74,854
Income before tax	19,393	16,118	52,948	44,984
Income tax expense	3,059	1,807	7,359	5,680
Net income	\$ 16,334	\$ 14,311	\$ 45,589	\$ 39,304
Preferred stock dividends	1,962	679	3,791	1,441
Net income available to common shareholders	\$ 14,372	\$ 13,632	\$ 41,798	\$ 37,863
<b>Earnings per common share:</b>				
Basic	\$ 0.52	\$ 0.49	\$ 1.50	\$ 1.37
Diluted	\$ 0.50	\$ 0.47	\$ 1.45	\$ 1.31

See accompanying notes to unaudited condensed consolidated financial statements.

**TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	\$ 16,334	\$ 14,311	\$ 45,589	\$ 39,304
Other comprehensive income (loss):				
Unrealized holding gains (losses) on debt securities, net of tax expense (benefit) of \$272, \$(59), \$1,466 and \$(455), respectively	787	(192)	4,477	(1,517)
Reclassification adjustment for gains included in net income on debt securities, net of tax expense of \$(32), \$0, \$(62) and \$(1), respectively	(101)	—	(198)	(5)
Unrealized holding gains (losses) on derivatives, net of tax expense (benefit) of \$(231), \$37, \$(787) and \$336, respectively	(736)	120	(2,506)	1,103
Reclassification adjustment for gains included in net income on derivatives, net of tax expense of \$(37), \$(96), \$(305) and \$(222), respectively	(120)	(316)	(972)	(730)
Other comprehensive income (loss)	(170)	(388)	801	(1,149)
Total comprehensive income	\$ 16,164	\$ 13,923	\$ 46,390	\$ 38,155

*See accompanying notes to unaudited condensed consolidated financial statements.*

**TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

<i>(Dollars in thousands)</i>	Preferred Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2017	\$ —	\$ 289,507	\$ 10,290	\$ 111,732	\$ 1,246	\$ (23,704)	\$ 389,071
Impact of adoption of ASU 2014-09	—	—	—	534	—	—	534
Reclassification for equity securities under ASU 2016-01	—	—	—	(286)	286	—	—
Reclassification for certain income tax effects under ASU 2018-02	—	—	—	(274)	274	—	—
Net income	—	—	—	39,304	—	—	39,304
Other comprehensive loss	—	—	—	—	(1,149)	—	(1,149)
Issuance of preferred stock (net of offering costs of \$1,782)	38,468	—	—	—	—	—	38,468
Preferred stock dividends	—	—	—	(1,441)	—	—	(1,441)
Exercise of stock options	—	3,314	(1,968)	—	—	—	1,346
Purchase of treasury stock	—	—	—	—	—	(4,584)	(4,584)
Stock-based compensation	—	—	6,071	—	—	—	6,071
Balance, September 30, 2018	\$ 38,468	\$ 292,821	\$ 14,393	\$ 149,569	\$ 657	\$ (28,288)	\$ 467,620
Balance, December 31, 2018	\$ 38,468	\$ 293,355	\$ 15,364	\$ 164,009	\$ (1,331)	\$ (30,511)	\$ 479,354
Net income	—	—	—	45,589	—	—	45,589
Other comprehensive income	—	—	—	—	801	—	801
Issuance of preferred stock (net of offering costs of \$2,904)	77,596	—	—	—	—	—	77,596
Preferred stock dividends	—	—	—	(3,791)	—	—	(3,791)
Exercise of stock options	—	833	(375)	—	—	—	458
Purchase of treasury stock	—	—	—	—	—	(1,991)	(1,991)
Stock-based compensation	—	—	6,491	—	—	—	6,491
Balance, September 30, 2019	\$ 116,064	\$ 294,188	\$ 21,480	\$ 205,807	\$ (530)	\$ (32,502)	\$ 604,507

See accompanying notes to unaudited condensed consolidated financial statements.

**TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 45,589	\$ 39,304
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangible amortization expense	2,711	2,625
Amortization of deferred financing costs	84	152
Provision (credit) for loan losses	(1,696)	376
Net gain on the sale of loans	—	(19)
Stock-based compensation expense	6,491	6,071
Net gain on the sale or call of debt securities available-for-sale	(260)	(3)
Net gain on the call of debt securities held-to-maturity	(86)	(3)
Income from equity securities	(881)	(38)
Net amortization of premiums and discounts on debt securities	40	551
Increase in investment management fees receivable, net	(154)	(346)
Increase in accrued interest receivable	(1,455)	(4,951)
Increase in accrued interest payable	501	1,572
Bank owned life insurance income	(1,298)	(1,285)
Increase in income taxes payable	1,997	—
Increase in prepaid income taxes	9,130	10,790
Deferred tax provision	705	944
Decrease in accounts payable and other accrued expenses	(9,951)	(313)
Other, net	(2,735)	129
Net cash provided by operating activities	48,732	55,556
Cash flows from investing activities:		
Purchase of debt securities available-for-sale	(59,110)	(150,556)
Purchase of debt securities held-to-maturity	(174,614)	(38,928)
Purchase of equity securities	—	(5,200)
Proceeds from the sale of debt securities available-for-sale	4,993	2,037
Proceeds from the sale of equity securities	8,844	—
Principal repayments and maturities of debt securities available-for-sale	32,171	18,657
Principal repayments and maturities of debt securities held-to-maturity	183,585	7,004
Investment in low income housing and historic tax credits	(12,201)	(3,541)
Investment in small business investment companies	(1,043)	(736)
Net redemption (purchase) of Federal Home Loan Bank stock	9,147	(3,087)
Net increase in loans and leases	(881,944)	(582,394)
Proceeds from loan sales	—	7,092
Additions to office properties and equipment	(3,843)	(1,253)
Acquisition	—	(1,335)
Net cash used in investing activities	(894,015)	(752,240)
Cash flows from financing activities:		
Net increase in deposit accounts	1,044,144	766,977
Net decrease in Federal Home Loan Bank advances	(35,000)	(70,000)
Net decrease in line of credit advances	(4,250)	(3,700)
Net proceeds from issuance of preferred stock	77,596	38,468
Repayment of subordinated debt	(35,000)	—
Net proceeds from exercise of stock options	458	1,346
Payment of contingent consideration	(2,920)	—
Purchase of treasury stock	(1,991)	(4,584)
Dividends paid on preferred stock	(3,791)	(1,441)
Net cash provided by financing activities	1,039,246	727,066
Net change in cash and cash equivalents during the period	193,963	30,382
Cash and cash equivalents at beginning of the period	189,985	156,153
Cash and cash equivalents at end of the period	\$ 383,948	\$ 186,535



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<i>(Dollars in thousands)</i>	Nine Months Ended September 30,	
	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest expense	\$ 102,397	\$ 56,028
Income taxes	\$ (4,473)	\$ (6,054)
Other non-cash activity:		
Operating lease right-of-use asset	\$ 23,088	\$ —
Loan foreclosures and repossessions	\$ 1,492	\$ —
Unsettled purchase of debt securities held-to-maturity	\$ —	\$ 5,000
Contingent consideration	\$ —	\$ 3,138

*See accompanying notes to unaudited condensed consolidated financial statements.*

**TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**[1] BASIS OF INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATION**

TriState Capital Holdings, Inc. (“we,” “us,” “our,” the “holding company,” the “parent company,” or the “Company”) is a registered bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. The Company has three wholly owned subsidiaries: TriState Capital Bank, a Pennsylvania-chartered state bank (the “Bank”); Chartwell Investment Partners, LLC, a registered investment adviser (“Chartwell”); and Chartwell TSC Securities Corp., a registered broker/dealer (“CTSC Securities”).

The Bank was established to serve the commercial banking needs of middle-market businesses and private banking needs of high-net-worth individuals. The Bank has two wholly owned subsidiaries: TSC Equipment Finance LLC (“TSC Equipment Finance”), established to hold and manage loans and leases of our equipment finance business, and Meadowood Asset Management, LLC (“Meadowood”), established to hold and manage foreclosed properties for the Bank. Chartwell provides investment management services primarily to institutional investors, mutual funds and individual investors. CTSC Securities supports marketing efforts for the proprietary investment products provided by Chartwell, including shares of mutual funds advised and/or administered by Chartwell.

The Company and the Bank are subject to regulatory examination by the Federal Deposit Insurance Corporation (“FDIC”), the Pennsylvania Department of Banking and Securities and the Board of Governors of the Federal Reserve System and its Reserve Banks, which we refer to as the Federal Reserve. Chartwell is a registered investment adviser regulated by the Securities and Exchange Commission (“SEC”). CTSC Securities is regulated by the SEC and the Financial Industry Regulatory Authority, Inc. (“FINRA”).

The Bank conducts business through its main office located in Pittsburgh, Pennsylvania, as well as its four additional representative offices in Cleveland, Ohio; Philadelphia, Pennsylvania; Edison, New Jersey; and New York, New York. Chartwell conducts business through its office located in Berwyn, Pennsylvania, and CTSC Securities conducts business through its office located in Pittsburgh, Pennsylvania.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of related revenues and expenses during the reporting period. Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be different than those anticipated in the estimates, which could materially affect the financial results of our operations and financial condition.

Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan and lease losses, valuation of goodwill and other intangible assets and their evaluation for impairment, and deferred income taxes and their related recoverability, each of which is discussed later in this section.

**CONSOLIDATION**

Our consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, the Bank, Chartwell and CTSC Securities, after elimination of inter-company accounts and transactions. The accounts of the Bank, in turn, include its wholly owned subsidiaries, TSC Equipment Finance and Meadowood, after elimination of inter-company accounts and transactions. The unaudited condensed consolidated financial statements of the Company presented herein have been prepared pursuant to SEC rules for Quarterly Reports on Form 10-Q and do not include all of the information and note disclosures required by GAAP for a full year presentation. In the opinion of management, all adjustments (consisting of normal, recurring adjustments) and disclosures considered necessary for the fair presentation of the accompanying unaudited condensed consolidated financial statements have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company and the related notes for the fiscal year ended December 31, 2018, included in the Company’s Annual Report on Form 10-K filed with the SEC on February 19, 2019.

**CASH AND CASH EQUIVALENTS**

For purposes of reporting cash flows, the Company has defined cash and cash equivalents as cash, interest-earning deposits with other institutions, federal funds sold and short-term investments that have an original maturity of 90 days or less.

## **BUSINESS COMBINATIONS**

The Company accounts for business combinations using the acquisition method of accounting. Under this method of accounting, the acquired company's net assets are recorded at fair value as of the date of acquisition, and the results of operations of the acquired company are combined with our results from that date forward. Acquisition costs are expensed when incurred. The difference between the purchase price, which includes an initial measurement of any contingent earn out, and the fair value of the net assets acquired (including identified intangibles) is recorded as goodwill in the consolidated statements of financial condition. A change in the initial estimate of any contingent earn out amount is recorded to non-interest expense in the consolidated statements of income.

## **INVESTMENT SECURITIES**

The Company's investments are classified as either: (1) held-to-maturity, which are debt securities that the Company intends to hold until maturity and are reported at amortized cost; (2) trading, which are debt securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in non-interest income; (3) available-for-sale, which are debt securities not classified as either held-to-maturity or trading securities and reported at fair value, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss), on an after-tax basis; or (4) equity securities, which are reported at fair value, with unrealized gains and losses included in non-interest income.

The cost of securities sold is determined on a specific identification basis. Amortization of premiums and accretion of discounts are recorded to interest income on investments over the estimated life of the security utilizing the level yield method. We evaluate impaired investment securities quarterly to determine if impairments are temporary or other-than-temporary. For impaired debt and equity securities, management first determines whether it intends to sell or if it is more likely than not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements, and securities portfolio management. If the Company intends to sell a security with a fair value below amortized cost or if it is more likely than not that it will be required to sell such a security before recovery, an other-than-temporary impairment ("OTTI") charge is recorded through current period earnings for the full decline in fair value below amortized cost. For debt securities that the Company does not intend to sell or it is more likely than not that it will not be required to sell before recovery, an OTTI charge is recorded through current period earnings for the amount of the valuation decline below amortized cost that is attributable to credit losses. The remaining difference between the security's fair value and amortized cost (that is, the decline in fair value not attributable to credit losses) is recognized in other comprehensive income (loss), in the consolidated statements of comprehensive income and the shareholders' equity section of the consolidated statements of financial condition, on an after-tax basis.

## **FEDERAL HOME LOAN BANK STOCK**

The Company is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh. Member institutions are required to invest in FHLB stock. The stock is carried at cost, which approximates its liquidation value, and it is evaluated for impairment based on the ultimate recoverability of the par value. The following matters are considered by management when evaluating the FHLB stock for impairment: the ability of the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB; the impact of legislative and regulatory changes on the institution and its customer base; and the Company's intent and ability to hold its FHLB stock for the foreseeable future. Management believes the Company's holdings in the FHLB stock were recoverable at par value as of September 30, 2019 and December 31, 2018. Cash and stock dividends are reported as interest income on investments in the consolidated statements of income.

## **LOANS AND LEASES**

Loans and leases held-for-investment are stated at unpaid principal balances, net of deferred loan fees and costs. Loans held-for-sale are stated at the lower of cost or fair value. Interest income on loans is accrued at the contractual rate on the principal amount outstanding. Deferred loan fees and costs are amortized to interest income over the estimated life of the loan, taking into consideration scheduled payments and prepayments.

The Company considers a loan to be a troubled debt restructuring ("TDR") when there is a concession made to a financially troubled borrower without adequate consideration provided to the Company. Once a loan is deemed to be a TDR, the Company considers whether the loan should be placed on non-accrual status. In assessing accrual status, the Company considers the likelihood that repayment and performance according to the original contractual terms will be achieved, as well as the borrower's historical payment performance. A loan is designated and reported as a TDR until such loan is either paid off or sold, unless the restructuring agreement specifies an interest rate equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with comparable risk and it is fully expected that the remaining principal and interest will be collected according to the restructured agreement.

The recognition of interest income on a loan is discontinued when, in management's opinion, it is probable the borrower is unable to meet payments as they become due or when the loan becomes 90 days past due, whichever occurs first, at which time the loan is placed on non-accrual status. All accrued and unpaid interest on such loans is then reversed. The interest ultimately collected is applied to reduce principal if there is doubt about the collectability of principal. If a borrower brings a loan current for which accrued

interest has been reversed, then the recognition of interest income on the loan is resumed once the loan has been current for a period of six consecutive months or greater.

The Company is a party to financial instruments with off-balance sheet risk, such as commitments to extend credit, in the normal course of business to meet the financing needs of its customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the lending agreement with such customer. Commitments generally have fixed expiration dates or other termination clauses (i.e., loans due on demand) and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the unfunded commitment amount does not necessarily represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis using the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary by the Company upon extension of a commitment, is based on management's credit evaluation of the borrower.

#### **OTHER REAL ESTATE OWNED**

Real estate owned, other than bank premises, is recorded at fair value less estimated selling costs. Fair value is determined based on an independent appraisal. Expenses related to holding the property are charged against earnings when incurred. Depreciation is not recorded on other real estate owned ("OREO") properties.

#### **ALLOWANCE FOR LOAN AND LEASE LOSSES**

The allowance for loan and lease losses is established through provisions for loan and lease losses that are recorded in the consolidated statements of income. Loans and leases are charged off against the allowance for loan and lease losses when management believes that the principal is uncollectible. If, at a later time, amounts are recovered with respect to loans and leases previously charged off, the recovered amount is credited to the allowance for loan and lease losses.

In management's judgment, the allowance was appropriate to cover probable losses inherent in the loan and lease portfolio as of September 30, 2019 and December 31, 2018. Management's judgment takes into consideration general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. Although management believes it has used the best information available to it in making such determinations, and that the present allowance for loan and lease losses is adequate, future adjustments to the allowance may be necessary, and net income may be adversely affected if circumstances differ substantially from the assumptions used in determining the level of the allowance. In addition, as an integral part of their periodic examination, certain regulatory agencies review the adequacy of the Bank's allowance for loan and lease losses and may direct the Bank to make additions to the allowance based on their judgments about information available to them at the time of their examination.

The two components of the allowance for loan and lease losses represent estimates of general reserves based upon Accounting Standards Codification ("ASC") Topic 450, *Contingencies*; and specific reserves based upon ASC Topic 310, *Receivables*. ASC Topic 450 applies to homogeneous loan pools such as commercial loans, consumer lines of credit and residential mortgages that are not individually evaluated for impairment. ASC Topic 310 is applied to commercial and consumer loans that are individually evaluated for impairment.

In management's opinion, a loan or lease is impaired, based upon current information and events, when it is probable that the loan or lease will not be repaid according to its original contractual terms, including both principal and interest, or if a loan is designated as a TDR. Management performs individual assessments of impaired loans and leases to determine the existence of loss exposure based upon a discounted cash flows method or where a loan is collateral dependent, based upon the fair value of the collateral less estimated selling costs.

In estimating probable loan and lease loss of general reserves, management considers numerous factors, including historical charge-offs and subsequent recoveries. Management also considers qualitative factors that influence our credit quality, including, but not limited to, delinquency and non-performing loan trends, changes in loan underwriting guidelines and credit policies, and the results of internal loan reviews. Finally, management considers the impact of changes in current local and regional economic conditions in the markets that we serve.

Management bases the computation of the allowance for loan and lease losses of general reserves on two factors: the primary factor and the secondary factor. The primary factor is based on the inherent risk identified by management within each of the Company's three loan portfolios based on the historical loss experience of each loan portfolio in addition to the loss emergence period. Management has developed a methodology that is applied to each of the three primary loan portfolios: private banking loans, commercial and industrial ("C&I") loans and leases, and commercial real estate ("CRE") loans. As the loan loss history, mix and risk ratings of each loan portfolio change, the primary factor adjusts accordingly. The allowance for loan and lease losses related to the primary factor is based on our estimates as to probable losses for each loan portfolio. The secondary factor is intended to capture risks related to events and circumstances that management believes have an impact on the performance of the loan portfolio. Although this factor

is more subjective in nature, the methodology focuses on internal and external trends in pre-specified categories, or risk factors, and applies a quantitative percentage that drives the secondary factor. Nine risk factors have been identified and each risk factor is assigned a reserve level based on management's judgment as to the probable impact of each risk factor on each loan portfolio and is monitored on a quarterly basis. As the trend in any risk factor changes, a corresponding change occurs in the reserve associated with each respective risk factor, such that the secondary factor remains current to changes in each loan portfolio.

The Company also maintains a reserve for losses on unfunded commitments. This reserve is reflected as a component of other liabilities and, in management's judgment, is sufficient to cover probable losses inherent in the loan commitments. Management tracks the level and trends in unused commitments and takes into consideration the same factors as those considered for purposes of the allowance for loan and lease losses on outstanding loans.

#### **INVESTMENT MANAGEMENT FEES**

The Company recognizes investment management fee revenue when advisory services are performed. Fees are based on assets under management and are calculated pursuant to individual client contracts. Investment management fees are generally received on a quarterly basis. Certain incremental costs incurred to acquire some of our investment management contracts are deferred and amortized to non-interest expense over the estimated life of the contract.

Investment management fees receivable represent amounts due for contractual investment management services provided to the Company's clients, primarily institutional investors, mutual funds and individual investors. Management performs credit evaluations of its customers' financial condition when it is deemed to be necessary and does not require collateral. The Company provides an allowance for uncollectible accounts based on specifically identified receivables. Bad debt expense is recorded to other non-interest expense on the consolidated statements of income and the allowance for uncollectible accounts is recorded to investment management fees receivable, net on the consolidated statements of financial position. Investment management fees receivable are considered delinquent when payment is not received within contractual terms and are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely and the Company ceases its collection efforts. There was no bad debt expense recorded for the nine months ended September 30, 2019, and 2018 and no allowance for uncollectible accounts as of September 30, 2019 and December 31, 2018.

#### **GOODWILL AND OTHER INTANGIBLE ASSETS**

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is not amortized and is subject to at least annual assessments for impairment by applying a fair value based test. The Company reviews goodwill annually and again at any quarter-end if a material event occurs during the quarter that may affect goodwill. If goodwill testing is required, an assessment of qualitative factors can be completed before performing the two-step goodwill impairment test. If an assessment of qualitative factors determines it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, then the two-step goodwill impairment test is not required. Goodwill is evaluated for potential impairment by determining if the fair value has fallen below carrying value.

Other intangible assets represent purchased assets that may lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. The Company has determined that certain of its acquired mutual fund client relationships meet the criteria to be considered indefinite-lived assets because the Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. Accordingly, the Company does not amortize these intangible assets, but instead reviews these assets annually or more frequently whenever events or circumstances occur indicating that the recorded indefinite-lived assets may be impaired. Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the indefinite life criteria are no longer met. If the indefinite life criteria are no longer met, the Company assesses whether the carrying value of these assets exceeds its fair value. If the carrying value exceeds the fair value of the asset, an impairment loss is recorded in an amount equal to any such excess and the assets are reclassified to finite-lived. Other intangible assets that the Company has determined to have finite lives, such as its trade names, client lists and non-compete agreements are amortized over their estimated useful lives. These finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from four to 25 years. Finite-lived intangibles are evaluated for impairment on an annual basis or more frequently whenever events or circumstances occur indicating that the carrying amount may not be recoverable.

#### **OFFICE PROPERTIES AND EQUIPMENT**

Office properties and equipment are stated at cost less accumulated depreciation. Office properties include furniture, fixtures and leasehold improvements. Equipment includes computer equipment and internal use software. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets, except for leasehold improvements, which are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Estimated useful lives are dependent upon the nature and condition of the asset and range from three to 10 years. Repairs and maintenance are charged to expense as incurred, while improvements that extend the useful life are capitalized and depreciated to non-interest expense over the estimated remaining life of the asset.

## **OPERATING LEASES**

The Company is a lessee in noncancellable operating leases, primarily for its office spaces and other office equipment. The Company accounts for leases in accordance with ASC Topic 842, “Leases,” and records operating leases as a right-of-use asset and an offsetting lease liability in the consolidated statements of financial condition at the present value of the unpaid lease payments. The Company generally uses its incremental borrowing rate as the discount rate for operating leases. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received. For operating leases, the right-of-use asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

## **BANK OWNED LIFE INSURANCE**

Bank owned life insurance (“BOLI”) policies on certain officers and employees are recorded at net cash surrender value on the consolidated statements of financial condition. Upon termination of a BOLI policy, the Company receives the cash surrender value. BOLI benefits are payable to the Company upon the death of the insured. Changes in net cash surrender value are recognized as non-interest income in the consolidated statements of income.

## **DEPOSITS**

Deposits are stated at principal outstanding. Interest on deposits is accrued and charged to interest expense daily and is paid or credited in accordance with the terms of the respective accounts.

## **BORROWINGS**

The Company records FHLB advances, line of credit borrowings and subordinated notes payable at their principal amount net of debt issuance costs. Interest expense is recognized based on the coupon rate of the obligations. Costs associated with the acquisition of subordinated notes payable are amortized to interest expense over the expected term of the borrowing.

## **INCOME TAXES**

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities with regard to a change in tax rates is recognized in income in the period that includes the enactment date. Management assesses all available evidence to determine the amount of deferred tax assets that are more likely than not to be realized. The available evidence used in connection with the assessments includes taxable income in prior periods, projected taxable income, potential tax planning strategies and projected reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo significant change. Changes to the evidence used in the assessments could have a material adverse effect on the Company’s results of operations in the period in which they occur. The Company considers uncertain tax positions that it has taken or expects to take on a tax return. Any interest and penalties related to unrecognized tax benefits would be recognized in income tax expense in the consolidated statements of income.

## **EARNINGS PER COMMON SHARE**

Earnings per common share (“EPS”) is computed using the two-class method, where net income is reduced by dividends declared on our preferred stock to derive net income available to common shareholders. Basic EPS is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, excluding non-vested restricted stock. Diluted EPS reflects the potential dilution upon the exercise of stock options and the vesting of restricted stock awards granted utilizing the treasury stock method.

## **STOCK-BASED COMPENSATION**

Compensation cost for all stock-based payments is based on the estimated grant-date fair value. The value of the portion of the award that is ultimately expected to vest is included in compensation and employee benefits expense in the consolidated statements of income and recorded as a component of additional paid-in capital. Compensation expense for all awards is recognized on a straight-line basis over the requisite service period for the entire grant.

## **DERIVATIVES AND HEDGING ACTIVITIES**

All derivatives are evaluated at inception as to whether or not they are hedging or non-hedging activities. All derivatives are recognized as either assets or liabilities on the consolidated statements of financial condition and measured at fair value. For derivatives designated as fair value hedges, changes in the fair value of the derivative and the hedged item related to the hedged risk are recognized in earnings. Any hedge ineffectiveness would be recognized in the income statement line item pertaining to the hedged item. For derivatives designated as cash flow hedges, changes in fair value of the effective portion of the cash flow hedges are reported in accumulated other comprehensive income (loss). When the cash flows associated with the hedged item are realized, the gain or loss

included in accumulated other comprehensive income (loss) is recognized in the consolidated statements of income. The Company also has interest rate derivative positions that are not designated as hedging instruments. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

#### **FAIR VALUE MEASUREMENT**

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in a principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date, using assumptions market participants would use when pricing such an asset or liability. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale. Fair value measurement and disclosure guidance provides a three-level hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs such as quoted prices for similar assets and liabilities in active markets, quoted prices for similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Fair value must be recorded for certain assets and liabilities every reporting period on a recurring basis or, under certain circumstances, on a non-recurring basis.

#### **ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Unrealized holding gains and the non-credit component of unrealized losses on the Company's debt securities available-for-sale are included in accumulated other comprehensive income (loss), net of applicable income taxes. Also included in accumulated other comprehensive income (loss) is the remaining unamortized balance of the unrealized holding gains (non-credit losses) net of applicable income taxes, that existed on the transfer date for debt securities reclassified into the held-to-maturity category from the available-for-sale category.

Unrealized holding gains (losses) on the effective portion of the Company's cash flow hedge derivatives are included in accumulated other comprehensive income (loss), net of applicable income taxes, which will be reclassified to interest expense as interest payments are made on the Company's debt.

Income tax effects in accumulated other comprehensive income (loss) are released as investments are sold or matured and as liabilities are extinguished.

#### **TREASURY STOCK**

The repurchase of the Company's common stock is recorded at cost. At the time of reissuance, the treasury stock account is reduced using the average cost method. Gains and losses on the reissuance of common stock are recorded in additional paid-in capital, to the extent additional paid-in capital from any previous net gains on treasury share transactions exists. Any net deficiency is charged to retained earnings.

#### **RECENT ACCOUNTING DEVELOPMENTS**

In August 2018, the FASB issued ASU 2018-13, "*Fair Value Measurement (Topic 820)*," which aims to improve the overall usefulness of disclosures to financial statement users and reduce unnecessary costs to companies when preparing fair value measurement disclosures. This ASU is effective for all entities for annual and interim periods in fiscal years beginning after December 15, 2019. Retrospective adoption is required except for the following changes, which are required to be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption: (1) changes in unrealized gains and losses included in other comprehensive income for Level 3 instruments; (2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements; and (3) the narrative description of measurement uncertainty. Early adoption is permitted. An entity may early adopt any eliminated or modified disclosure requirements and delay adoption of the additional disclosure requirements until their effective date. The Company is currently evaluating the impact this standard will have on our results of operations and financial position.

In January 2017, the FASB issued ASU 2017-04, "*Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*," which requires an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The changes are effective for public business entities, for annual and interim periods in fiscal years beginning after December 15, 2019.

All entities may early adopt the standard for goodwill impairment tests with measurement dates after January 1, 2017. The Company is currently evaluating the impact this standard will have on our results of operations and financial position.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. The new impairment methodology, known as the current expected credit loss ("CECL") model, replaces the current incurred loss model and requires financial assets measured at amortized cost basis, such as loans, debt securities, net investments in leases, and off-balance-sheet credit exposures, to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The changes are effective for public business entities that are SEC filers for annual and interim periods in fiscal years beginning after December 15, 2019.

Management created a formal working group, consisting of key stakeholders from finance, risk management and credit management, to govern the implementation of this accounting standard. Management is in the process of designing current expected credit loss estimation methodologies and analyzing data to be able to comply with this standard. Management has engaged a third-party software model to determine the current expected credit loss within the requirements of the accounting standard. Management has begun parallel runs and continue to analyze initial results. Management is also in the process of developing a governance process, a qualitative framework, and an operational and control structure. The adoption of this standard could have a material impact on the Company's financial statements depending on the composition, characteristics and quality of its loan portfolio, as well as the current and forecasted economic conditions as of the date of adoption and thereafter. The Company is continuing to evaluate the quantitative and qualitative effects of the standard on our estimated credit losses, results of operations, financial position and related disclosure.

In February 2016, the FASB issued ASU 2016-02, "Leases," which, among other things, requires lessees to recognize most leases on the balance sheet and disclose key information about leasing arrangements. This has resulted in an increase to a company's reported assets and liabilities. Lessor accounting remains substantially similar to current U.S. GAAP. ASU 2016-02 supersedes Topic 840, "Leases" and replaces it with Topic 842 "Leases." This standard was effective for public business entities, certain not-for-profit entities, and certain employee benefit plans for annual and interim periods in fiscal years beginning after December 15, 2018. This standard 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 with the option to elect certain practical expedients. The Company's operating leases primarily relate to our six office spaces and other office equipment. We have completed our assessment of this standard and have recognized a lease liability and related right-of-use asset on our balance sheet, with no impact on our income statement. The Company adopted this standard and all standards related to Topic 842 on January 1, 2019, and elected to apply it as of the beginning of the period of adoption. Of the optional practical expedients available under ASU 2016-02, all have been adopted except for the hindsight practical expedient.

## **RECLASSIFICATION**

Certain items previously reported have been reclassified to conform with the current year's reporting presentation and are considered immaterial.

## [2] INVESTMENT SECURITIES

Debt securities available-for-sale and held-to-maturity were comprised of the following:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	\$ 183,621	\$ 2,788	\$ 444	\$ 185,965
Trust preferred securities	18,060	—	706	17,354
Agency collateralized mortgage obligations	28,887	17	38	28,866
Agency mortgage-backed securities	18,469	426	—	18,895
Agency debentures	9,486	614	—	10,100
Total debt securities available-for-sale	258,523	3,845	1,188	261,180
Debt securities held-to-maturity:				
Corporate bonds	27,180	585	—	27,765
Agency debentures	136,892	969	105	137,756
Municipal bonds	18,765	150	—	18,915
Agency mortgage-backed securities	4,373	409	—	4,782
Total debt securities held-to-maturity	187,210	2,113	105	189,218
Total debt securities	\$ 445,733	\$ 5,958	\$ 1,293	\$ 450,398

<i>(Dollars in thousands)</i>	December 31, 2018			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	\$ 152,691	\$ 33	\$ 1,661	\$ 151,063
Trust preferred securities	17,964	—	1,115	16,849
Non-agency collateralized loan obligations	393	—	3	390
Agency collateralized mortgage obligations	33,680	42	4	33,718
Agency mortgage-backed securities	21,575	37	348	21,264
Agency debentures	9,994	67	49	10,012
Total debt securities available-for-sale	236,297	179	3,180	233,296
Debt securities held-to-maturity:				
Corporate bonds	27,184	353	22	27,515
Agency debentures	141,575	472	34	142,013
Municipal bonds	22,963	11	61	22,913
Agency mortgage-backed securities	4,409	—	27	4,382
Total debt securities held-to-maturity	196,131	836	144	196,823
Total debt securities	\$ 432,428	\$ 1,015	\$ 3,324	\$ 430,119

Interest income on investment securities was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Taxable interest income	\$ 3,521	\$ 2,408	\$ 11,034	\$ 5,722
Non-taxable interest income	90	101	295	317
Dividend income	382	384	1,168	938
Total interest income on investment securities	\$ 3,993	\$ 2,893	\$ 12,497	\$ 6,977

As of September 30, 2019, the contractual maturities of the debt securities were:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in less than one year	\$ 45,082	\$ 45,284	\$ 3,306	\$ 3,316
Due from one to five years	107,420	109,664	20,622	20,892
Due from five to ten years	40,983	40,816	127,952	128,597
Due after ten years	65,038	65,416	35,330	36,413
<b>Total debt securities</b>	<b>\$ 258,523</b>	<b>\$ 261,180</b>	<b>\$ 187,210</b>	<b>\$ 189,218</b>

The \$65.4 million fair value of debt securities available-for-sale with a contractual maturity due after 10 years as of September 30, 2019, included \$38.6 million, or 58.9%, that are floating-rate securities. The \$128.0 million amortized cost of debt securities held-to-maturity with a contractual maturity due from five to 10 years as of September 30, 2019, included \$20.8 million that have call provisions within the next four years that would either mature, if called, or become floating-rate securities after the call date.

Prepayments may shorten the contractual lives of the collateralized mortgage obligations, mortgage-backed securities and collateralized loan obligations.

Proceeds from the sale and call of debt securities available-for-sale and held-to-maturity and related gross realized gains and losses were:

<i>(Dollars in thousands)</i>	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Three Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
Proceeds from sales	\$ —	\$ —	\$ —	\$ —	\$ 4,993	\$ 2,037	\$ —	\$ —
Proceeds from calls	9,435	—	63,529	—	13,517	4,081	180,824	1,000
<b>Total proceeds</b>	<b>\$ 9,435</b>	<b>\$ —</b>	<b>\$ 63,529</b>	<b>\$ —</b>	<b>\$ 18,510</b>	<b>\$ 6,118</b>	<b>\$ 180,824</b>	<b>\$ 1,000</b>
Gross realized gains	\$ 134	\$ —	\$ 72	\$ —	\$ 260	\$ 6	\$ 86	\$ 3
Gross realized losses	—	—	—	—	—	3	—	—
<b>Net realized gains</b>	<b>\$ 134</b>	<b>\$ —</b>	<b>\$ 72</b>	<b>\$ —</b>	<b>\$ 260</b>	<b>\$ 3</b>	<b>\$ 86</b>	<b>\$ 3</b>

Debt securities available-for-sale of \$3.0 million as of September 30, 2019, were held in safekeeping at the FHLB and were included in the calculation of borrowing capacity.

The following tables show the fair value and gross unrealized losses on temporarily impaired debt securities available-for-sale and held-to-maturity, by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of September 30, 2019 and December 31, 2018, respectively:

<i>(Dollars in thousands)</i>	September 30, 2019					
	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>Debt securities available-for-sale:</b>						
Corporate bonds	\$ —	\$ —	\$ 20,660	\$ 444	\$ 20,660	\$ 444
Trust preferred securities	17,353	706	—	—	17,353	706
Agency collateralized mortgage obligations	22,319	29	2,720	9	25,039	38
<b>Total debt securities available-for-sale</b>	<b>39,672</b>	<b>735</b>	<b>23,380</b>	<b>453</b>	<b>63,052</b>	<b>1,188</b>
<b>Debt securities held-to-maturity:</b>						
Agency debentures	31,922	105	—	—	31,922	105
<b>Total debt securities held-to-maturity</b>	<b>31,922</b>	<b>105</b>	<b>—</b>	<b>—</b>	<b>31,922</b>	<b>105</b>
<b>Total temporarily impaired debt securities<sup>(1)</sup></b>	<b>\$ 71,594</b>	<b>\$ 840</b>	<b>\$ 23,380</b>	<b>\$ 453</b>	<b>\$ 94,974</b>	<b>\$ 1,293</b>

<sup>(1)</sup> The number of investment positions with unrealized losses totaled 20 for available-for-sale securities and 4 for held-to-maturity securities.

<i>(Dollars in thousands)</i>	December 31, 2018					
	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities available-for-sale:						
Corporate bonds	\$ 110,200	\$ 789	\$ 22,954	\$ 872	\$ 133,154	\$ 1,661
Trust preferred securities	16,849	1,115	—	—	16,849	1,115
Non-agency collateralized loan obligations	—	—	390	3	390	3
Agency collateralized mortgage obligations	—	—	3,015	4	3,015	4
Agency mortgage-backed securities	5,851	51	8,690	297	14,541	348
Agency debentures	3,487	49	—	—	3,487	49
Total debt securities available-for-sale	136,387	2,004	35,049	1,176	171,436	3,180
Debt securities held-to-maturity:						
Corporate bonds	3,978	22	—	—	3,978	22
Agency debentures	1,952	34	—	—	1,952	34
Municipal bonds	16,105	51	2,110	10	18,215	61
Agency mortgage-backed securities	4,382	27	—	—	4,382	27
Total debt securities held-to-maturity	26,417	134	2,110	10	28,527	144
Total temporarily impaired debt securities <sup>(1)</sup>	\$ 162,804	\$ 2,138	\$ 37,159	\$ 1,186	\$ 199,963	\$ 3,324

<sup>(1)</sup> The number of investment positions with unrealized losses totaled 78 for available-for-sale securities and 29 for held-to-maturity securities.

The changes in the fair values of our municipal bonds, agency debentures, agency collateralized mortgage obligations and agency mortgage-backed securities are primarily the result of interest rate fluctuations. To assess for credit impairment, management evaluates the underlying issuer's financial performance and the related credit rating information through a review of publicly available financial statements and other publicly available information. The most recent assessment for credit impairment did not identify any issues related to the ultimate repayment of principal and interest on these debt securities. In addition, the Company has the ability and intent to hold debt securities in an unrealized loss position until recovery of their amortized cost. Based on this, the Company considers all of the unrealized losses to be temporary.

There were no outstanding debt securities classified as trading as of September 30, 2019 and December 31, 2018.

Equity securities as of September 30, 2019, consisted of an investment in a mid-cap value equity mutual fund. There were \$4.8 million and \$12.7 million in equity securities outstanding as of September 30, 2019 and December 31, 2018, respectively.

There was \$15.5 million and \$24.7 million in FHLB stock outstanding as of September 30, 2019 and December 31, 2018, respectively.

### [3] LOANS AND LEASES

The Company generates loans through the private banking and middle-market banking channels. The private banking channel primarily includes loans made to high-net-worth individuals, trusts and businesses that are typically secured by cash, marketable securities and/or cash value life insurance. The middle-market banking channel consists of our C&I loan and lease portfolio and CRE loan portfolio, which serve middle-market businesses and real estate developers in our primary markets.

Loans and leases held-for-investment were comprised of the following:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Loans and leases held-for-investment, before deferred fees and costs	\$ 3,361,987	\$ 989,769	\$ 1,660,564	\$ 6,012,320
Deferred loan costs (fees)	6,155	2,739	(4,534)	4,360
Loans and leases held-for-investment, net of deferred fees and costs	3,368,142	992,508	1,656,030	6,016,680
Allowance for loan and lease losses	(1,851)	(5,316)	(6,207)	(13,374)
Loans and leases held-for-investment, net	\$ 3,366,291	\$ 987,192	\$ 1,649,823	\$ 6,003,306

	December 31, 2018				
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total	
<i>(Dollars in thousands)</i>					
Loans and leases held-for-investment, before deferred fees and costs	\$ 2,864,094	\$ 781,836	\$ 1,482,148	\$ 5,128,078	
Deferred loan costs (fees)	5,449	3,484	(4,138)	4,795	
Loans and leases held-for-investment, net of deferred fees and costs	2,869,543	785,320	1,478,010	5,132,873	
Allowance for loan and lease losses	(1,942)	(5,764)	(5,502)	(13,208)	
Loans and leases held-for-investment, net	\$ 2,867,601	\$ 779,556	\$ 1,472,508	\$ 5,119,665	

The Company's customers have unused loan commitments based on the availability of eligible collateral or other terms and conditions under their loan agreements. Often these commitments are not fully utilized and therefore the total amount does not necessarily represent future cash requirements. The amount of unfunded commitments, including standby letters of credit, as of September 30, 2019 and December 31, 2018, was \$4.54 billion and \$3.54 billion, respectively. The interest rate for each commitment is based on the prevailing market conditions at the time of funding. The reserve for losses on unfunded commitments was \$595,000 and \$542,000 as of September 30, 2019 and December 31, 2018, respectively, which includes reserves for probable losses on unfunded loan commitments, including standby letters of credit and also risk participations.

The total unfunded commitments above included loans in the process of origination totaling approximately \$36.1 million and \$64.4 million as of September 30, 2019 and December 31, 2018, respectively, which extend over varying periods of time.

The Company issues standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. The Company would be required to perform under a standby letter of credit when drawn upon by the guaranteed party in the case of non-performance by the Company's customer. Collateral may be obtained based on management's credit assessment of the customer. The amount of unfunded commitments related to standby letters of credit as of September 30, 2019 and December 31, 2018, included in the total unfunded commitments above, was \$71.1 million and \$60.0 million, respectively. Should the Company be obligated to perform under any standby letters of credit, the Company will seek repayment from the customer for amounts paid. During the nine months ended September 30, 2019 and 2018, there were draws on letters of credit totaling \$135,000 and \$6.0 million, respectively, which were repaid by the borrowers. Most of these commitments are expected to expire without being drawn upon and the total amount does not necessarily represent future cash requirements. The potential liability for losses on standby letters of credit was included in the reserve for losses on unfunded commitments.

The Company has entered into risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which we are a participant. The risk participation agreements provide credit protection to the financial institution counterparties should the customers fail to perform on their interest rate derivative contracts. The potential liability for outstanding obligations was included in the reserve for losses on unfunded commitments.

#### 4] ALLOWANCE FOR LOAN AND LEASE LOSSES

Our allowance for loan and lease losses represents our estimate of probable loan and lease losses inherent in the portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans and leases, as well as estimated probable credit losses inherent in the remainder of the loan and lease portfolio. Additions are made to the allowance through both periodic provisions recorded in the consolidated statements of income and recoveries of losses previously incurred. Reductions to the allowance occur as loans and leases are charged off or when the credit history of any of the Company's three loan portfolios (private banking loans, C&I loans and leases, and CRE loans) improves. Management evaluates the adequacy of the allowance quarterly, and in doing so relies on various factors including, but not limited to, assessment of historical loss experience, delinquency and non-accrual trends, portfolio growth, underlying collateral coverage and current economic conditions. This evaluation is subjective and requires material estimates that may change over time. In addition, management evaluates the overall methodology for the allowance for loan and lease losses on an annual basis. The calculation of the allowance for loan and lease losses takes into consideration the inherent risk identified within each of the Company's three loan portfolios. In addition, management considers the historical loss experience of each loan portfolio to ensure that the allowance for loan and lease losses is sufficient to cover probable losses inherent in such loan portfolios. Refer to Note 1, Summary of Significant Accounting Policies, to our unaudited condensed consolidated financial statements for more details on the Company's allowance for loan and lease losses policy.

The following discusses key characteristics and risks within each primary loan portfolio:

***Private Banking Loans***

Our private banking lending activities are conducted on a national basis. This loan portfolio primarily includes loans made to high-net-worth individuals, trusts and businesses that are typically secured by cash, marketable securities and/or cash value life insurance. This portfolio also has some loans that are secured by residential real estate or other financial assets, lines of credit and unsecured loans. The primary sources of repayment for these loans are the income and/or assets of the borrower.

The underlying collateral is the most important indicator of risk for this loan portfolio. The overall lower risk profile of this portfolio is driven by loans secured by cash, marketable securities and/or cash value life insurance, which were 97.2% and 96.7% of total private banking loans as of September 30, 2019 and December 31, 2018, respectively.

***Middle-Market Banking: Commercial and Industrial Loans and Leases***

This loan portfolio primarily includes loans and leases made to financial and other service companies or manufacturers generally for the purposes of financing production, operating capacity, accounts receivable, inventory, equipment, acquisitions and recapitalizations. Cash flow from the borrower's operations is the primary source of repayment for these loans and leases, except for certain commercial loans that are secured by marketable securities.

The borrower's industry and local and regional economic conditions are important indicators of risk for this loan portfolio. Collateral for these types of loans at times does not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. C&I loans collateralized by marketable securities are treated the same as private banking loans for purposes of the allowance for loan and lease loss calculation.

***Middle-Market Banking: Commercial Real Estate Loans***

This loan portfolio includes loans secured by commercial purpose real estate, including both owner-occupied properties and investment properties for various purposes including office, industrial, multifamily, retail, hospitality, healthcare and self-storage. The primary source of repayment for CRE loans secured by owner-occupied properties is cash flow from the borrower's operations. Individual project cash flows, global cash flows and liquidity from the developer, or the sale of the property are the primary sources of repayment for CRE loans secured by investment properties. Also included are commercial construction loans to finance the construction or renovation of structures as well as to finance the acquisition and development of raw land for various purposes. The increased level of risk for these loans is generally confined to the construction period. If problems arise, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal.

The underlying purpose and collateral of the loans are important indicators of risk for this loan portfolio. Additional risks exist and are dependent on several factors such as the condition of the local and regional economies, whether or not the project is owner-occupied, the type of project, and the experience and resources of the developer.

On a monthly basis, management monitors various credit quality indicators for the loan portfolio, including delinquency, non-performing status, changes in risk ratings, changes in the underlying performance of the borrowers and other relevant factors. On a daily basis, the Company monitors the collateral of loans secured by cash, marketable securities and/or cash value life insurance within the private banking portfolio, which further reduces the risk profile of that portfolio. Refer to Note 1, Summary of Significant Accounting Policies, to our unaudited condensed consolidated financial statements for the Company's policy for determining past due status of loans.

Loan risk ratings are assigned based upon the creditworthiness of the borrower and the quality of the collateral for loans secured by marketable securities. Loan risk ratings are reviewed on an ongoing basis according to internal policies. Loans within the pass rating are believed to have a lower risk of loss than loans that are risk rated as special mention, substandard or doubtful, which are believed to have an increasing risk of loss. Our internal risk ratings are consistent with regulatory guidance. Management also monitors the loan portfolio through a formal periodic review process. All non-pass rated loans are reviewed monthly and higher risk-rated loans within the pass category are reviewed three times a year.

The Company's risk ratings are consistent with regulatory guidance and are as follows:

***Pass*** – The loan is currently performing in accordance with its contractual terms.

***Special Mention*** – A special mention loan has potential weaknesses that warrant management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects or in our credit position at some future date. Economic and market conditions beyond the customer's control may in the future necessitate this classification.

**Substandard** – A substandard loan is not adequately protected by the net worth and/or paying capacity of the obligor or by the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. These loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

**Doubtful** – A doubtful loan has all the weaknesses inherent in a loan categorized as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The following tables present the recorded investment in loans by credit quality indicator:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Pass	\$ 3,364,566	\$ 976,204	\$ 1,649,303	\$ 5,990,073
Special mention	3,392	9,745	6,467	19,604
Substandard	184	6,559	260	7,003
Loans and leases held-for-investment	\$ 3,368,142	\$ 992,508	\$ 1,656,030	\$ 6,016,680

<i>(Dollars in thousands)</i>	December 31, 2018			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Pass	\$ 2,864,774	\$ 767,540	\$ 1,475,793	\$ 5,108,107
Special mention	2,532	12,636	2,217	17,385
Substandard	2,237	5,144	—	7,381
Loans and leases held-for-investment	\$ 2,869,543	\$ 785,320	\$ 1,478,010	\$ 5,132,873

Changes in the allowance for loan and lease losses were as follows for the three months ended September 30, 2019 and 2018:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2019			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 2,140	\$ 5,911	\$ 5,965	\$ 14,016
Provision (credit) for loan losses	(177)	(672)	242	(607)
Charge-offs	(112)	—	—	(112)
Recoveries	—	77	—	77
Balance, end of period	\$ 1,851	\$ 5,316	\$ 6,207	\$ 13,374

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2018			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 1,557	\$ 8,786	\$ 4,978	\$ 15,321
Provision (credit) for loan losses	337	(838)	267	(234)
Charge-offs	—	(2,068)	—	(2,068)
Recoveries	—	564	—	564
Balance, end of period	\$ 1,894	\$ 6,444	\$ 5,245	\$ 13,583

Changes in the allowance for loan and lease losses were as follows for the nine months ended September 30, 2019 and 2018:

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2019			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 1,942	\$ 5,764	\$ 5,502	\$ 13,208
Provision (credit) for loan losses	21	(2,422)	705	(1,696)
Charge-offs	(112)	—	—	(112)
Recoveries	—	1,974	—	1,974
Balance, end of period	\$ 1,851	\$ 5,316	\$ 6,207	\$ 13,374

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2018			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 1,577	\$ 8,043	\$ 4,797	\$ 14,417
Provision (credit) for loan losses	317	(389)	448	376
Charge-offs	—	(2,068)	—	(2,068)
Recoveries	—	858	—	858
Balance, end of period	\$ 1,894	\$ 6,444	\$ 5,245	\$ 13,583

The following tables present the age analysis of past due loans and leases segregated by class:

<i>(Dollars in thousands)</i>	September 30, 2019					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	\$ —	\$ 808	\$ 184	\$ 992	\$ 3,367,150	\$ 3,368,142
Commercial and industrial	—	—	—	—	992,508	992,508
Commercial real estate	—	—	—	—	1,656,030	1,656,030
Loans and leases held-for-investment	\$ —	\$ 808	\$ 184	\$ 992	\$ 6,015,688	\$ 6,016,680

<i>(Dollars in thousands)</i>	December 31, 2018					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	\$ 1,040	\$ 173	\$ 2,000	\$ 3,213	\$ 2,866,330	\$ 2,869,543
Commercial and industrial	—	—	—	—	785,320	785,320
Commercial real estate	—	—	—	—	1,478,010	1,478,010
Loans and leases held-for-investment	\$ 1,040	\$ 173	\$ 2,000	\$ 3,213	\$ 5,129,660	\$ 5,132,873

#### *Non-Performing and Impaired Loans*

Management monitors the delinquency status of the Company's loan portfolio on a monthly basis. Loans are considered non-performing when interest and principal are 90 days or more past due or management has determined that it is probable the borrower is unable to meet payments as they become due. The risk of loss is generally highest for non-performing loans.

Management determines loans to be impaired when, based upon current information and events, it is probable that the loan will not be repaid according to the original contractual terms of the loan agreement, including both principal and interest, or if a loan is designated as a TDR. Refer to Note 1, Summary of Significant Accounting Policies, to our unaudited condensed consolidated financial statements for the Company's policy on evaluating loans for impairment and interest income.

[Table of Contents](#)

The following tables present the Company's investment in loans considered to be impaired and related information on those impaired loans:

<i>(Dollars in thousands)</i>	As of and for the Nine Months Ended September 30, 2019				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Private banking	\$ 171	\$ 193	\$ 171	\$ 171	\$ —
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total with a related allowance recorded	171	193	171	171	—
Without a related allowance recorded:					
Private banking	13	13	—	13	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total without a related allowance recorded	13	13	—	13	—
Total:					
Private banking	184	206	171	184	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total	\$ 184	\$ 206	\$ 171	\$ 184	\$ —

<i>(Dollars in thousands)</i>	As of and for the Twelve Months Ended December 31, 2018				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Private banking	\$ 2,237	\$ 2,421	\$ 437	\$ 2,293	\$ —
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total with a related allowance recorded	2,237	2,421	437	2,293	—
Without a related allowance recorded:					
Private banking	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total without a related allowance recorded	—	—	—	—	—
Total:					
Private banking	2,237	2,421	437	2,293	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total	\$ 2,237	\$ 2,421	\$ 437	\$ 2,293	\$ —

Impaired loans as of September 30, 2019 and December 31, 2018, were \$184,000 and \$2.2 million, respectively. There was no interest income recognized on impaired loans that were also on non-accrual status for the nine months ended September 30, 2019, and the twelve months ended December 31, 2018. As of September 30, 2019 and December 31, 2018, there were no loans 90 days or more past due and still accruing interest income.

Impaired loans were evaluated using a discounted cash flow method or based on the fair value of the collateral less estimated selling costs. Based on those evaluations there were specific reserves totaling \$171,000 and \$437,000 as of September 30, 2019 and December 31, 2018, respectively.

The following tables present the allowance for loan and lease losses and recorded investment in loans by class:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Allowance for loan and lease losses:				
Individually evaluated for impairment	\$ 171	\$ —	\$ —	\$ 171
Collectively evaluated for impairment	1,680	5,316	6,207	13,203
Total allowance for loan and lease losses	\$ 1,851	\$ 5,316	\$ 6,207	\$ 13,374
Loans and leases held-for-investment:				
Individually evaluated for impairment	\$ 184	\$ —	\$ —	\$ 184
Collectively evaluated for impairment	3,367,958	992,508	1,656,030	6,016,496
Loans and leases held-for-investment	\$ 3,368,142	\$ 992,508	\$ 1,656,030	\$ 6,016,680

<i>(Dollars in thousands)</i>	December 31, 2018			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Allowance for loan and lease losses:				
Individually evaluated for impairment	\$ 437	\$ —	\$ —	\$ 437
Collectively evaluated for impairment	1,505	5,764	5,502	12,771
Total allowance for loan and lease losses	\$ 1,942	\$ 5,764	\$ 5,502	\$ 13,208
Loans and leases held-for-investment:				
Individually evaluated for impairment	\$ 2,237	\$ —	\$ —	\$ 2,237
Collectively evaluated for impairment	2,867,306	785,320	1,478,010	5,130,636
Loans and leases held-for-investment	\$ 2,869,543	\$ 785,320	\$ 1,478,010	\$ 5,132,873

#### *Troubled Debt Restructuring*

The following table provides additional information on the Company's loans designated as troubled debt restructurings:

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
Aggregate recorded investment of impaired loans with terms modified through a troubled debt restructuring:		
Performing loans accruing interest	\$ —	\$ —
Non-accrual loans	171	237
Total troubled debt restructurings	\$ 171	\$ 237

There were no unused commitments on loans designated as troubled debt restructurings as of September 30, 2019 and December 31, 2018.

The modifications made to restructured loans typically consist of an extension of the payment terms or the deferral of principal payments. There were no loans modified as TDRs within 12 months of the corresponding balance sheet date with a payment default during the nine months ended September 30, 2019 and 2018.

There were no loans newly designated as TDRs during the nine months ended September 30, 2019 and 2018.

#### *Other Real Estate Owned*

As of September 30, 2019 and December 31, 2018, the balance of the other real estate owned portfolio was \$4.3 million and \$3.4 million, respectively. During the three and nine months ended September 30, 2019, collateral related to an impaired loan was transferred to OREO at a fair value of \$1.5 million based on the appraised value, less estimated selling costs. In addition, a property was sold from other real estate owned totaling \$169,000 with a net loss of \$97,000 during the nine months ended September 30, 2019. There were no residential mortgage loans in the process of foreclosure as of September 30, 2019.

## [5] OPERATING LEASES

The Company has noncancellable operating leases primarily for its six office spaces and other office equipment that expire between 2019 and 2036. These leases generally contain renewal options for periods ranging from one to five years. Because the Company is not reasonably certain that it will exercise these renewal options, the options are not considered in determining the lease terms and associated potential option payments are excluded from lease payments. The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments and, for many of the Company's leases, variable payments. Variable payments for office space leases include the Company's proportionate share of the building's property taxes, insurance and common area maintenance. For office equipment leases for which the Company has elected not to separate lease and nonlease components, maintenance services are provided by the lessor at a fixed cost and are included in the fixed lease payments for the single, combined lease component.

Operating lease cost for the three and nine months ended September 30, 2019, was \$805,000 and \$2.0 million, respectively. As of September 30, 2019, the weighted average remaining lease term was 14.1 years and the weighted average discount rate as 4.25%.

Maturities of lease liabilities under noncancellable leases as of September 30, 2019, are as follows:

<i>(Dollars in thousands)</i>	Amount
September 30,	
2020	\$ 2,594
2021	2,637
2022	2,621
2023	2,151
2024	2,046
Thereafter	20,709
Total undiscounted lease payments	\$ 32,758
Imputed interest	(8,721)
Operating lease liability	\$ 24,037

## [6] DEPOSITS

As of September 30, 2019 and December 31, 2018, deposits were comprised of the following:

<i>(Dollars in thousands)</i>	Interest Rate Range	Weighted Average Interest Rate		Balance	
	September 30, 2019	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Demand and savings accounts:					
Noninterest-bearing checking accounts	—	—	—	\$ 312,285	\$ 258,268
Interest-bearing checking accounts	0.05 to 3.15%	1.83%	2.29%	1,333,189	778,131
Money market deposit accounts	0.10 to 3.25%	2.10%	2.45%	3,149,346	2,781,870
Total demand and savings accounts				4,794,820	3,818,269
Certificates of deposit	1.29 to 3.25%	2.50%	2.39%	1,299,785	1,232,192
Total deposits				\$ 6,094,605	\$ 5,050,461
Weighted average rate on interest-bearing accounts		2.13%	2.41%		

As of September 30, 2019 and December 31, 2018, the Bank had total brokered deposits of \$618.1 million and \$641.4 million, respectively. Reciprocal deposits through Certificate of Deposit Account Registry Service<sup>®</sup> ("CDARS<sup>®</sup>") and Insured Cash Sweep<sup>®</sup> ("ICS<sup>®</sup>") totaled \$883.6 million and \$565.3 million as of September 30, 2019 and December 31, 2018, respectively, and were considered non-brokered.

As of September 30, 2019 and December 31, 2018, certificates of deposit with balances of \$100,000 or more, excluding brokered and reciprocal deposits, totaled \$552.3 million and \$569.8 million, respectively. As of September 30, 2019 and December 31, 2018, certificates of deposit with balances of \$250,000 or more, excluding brokered and reciprocal deposits, totaled \$223.7 million and \$230.0 million.

The contractual maturity of certificates of deposit was as follows:

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
12 months or less	\$ 1,082,409	\$ 992,468
12 months to 24 months	176,331	181,456
24 months to 36 months	41,045	58,268
<b>Total</b>	<b>\$ 1,299,785</b>	<b>\$ 1,232,192</b>

Interest expense on deposits was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest-bearing checking accounts	\$ 5,795	\$ 3,267	\$ 15,303	\$ 7,464
Money market deposit accounts	18,870	12,428	53,608	30,263
Certificates of deposit	9,449	6,487	26,691	14,552
<b>Total interest expense on deposits</b>	<b>\$ 34,114</b>	<b>\$ 22,182</b>	<b>\$ 95,602</b>	<b>\$ 52,279</b>

## [7] BORROWINGS

As of September 30, 2019 and December 31, 2018, borrowings were comprised of the following:

<i>(Dollars in thousands)</i>	September 30, 2019			December 31, 2018		
	Interest Rate	Ending Balance	Maturity Date	Interest Rate	Ending Balance	Maturity Date
FHLB borrowings:						
FHLB line of credit	2.08%	\$ 130,000	5/1/2020	2.62%	\$ 250,000	5/1/2019
Issued 9/3/2019	2.26%	150,000	12/2/2019		—	
Issued 7/8/2019	2.50%	50,000	10/8/2019		—	
Issued 12/31/2018		—		2.65%	65,000	1/2/2019
Issued 10/10/2018		—		2.54%	50,000	1/8/2019
Line of credit borrowings		—		5.47%	4,250	9/28/2019
Subordinated notes payable (net of debt issuance costs of \$0 and \$84)		—		5.75%	34,916	7/1/2019
<b>Total borrowings, net</b>		<b>\$ 330,000</b>			<b>\$ 404,166</b>	

The Bank's FHLB borrowing capacity is based on the collateral value of certain securities held in safekeeping at the FHLB and loans pledged to the FHLB. The Bank submits a quarterly Qualifying Collateral Report ("QCR") to the FHLB to update the value of the loans pledged. As of September 30, 2019, the Bank's borrowing capacity is based on the information provided in the June 30, 2019, QCR filing. As of September 30, 2019, the Bank had securities held in safekeeping at the FHLB with a fair value of \$3.0 million, combined with pledged loans of \$1.18 billion, for a gross borrowing capacity of \$843.0 million, of which \$330.0 million was outstanding in advances. As of December 31, 2018, there was \$365.0 million outstanding in advances from the FHLB. When the Bank borrows from the FHLB, interest is charged at the FHLB's posted rates at the time of the borrowing.

The Bank maintains an unsecured line of credit of \$10.0 million with M&T Bank and an unsecured line of credit of \$20.0 million with Texas Capital Bank. As of September 30, 2019 and December 31, 2018, there were no outstanding borrowings under these lines of credit and they are available to the Bank at the lenders' discretion. In addition, the Bank maintains an \$8.0 million unsecured line of credit with PNC Bank for private label credit card facilities for certain existing commercial clients of the Bank, of which \$2.6 million in notional value of credit cards have been issued. The clients of the Bank are responsible for repaying any balances due on these credit cards directly to PNC, however if the customer fails to repay PNC, the Bank could be required to satisfy the obligation to PNC and initiate collection from our customer as part of the existing credit facility of that customer.

The holding company maintains an unsecured line of credit of \$50.0 million with Texas Capital Bank. As of September 30, 2019 and December 31, 2018, there was \$0 and \$4.3 million outstanding under this line of credit, respectively.

Interest expense on borrowings was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
FHLB borrowings	\$ 1,302	\$ 853	\$ 6,222	\$ 3,743
Line of credit borrowings	—	16	68	69
Subordinated notes payable	—	554	1,090	1,661
Total interest expense on borrowings	\$ 1,302	\$ 1,423	\$ 7,380	\$ 5,473

## **[8] STOCK TRANSACTIONS**

In May 2019, the Company completed the issuance and sale of a registered, underwritten public offering of 3.2 million depository shares, each representing a 1/40th interest in a share of its 6.375% Fixed-to-Floating Rate Series B Non-Cumulative Perpetual Preferred Stock, no par value (the “Series B Preferred Stock”), with a liquidation preference of \$1,000 per share (equivalent to \$25 per depository share). The Company received net proceeds of \$77.6 million from the sale of 80,500 shares of its Series B Preferred Stock (equivalent to 3.2 million depository shares), after deducting underwriting discounts, commissions and direct offering expenses. The preferred stock provides Tier 1 capital for the holding company under federal regulatory capital rules.

When, as, and if declared by the board of directors (the “Board”) of the Company, dividends will be payable on the Series B Preferred Stock from the date of issuance to, but excluding July 1, 2026, at a rate of 6.375% per annum, payable quarterly, in arrears, and from and including July 1, 2026, dividends will accrue and be payable at a floating rate equal to three-month LIBOR plus a spread of 408.8 basis points per annum (subject to potential adjustment as provided in the definition of three-month LIBOR), payable quarterly, in arrears. The Company may redeem the Series B Preferred Stock at its option, subject to regulatory approval, on or after July 1, 2024, as described in the prospectus supplement relating to the offering filed with the SEC on May 23, 2019.

In March 2018, the Company completed the issuance and sale of a registered, underwritten public offering of 1.6 million depository shares, each representing a 1/40th interest in a share of its 6.75% Fixed-to-Floating Rate Series A Non-Cumulative Perpetual Preferred Stock, no par value (the “Series A Preferred Stock”), with a liquidation preference of \$1,000 per share (equivalent to \$25 per depository share). The Company received net proceeds of \$38.5 million from the sale of 40,250 shares of its Series A Preferred Stock (equivalent to 1.6 million depository shares), after deducting underwriting discounts, commissions and direct offering expenses. The preferred stock provides Tier 1 capital for the holding company under federal regulatory capital rules.

When, as, and if declared by the Board, dividends will be payable on the Series A Preferred Stock from the date of issuance to, but excluding April 1, 2023, at a rate of 6.75% per annum, payable quarterly, in arrears, and from and including April 1, 2023, dividends will accrue and be payable at a floating rate equal to three-month LIBOR plus a spread of 398.5 basis points per annum (subject to potential adjustment), payable quarterly, in arrears. The Company may redeem the Series A Preferred Stock at its option, subject to regulatory approval, on or after April 1, 2023, as described in the prospectus supplement relating to the offering filed with the SEC on March 19, 2018.

During the nine months ended September 30, 2019, the Company paid dividends of \$2.0 million on its Series A Preferred Stock and \$1.8 million on its Series B Preferred Stock. During the nine months ended September 30, 2018, the Company paid dividends of \$1.4 million on its Series A Preferred Stock.

Under authorization by the Board, the Company was permitted to repurchase its common stock up to prescribed amounts, of which \$10.4 million remained available as of September 30, 2019. The Board also authorized the Company to utilize some of the share repurchase program authorizations to cancel certain options to purchase shares of its common stock granted by the Company. During the nine months ended September 30, 2019, the Company repurchased a total of 90,000 shares for approximately \$1.8 million, at an average cost of \$20.21 per share, which are held as treasury stock. During the nine months ended September 30, 2018, the Company repurchased a total of 169,936 shares for approximately \$4.6 million, at an average cost of \$26.97 per share, which are held as treasury stock.

In addition to the shares purchased in the market, the Company acquired 8,382 shares of treasury stock for approximately \$173,000 in connection with the exercise, net settlement or vesting of equity awards during the nine months ended September 30, 2019.

The tables below show the changes in the Company's preferred and common shares outstanding during the periods indicated:

	Number of Preferred Shares Outstanding	Number of Common Shares Outstanding
Balance, December 31, 2017	—	28,591,101
Issuance of preferred stock	40,250	—
Issuance of restricted common stock	—	396,113
Forfeitures of restricted common stock	—	(24,000)
Exercise of stock options	—	127,700
Purchase of treasury stock	—	(169,936)
Balance, September 30, 2018	40,250	28,920,978
Balance, December 31, 2018	40,250	28,878,674
Issuance of preferred stock	80,500	—
Issuance of restricted common stock	—	550,453
Forfeitures of restricted common stock	—	(74,355)
Exercise of stock options	—	40,580
Purchase of treasury stock	—	(98,382)
Balance, September 30, 2019	120,750	29,296,970

## [9] REGULATORY CAPITAL

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory – and possibly additional discretionary – actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the tables below) of Common Equity Tier 1 ("CET 1"), Tier 1 and Total risk-based capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to average assets (as defined). As of September 30, 2019 and December 31, 2018, TriState Capital Holdings, Inc. and TriState Capital Bank exceeded all capital adequacy requirements to which they were subjected.

Financial depository institutions are categorized as well capitalized if they meet minimum capital ratios as set forth in the tables below. The Bank exceeded the capital ratios necessary to be well capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events since the filing of the most recent Call Report that management believes have changed the Bank's capital, as presented in the tables below.

The Basel III regulatory capital framework (the "Basel III"), which began phasing in on January 1, 2015, has replaced the regulatory capital rules for the Company and the Bank. The Basel III final rules required new minimum capital ratio standards, established a new CET 1 to total risk-weighted assets ratio, subjected banking organizations to certain limitations on capital distributions and discretionary bonus payments, and established a new standardized approach for risk weightings.

The final rules subject a banking organization to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization does not maintain a capital conservation buffer of risk-based capital ratios in an amount greater than 2.5% of its total risk-weighted assets. The implementation of the capital conservation buffer began on January 1, 2016, at 0.625%, and was phased in ratably over a four-year period until it reached 2.5% on January 1, 2019. As of September 30, 2019 and December 31, 2018, the capital conservation buffer was 2.5% and 1.875%, respectively, in addition to the minimum capital adequacy levels shown in the tables below. Thus, both the Company and the Bank were above the levels required to avoid limitations on capital distributions and discretionary bonus payments.

The following tables set forth certain information concerning the Company's and the Bank's regulatory capital as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	September 30, 2019					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 552,734	12.40%	\$ 356,596	8.00%	N/A	N/A
Bank	\$ 505,370	11.38%	\$ 355,135	8.00%	\$ 443,919	10.00%
Tier 1 risk-based capital ratio						
Company	\$ 541,505	12.15%	\$ 267,447	6.00%	N/A	N/A
Bank	\$ 491,401	11.07%	\$ 266,352	6.00%	\$ 355,135	8.00%
Common equity tier 1 risk-based capital ratio						
Company	\$ 427,084	9.58%	\$ 200,585	4.50%	N/A	N/A
Bank	\$ 491,401	11.07%	\$ 199,764	4.50%	\$ 288,547	6.50%
Tier 1 leverage ratio						
Company	\$ 541,505	7.91%	\$ 273,931	4.00%	N/A	N/A
Bank	\$ 491,401	7.20%	\$ 273,036	4.00%	\$ 341,295	5.00%

<i>(Dollars in thousands)</i>	December 31, 2018					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 426,066	10.86%	\$ 313,789	8.00%	N/A	N/A
Bank	\$ 437,849	11.25%	\$ 311,497	8.00%	\$ 389,371	10.00%
Tier 1 risk-based capital ratio						
Company	\$ 414,808	10.58%	\$ 235,342	6.00%	N/A	N/A
Bank	\$ 424,418	10.90%	\$ 233,622	6.00%	\$ 311,497	8.00%
Common equity tier 1 risk-based capital ratio						
Company	\$ 378,117	9.64%	\$ 176,506	4.50%	N/A	N/A
Bank	\$ 424,418	10.90%	\$ 175,217	4.50%	\$ 253,091	6.50%
Tier 1 leverage ratio						
Company	\$ 414,808	7.28%	\$ 227,851	4.00%	N/A	N/A
Bank	\$ 424,418	7.49%	\$ 226,762	4.00%	\$ 283,453	5.00%

## [10] EARNINGS PER COMMON SHARE

The computation of basic and diluted earnings per common share for the periods presented was as follows:

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income available to common shareholders	\$ 14,372	\$ 13,632	\$ 41,798	\$ 37,863
Weighted average common shares outstanding:				
Basic	27,863,767	27,588,607	27,861,515	27,603,784
Restricted stock - dilutive	600,985	863,084	569,260	757,572
Stock options - dilutive	313,919	498,233	328,633	488,570
Diluted	28,778,671	28,949,924	28,759,408	28,849,926
Earnings per common share:				
Basic	\$ 0.52	\$ 0.49	\$ 1.50	\$ 1.37
Diluted	\$ 0.50	\$ 0.47	\$ 1.45	\$ 1.31
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Anti-dilutive shares <sup>(1)</sup>	9,000	4,000	13,000	7,000

<sup>(1)</sup> Includes stock options and/or restricted stock not considered for the calculation of diluted EPS as their inclusion would have been anti-dilutive.

## [11] DERIVATIVES AND HEDGING ACTIVITY

### RISK MANAGEMENT OBJECTIVE OF USING DERIVATIVES

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and through the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash payments related to certain of the Company's FHLB borrowings and to manage the volatility of the change in fair value related to certain of the Company's equity investments. The Company also has derivatives that are a result of a service the Company provides to certain qualifying customers while at the same time the Company enters into an offsetting derivative transaction in order to eliminate its interest rate risk exposure resulting from such transactions.

### FAIR VALUES OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF FINANCIAL CONDITION

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the unaudited condensed consolidated statements of financial condition as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	Asset Derivatives as of September 30, 2019		Liability Derivatives as of September 30, 2019	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	\$ —	Other liabilities	\$ 3,191
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	73,030	Other liabilities	73,100
Equity products	Other assets	—	Other liabilities	109
Total	Other assets	\$ 73,030	Other liabilities	\$ 76,400

	Asset Derivatives		Liability Derivatives	
	as of December 31, 2018		as of December 31, 2018	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
<i>(Dollars in thousands)</i>				
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	\$ 1,384	Other liabilities	\$ —
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	25,523	Other liabilities	25,518
Total	Other assets	\$ 26,907	Other liabilities	\$ 25,518

The following tables show the impact legally enforceable master netting agreements had on the Company's derivative financial instruments as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	Offsetting of Derivative Assets					
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
September 30, 2019	\$ 73,030	\$ —	\$ 73,030	\$ (248)	\$ —	\$ 72,782
December 31, 2018	\$ 26,907	\$ —	\$ 26,907	\$ (9,587)	\$ —	\$ 17,320

<i>(Dollars in thousands)</i>	Offsetting of Derivative Liabilities					
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Posted	
September 30, 2019	\$ 76,400	\$ —	\$ 76,400	\$ (248)	\$ (75,789)	\$ 363
December 31, 2018	\$ 25,518	\$ —	\$ 25,518	\$ (9,587)	\$ (3,941)	\$ 11,990

#### CASH FLOW HEDGES OF INTEREST RATE RISK

The Company's objectives in using certain interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. The Company has entered into derivative contracts to hedge the variable cash flows associated with certain FHLB borrowings. These interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company effectively making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company's cash flow hedge derivatives did not have any hedge ineffectiveness recognized in earnings during the nine months ended September 30, 2019.

[Table of Contents](#)

Characteristics of the Company's interest rate derivative transactions designated as cash flow hedges of interest rate risk as of September 30, 2019, were as follows:

<i>(Dollars in thousands)</i>	Notional Amount	Effective Rate <sup>(1)</sup>	Estimated Increase/ (Decrease) to Interest Expense in the Next Twelve Months	Maturity Date	Remaining Term (in Months)
Interest rate products:					
Issued 1/8/2018	\$ 50,000	2.21%	\$ 207	1/8/2021	15
Issued 5/30/2019	50,000	2.05%	125	6/1/2022	32
Issued 5/30/2019	50,000	2.03%	118	6/1/2023	44
Issued 5/30/2019	50,000	2.04%	123	6/1/2024	56
<b>Total</b>	<b>\$ 200,000</b>		<b>\$ 573</b>		

<sup>(1)</sup> The effective rate is adjusted for the difference between the three-month FHLB advance rate and three-month LIBOR.

The tables below present the effective portion of the Company's cash flow hedge instruments in the unaudited condensed consolidated statements of income and accumulated other comprehensive income (loss):

<i>(Dollars in thousands)</i>		Three Months Ended September 30,		Three Months Ended September 30,	
		2019	2018	2019	2018
Derivatives designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	Realized Gain (Loss) Recognized in Income on Derivatives		Unrealized Gain (Loss) Recognized in Accumulated Other Comprehensive Income on Derivatives	
Interest rate products	Interest expense	\$ 156	\$ 412	\$ (967)	\$ 157

<i>(Dollars in thousands)</i>		Nine Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	Realized Gain (Loss) Recognized in Income on Derivatives		Unrealized Gain (Loss) Recognized in Accumulated Other Comprehensive Income on Derivatives	
Interest rate products	Interest expense	\$ 1,277	\$ 952	\$ (3,293)	\$ 1,439

#### NON-DESIGNATED HEDGES

The Company does not use derivatives for trading or speculative purposes. Derivatives not designated as hedges are not speculative and primarily result from a service the Company provides to certain customers. The Company executes interest rate derivatives with its commercial banking customers to facilitate their respective risk management strategies. Those derivatives are simultaneously and economically hedged by offsetting derivatives that the Company executes with a third party, such that the Company eliminates its interest rate exposure resulting from such transactions. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of September 30, 2019, the Company had interest rate derivative transactions with an aggregate notional amount of \$2.59 billion related to this program.

In addition, the Company also has executed equity derivatives to economically hedge certain of its equity investments. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of September 30, 2019, the Company had equity derivative transactions with an aggregate notional amount of \$2.5 million.

The table below presents the effect of the Company's non-designated hedge instruments in the unaudited condensed consolidated statements of income:

<i>(Dollars in thousands)</i>		Three Months Ended September 30,		Nine Months Ended September 30,	
		2019	2018	2019	2018
Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives		Amount of Gain (Loss) Recognized in Income on Derivatives	
Interest rate products	Non-interest income	\$ (17)	\$ —	\$ (59)	\$ 22
Equity products	Non-interest income	(32)	—	(109)	—
<b>Total</b>		<b>\$ (49)</b>	<b>\$ —</b>	<b>\$ (168)</b>	<b>\$ 22</b>

## **CREDIT-RISK-RELATED CONTINGENT FEATURES**

The Company has agreements with each of its derivative counterparties that contain a provision where, if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company has agreements with certain of its derivative counterparties that contain a provision where, if either the Company or the counterparty fails to maintain its status as a well/adequately capitalized institution, then the Company or the counterparty could be required to terminate any outstanding derivative positions and settle its obligations under the agreement.

As of September 30, 2019, the termination value of derivatives for which the Company had master netting arrangements with the counterparty and in a net liability position was \$75.8 million, including accrued interest. As of September 30, 2019, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of \$80.1 million. If the Company had breached any of these provisions as of September 30, 2019, it could have been required to settle its obligations under the agreements at their termination value.

## **[12] DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value estimates of financial instruments are based on the present value of expected future cash flows, quoted market prices of similar financial instruments, if available, and other valuation techniques. These valuations are significantly affected by discount rates, cash flow assumptions and risk assumptions used. Therefore, fair value estimates may not be substantiated by comparison to independent markets and are not intended to reflect the proceeds that may be realized in an immediate settlement of instruments. Accordingly, the aggregate fair value amounts presented below do not represent the underlying value of the Company.

### **FAIR VALUE MEASUREMENTS**

In accordance with U.S. GAAP, the Company must account for certain financial assets and liabilities at fair value on a recurring and non-recurring basis. The Company utilizes a three-level fair value hierarchy of valuation techniques to estimate the fair value of its financial assets and liabilities based on whether the inputs to those valuation techniques are observable or unobservable. The fair value hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). When various inputs for measurement fall within multiple levels of the fair value hierarchy, the lowest level input that has a significant impact on fair value measurement is used.

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

- Level 1 – Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices for identical assets or liabilities in actively traded markets. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.
- Level 2 – Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets or liabilities that are actively traded. Level 2 also includes pricing models in which the inputs are corroborated by market data, for example, matrix pricing.
- Level 3 – Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include assumptions of a source independent of the reporting entity or the reporting entity's own assumptions that are supported by little or no market activity or observable inputs.

The Company is responsible for the valuation process and as part of this process may use data from outside sources in establishing fair value. The Company performs due diligence to understand the inputs used or how the data was calculated or derived and corroborates the reasonableness of external inputs in the valuation process.

## RECURRING FAIR VALUE MEASUREMENTS

The following tables represent assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	September 30, 2019			Total Assets / Liabilities at Fair Value
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Debt securities available-for-sale:				
Corporate bonds	\$ —	\$ 185,965	\$ —	\$ 185,965
Trust preferred securities	—	17,354	—	17,354
Agency collateralized mortgage obligations	—	28,866	—	28,866
Agency mortgage-backed securities	—	18,895	—	18,895
Agency debentures	—	10,100	—	10,100
Equity securities	4,807	—	—	4,807
Interest rate swaps	—	73,030	—	73,030
<b>Total financial assets</b>	<b>4,807</b>	<b>334,210</b>	<b>—</b>	<b>339,017</b>
<b>Financial liabilities:</b>				
Interest rate swaps	—	76,291	—	76,291
Equity swaps	109	—	—	109
<b>Total financial liabilities</b>	<b>\$ 109</b>	<b>\$ 76,291</b>	<b>\$ —</b>	<b>\$ 76,400</b>

<i>(Dollars in thousands)</i>	December 31, 2018			Total Assets / Liabilities at Fair Value
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Debt securities available-for-sale:				
Corporate bonds	\$ —	\$ 151,063	\$ —	\$ 151,063
Trust preferred securities	—	16,849	—	16,849
Non-agency collateralized loan obligations	—	390	—	390
Agency collateralized mortgage obligations	—	33,718	—	33,718
Agency mortgage-backed securities	—	21,264	—	21,264
Agency debentures	—	10,012	—	10,012
Equity securities	12,661	—	—	12,661
Interest rate swaps	—	26,907	—	26,907
<b>Total financial assets</b>	<b>12,661</b>	<b>260,203</b>	<b>—</b>	<b>272,864</b>
<b>Financial liabilities:</b>				
Interest rate swaps	—	25,518	—	25,518
Acquisition earn out liability	—	—	2,920	2,920
<b>Total financial liabilities</b>	<b>\$ —</b>	<b>\$ 25,518</b>	<b>\$ 2,920</b>	<b>\$ 28,438</b>

### INVESTMENT SECURITIES

Generally, debt securities are valued using pricing for similar securities, recently executed transactions, and other pricing models utilizing observable inputs and therefore are classified as Level 2. Equity securities (including mutual funds) are classified as Level 1 because these securities are in actively traded markets.

### INTEREST RATE SWAPS

The fair value of interest rate swaps is estimated using inputs that are observable or that can be corroborated by observable market data and therefore are classified as Level 2. These fair value estimations include primarily market observable inputs such as the forward LIBOR swap curve.

**EQUITY SWAPS**

Equity swaps are classified as Level 1 because the price of derivative contracts is quoted in actively traded markets.

**ACQUISITION EARN OUT LIABILITY**

The fair value of the Columbia Partners, L.L.C. Investment Management (“Columbia”) acquisition earn out liability was estimated based on management’s estimate of the projected annualized run-rate revenue of Columbia at December 31, 2018, and therefore is classified as Level 3. The earn out liability was fully paid during the three months ended March 31, 2019, and there is no remaining earn out liability.

**NON-RECURRING FAIR VALUE MEASUREMENTS**

Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment.

The following tables represent the balances of assets measured at fair value on a non-recurring basis as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	September 30, 2019			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Loans measured for impairment, net	\$ —	\$ —	\$ 13	\$ 13
Other real estate owned	—	—	4,250	4,250
Total assets	\$ —	\$ —	\$ 4,263	\$ 4,263

<i>(Dollars in thousands)</i>	December 31, 2018			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Loans measured for impairment, net	\$ —	\$ —	\$ 1,800	\$ 1,800
Other real estate owned	—	—	3,424	3,424
Total assets	\$ —	\$ —	\$ 5,224	\$ 5,224

As of September 30, 2019 and December 31, 2018, the Company recorded \$171,000 and \$437,000, respectively, of specific reserves to allowance for loan and lease losses as a result of adjusting the fair value of impaired loans.

**IMPAIRED LOANS**

A loan is considered impaired when management determines it is probable that all of the principal and interest due under the original terms of the loan may not be collected or if a loan is designated as a TDR. Impairment is measured based on a discounted cash flow of ongoing operations, discounted at the loan’s original effective interest rate, or a calculation of the fair value of the underlying collateral less estimated selling costs. Our policy is to obtain appraisals on collateral supporting impaired loans on an annual basis, unless circumstances dictate a shorter time frame. Appraisals are reduced by estimated costs to sell the collateral, and, under certain circumstances, additional factors that may arise and cause us to believe our recoverable value may be less than the independent appraised value. Accordingly, impaired loans are classified as Level 3. The Company measures impairment on all loans as part of the allowance for loan and lease losses.

**OTHER REAL ESTATE OWNED**

OREO is comprised of property acquired through foreclosure or voluntarily conveyed by borrowers. These assets are recorded on the date acquired at fair value, less estimated disposition costs, with the fair value being determined by appraisal. Our policy is to obtain appraisals on collateral supporting OREO on an annual basis, unless circumstances dictate a shorter time frame. Appraisals are reduced by estimated costs to sell the collateral and, under certain circumstances, additional factors that may arise and cause us to believe our recoverable value may be less than the independent appraised value. Accordingly, OREO is classified as Level 3.

**LEVEL 3 VALUATION**

The following tables present additional quantitative information about assets measured at fair value on a recurring and non-recurring basis and for which we have utilized Level 3 inputs to determine fair value as of September 30, 2019 and December 31, 2018:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Fair Value	Valuation Techniques <sup>(1)</sup>	Significant Unobservable Inputs	Weighted Average Discount Rate
Loans measured for impairment, net	\$ 13	Collateral	Appraisal value and discount due to salability conditions	—%
Other real estate owned	\$ 4,250	Collateral	Appraisal value and discount due to salability conditions	18%

<sup>(1)</sup> Fair value is generally determined through independent appraisals of the underlying collateral, which may include Level 3 inputs that are not identifiable, or by using the discounted cash flow of ongoing operations if the loan is not collateral dependent.

<i>(Dollars in thousands)</i>	December 31, 2018			
	Fair Value	Valuation Techniques <sup>(1)</sup>	Significant Unobservable Inputs	Weighted Average Multiple/Discount Rate
Acquisition earn out liability	\$ 2,920	Income approach	Run-rate revenue multiple; client retention	1.6 times
Loans measured for impairment, net	\$ 1,800	Collateral	Appraisal value and discount due to salability conditions	16%
Other real estate owned	\$ 3,424	Collateral	Appraisal value and discount due to salability conditions	10%

<sup>(1)</sup> Fair value is generally determined through independent appraisals of the underlying collateral, which may include Level 3 inputs that are not identifiable, or by using the discounted cash flow of ongoing operations if the loan is not collateral dependent.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table summarizes of the carrying amounts and estimated fair values of financial instruments:

<i>(Dollars in thousands)</i>	Fair Value Level	September 30, 2019		December 31, 2018	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>Financial assets:</b>					
Cash and cash equivalents	1	\$ 383,948	\$ 383,948	\$ 189,985	\$ 189,985
Debt securities available-for-sale	2	261,180	261,180	233,296	233,296
Debt securities held-to-maturity	2	187,210	189,218	196,131	196,823
Equity securities	1	4,807	4,807	12,661	12,661
Federal Home Loan Bank stock	2	15,524	15,524	24,671	24,671
Loans and leases held-for-investment, net	3	6,003,306	5,994,960	5,119,665	5,119,562
Accrued interest receivable	2	22,157	22,157	20,702	20,702
Investment management fees receivable, net	2	7,453	7,453	7,299	7,299
Bank owned life insurance	2	69,607	69,607	68,309	68,309
Other real estate owned	3	4,250	4,250	3,424	3,424
Interest rate swaps	2	73,030	73,030	26,907	26,907
<b>Financial liabilities:</b>					
Deposits	2	\$ 6,094,605	\$ 6,108,128	\$ 5,050,461	\$ 5,048,079
Borrowings, net	2	330,000	330,020	404,166	404,084
Acquisition earn out liability	3	—	—	2,920	2,920
Interest rate swaps	2	76,291	76,291	25,518	25,518
Equity swaps	1	109	109	—	—

During the nine months ended September 30, 2019 and 2018, there were no transfers between fair value Levels 1, 2 or 3.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of September 30, 2019 and December 31, 2018:

***CASH AND CASH EQUIVALENTS***

The carrying amount approximates fair value.

***INVESTMENT SECURITIES***

The fair values of debt securities available-for-sale, debt securities held-to-maturity, debt securities trading and equity securities are based on quoted market prices for the same or similar securities, recently executed transactions and pricing models.

***FEDERAL HOME LOAN BANK STOCK***

The carrying value of our FHLB stock, which is carried at cost, approximates fair value.

***LOANS AND LEASES HELD-FOR-INVESTMENT***

The fair value of loans and leases held-for-investment is estimated by discounting the future cash flows using market rates (utilizing both unobservable and certain observable inputs when applicable) at which similar loans would be made to borrowers with similar credit ratings over the estimated remaining maturities. Impaired loans are generally valued at the fair value of the associated collateral.

***ACCRUED INTEREST RECEIVABLE***

The carrying amount approximates fair value.

***INVESTMENT MANAGEMENT FEES RECEIVABLE***

The carrying amount approximates fair value.

***BANK OWNED LIFE INSURANCE***

The fair value of the general account BOLI is based on the insurance contract net cash surrender value.

***OTHER REAL ESTATE OWNED***

OREO is recorded at fair value, less estimated disposition costs, with the fair value being determined by appraisal.

**DEPOSITS**

The fair value of demand deposits is the amount payable on demand as of the reporting date, *i.e.*, their carrying amounts. The fair value of fixed maturity deposits is estimated using a discounted cash flow calculation that applies the rates currently offered for deposits of similar remaining maturities.

**BORROWINGS**

The fair value of borrowings is calculated by discounting scheduled cash flows through the estimated maturity using period end market rates for borrowings of similar remaining maturities.

**ACQUISITION EARN OUT LIABILITY**

The carrying amount of the Columbia acquisition earn out liability approximates fair value.

**INTEREST RATE SWAPS**

The fair value of interest rate swaps is estimated through the assistance of an independent third party and compared to the fair value determined by the swap counterparty to establish reasonableness.

**EQUITY SWAPS**

Equity swaps are classified as Level 1 because the price of derivative contracts is quoted in actively traded markets.

**OFF-BALANCE SHEET INSTRUMENTS**

Fair values for the Company's off-balance sheet instruments, which consist of lending commitments, standby letters of credit and risk participation agreements related to interest rate swap agreements, are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Management believes that the fair value of these off-balance sheet instruments is not significant.

**[13] CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

The following tables show the changes in accumulated other comprehensive income (loss) net of tax, for the periods presented:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,					
	2019			2018		
	Debt Securities	Derivatives	Total	Debt Securities	Derivatives	Total
Balance, beginning of period	\$ 1,230	\$ (1,590)	\$ (360)	\$ (833)	\$ 1,878	\$ 1,045
Change in unrealized holding gains (losses)	787	(736)	51	(192)	120	(72)
Gains reclassified from other comprehensive income	(101)	(120)	(221)	—	(316)	(316)
Net other comprehensive income (loss)	686	(856)	(170)	(192)	(196)	(388)
Balance, end of period	\$ 1,916	\$ (2,446)	\$ (530)	\$ (1,025)	\$ 1,682	\$ 657

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,					
	2019			2018		
	Debt Securities	Derivatives	Total	Debt Securities	Derivatives	Total
Balance, beginning of period	\$ (2,363)	\$ 1,032	\$ (1,331)	\$ 172	\$ 1,074	\$ 1,246
Change in unrealized holding gains (losses)	4,477	(2,506)	1,971	(1,517)	1,103	(414)
Gains reclassified from other comprehensive income	(198)	(972)	(1,170)	(5)	(730)	(735)
Reclassification for equity securities under ASU 2016-01	—	—	—	286	—	286
Reclassification for certain income tax effects under ASU 2018-02	—	—	—	39	235	274
Net other comprehensive income (loss)	4,279	(3,478)	801	(1,197)	608	(589)
Balance, end of period	\$ 1,916	\$ (2,446)	\$ (530)	\$ (1,025)	\$ 1,682	\$ 657

## [14] CONTINGENT LIABILITIES

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. The Company is not aware of any material unasserted claims. In the opinion of management, there are no potential claims that would have a material adverse effect on the Company's financial position, liquidity or results of operations.

## [15] SEGMENTS

The Company operates two reportable segments: Bank and Investment Management.

- The Bank segment provides commercial banking services to middle-market businesses and private banking services to high-net-worth individuals through the Bank subsidiary.
- The Investment Management segment provides advisory and sub-advisory investment management services primarily to institutional investors, mutual funds and individual investors through the Chartwell subsidiary. It also supports marketing efforts for Chartwell's proprietary investment products through the CTSC Securities subsidiary.

The following tables provide financial information for the two segments of the Company as of and for the periods indicated. The information provided under the caption "Parent and Other" represents general operating activity of the Company not considered to be a reportable segment, which includes parent company activity as well as eliminations and adjustments that are necessary for purposes of reconciliation to the consolidated amounts.

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
<b>Assets:</b>		
Bank	\$ 7,113,983	\$ 5,947,165
Investment management	92,283	92,894
Parent and other	(7,817)	(4,404)
<b>Total assets</b>	<b>\$ 7,198,449</b>	<b>\$ 6,035,655</b>

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
<b>Income statement data:</b>								
Interest income	\$ 67,720	\$ —	\$ 12	\$ 67,732	\$ 52,354	\$ —	\$ 70	\$ 52,424
Interest expense	35,455	—	(39)	35,416	23,038	—	567	23,605
Net interest income (loss)	32,265	—	51	32,316	29,316	—	(497)	28,819
Provision (credit) for loan and lease losses	(607)	—	—	(607)	(234)	—	—	(234)
Net interest income (loss) after provision for loan and lease losses	32,872	—	51	32,923	29,550	—	(497)	29,053
Non-interest income:								
Investment management fees	—	9,016	(114)	8,902	—	9,914	(86)	9,828
Net gain on the sale and call of debt securities	206	—	—	206	—	—	—	—
Other non-interest income	5,113	(9)	31	5,135	2,850	—	73	2,923
<b>Total non-interest income</b>	<b>5,319</b>	<b>9,007</b>	<b>(83)</b>	<b>14,243</b>	<b>2,850</b>	<b>9,914</b>	<b>(13)</b>	<b>12,751</b>
Non-interest expense:								
Intangible amortization expense	—	502	—	502	—	502	—	502
Other non-interest expense	18,949	8,186	136	27,271	17,002	8,173	9	25,184
<b>Total non-interest expense</b>	<b>18,949</b>	<b>8,688</b>	<b>136</b>	<b>27,773</b>	<b>17,002</b>	<b>8,675</b>	<b>9</b>	<b>25,686</b>
Income (loss) before tax	19,242	319	(168)	19,393	15,398	1,239	(519)	16,118
Income tax expense (benefit)	3,142	3	(86)	3,059	1,676	282	(151)	1,807
<b>Net income (loss)</b>	<b>\$ 16,100</b>	<b>\$ 316</b>	<b>\$ (82)</b>	<b>\$ 16,334</b>	<b>\$ 13,722</b>	<b>\$ 957</b>	<b>\$ (368)</b>	<b>\$ 14,311</b>

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
<b>Income statement data:</b>								
Interest income	\$ 196,862	\$ —	\$ 111	\$ 196,973	\$ 141,424	\$ —	\$ 200	\$ 141,624
Interest expense	101,891	—	1,091	102,982	56,027	—	1,725	57,752
Net interest income (loss)	94,971	—	(980)	93,991	85,397	—	(1,525)	83,872
Provision (credit) for loan and lease losses	(1,696)	—	—	(1,696)	376	—	—	376
Net interest income (loss) after provision for loan and lease losses	96,667	—	(980)	95,687	85,021	—	(1,525)	83,496
Non-interest income:								
Investment management fees	—	27,912	(332)	27,580	—	28,621	(199)	28,422
Net gain on the sale and call of debt securities	346	—	—	346	6	—	—	6
Other non-interest income	10,467	17	881	11,365	7,875	1	38	7,914
Total non-interest income	10,813	27,929	549	39,291	7,881	28,622	(161)	36,342
Non-interest expense:								
Intangible amortization expense	—	1,506	—	1,506	—	1,465	—	1,465
Other non-interest expense	56,872	23,174	478	80,524	49,011	23,988	390	73,389
Total non-interest expense	56,872	24,680	478	82,030	49,011	25,453	390	74,854
Income (loss) before tax	50,608	3,249	(909)	52,948	43,891	3,169	(2,076)	44,984
Income tax expense (benefit)	6,825	830	(296)	7,359	5,485	786	(591)	5,680
Net income (loss)	\$ 43,783	\$ 2,419	\$ (613)	\$ 45,589	\$ 38,406	\$ 2,383	\$ (1,485)	\$ 39,304

## [16] SUBSEQUENT EVENTS

On October 15, 2019, the Board declared a dividend payable of approximately \$679,000, or \$0.42 per depositary share, on the Company's Series A Preferred Stock and a dividend payable of approximately \$1.3 million, or \$0.40 per depositary share, on the Company's Series B Preferred Stock, each of which is payable on January 2, 2020, to preferred shareholders of record as of the close of business on December 18, 2019.

On October 17, 2019, the Company amended its \$50.0 million unsecured line of credit agreement with Texas Capital Bank to extend the maturity until October 17, 2020.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This section presents management's perspective on our financial condition and results of operations and highlights material changes to our financial condition and results of operations as of and for the three and nine months ended September 30, 2019. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes contained in Item 1 of this quarterly report and our consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2018, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC").*

*To the extent that this discussion describes prior performance, the descriptions relate only to the periods listed, which may not be indicative of our future financial outcomes. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause results to differ materially from management's expectations. Factors that could cause such differences are discussed in the sections titled "Cautionary Note Regarding Forward-Looking Statements" at the beginning of this document and "Item 1A. Risk Factors."*

### General

We are a bank holding company that operates through two reportable segments: Bank and Investment Management. Through TriState Capital Bank, a Pennsylvania chartered bank (the "Bank"), the Bank segment provides commercial banking services to middle-market businesses and private banking services to high-net-worth individuals and trusts. The Bank segment generates most of its revenue from interest on loans and investments, loan-related fees (including swap fees), and liquidity and treasury management related fees. Its primary source of funding for loans is deposits and its secondary source of funding is borrowings. The Bank's largest expenses are interest on these deposits and borrowings, and salaries and related employee benefits. Through Chartwell Investment Partners, LLC, an SEC-registered investment adviser ("Chartwell"), the Investment Management segment provides advisory and sub-advisory investment management services primarily to institutional investors, mutual funds and individual investors. It also supports marketing efforts for Chartwell's proprietary investment products through Chartwell TSC Securities Corp., our registered broker/dealer subsidiary ("CTSC Securities"). The Investment Management segment generates its revenue from investment management fees earned on assets under management, and its largest expenses are salaries and related employee benefits.

This discussion and analysis present our financial condition and results of operations on a consolidated basis, except where significant segment disclosures are necessary to better explain the operations of each segment and related variances. In particular, the discussion and analysis of non-interest income and non-interest expense is reported by segment.

We measure our performance primarily through our net income available to common shareholders, earnings per common share ("EPS") and total revenue. Other salient metrics include the ratio of allowance for loan and lease losses to loans; net interest margin; the efficiency ratio of the Bank segment; return on average assets; return on average common equity; regulatory leverage and risk-based capital ratios, assets under management and EBITDA of the Investment Management segment.

### Executive Overview

TriState Capital Holdings, Inc. ("we," "us," "our," the "holding company," the "parent company," or the "Company") is a bank holding company headquartered in Pittsburgh, Pennsylvania. The Company has three wholly owned subsidiaries: the Bank, Chartwell and CTSC Securities. Through the Bank, we serve middle-market businesses in our primary markets throughout the states of Pennsylvania, Ohio, New Jersey and New York. We also serve high-net-worth individuals and trusts on a national basis through our private banking channel. We market and distribute our products and services through a scalable, branchless banking model, which creates significant operating leverage throughout our business as we continue to grow. Through Chartwell, our investment management subsidiary, we provide investment management services primarily to institutional investors, mutual funds and individual investors on a national basis. Chartwell's assets under management were \$9.62 billion as of September 30, 2019. CTSC Securities, our broker/dealer subsidiary, supports marketing efforts for Chartwell's proprietary investment products that require SEC or Financial Industry Regulatory Authority, Inc. ("FINRA") licensing.

For the three months ended September 30, 2019, our net income available to common shareholders was \$14.4 million compared to \$13.6 million for the same period in 2018, an increase of \$740,000, or 5.4%. This increase was due to the following: (1) a \$3.5 million, or 12.1%, increase in net interest income; (2) lower provision for loan and lease losses of \$373,000; (3) an increase in non-interest income of \$1.5 million, or 11.7%; (4) an increase of \$2.1 million, or 8.1%, in non-interest expense; (5) a \$1.3 million increase in income tax expense; and (6) an increase in preferred stock dividends of \$1.3 million.

For the nine months ended September 30, 2019, our net income available to common shareholders was \$41.8 million compared to \$37.9 million for the same period in 2018, an increase of \$3.9 million, or 10.4%. This increase was due to the following: (1) a \$10.1 million,

[Table of Contents](#)

or 12.1%, increase in net interest income; (2) lower provision for loan and lease losses of \$2.1 million; (3) an increase in non-interest income of \$2.9 million, or 8.1%; (4) an increase of \$7.2 million, or 9.6%, in non-interest expense; (5) a \$1.7 million increase in income tax expense; and (6) an increase in preferred stock dividends of \$2.4 million.

Our diluted EPS was \$0.50 for the three months ended September 30, 2019, compared to \$0.47 for the same period in 2018, and \$1.45 for the nine months ended September 30, 2019, compared to \$1.31 for the same period in 2018. The increase in diluted EPS for the nine months ended September 30, 2019, was a result of our continued growth of our business lines, which was the driver of additional net income available to common shareholders.

For the three months ended September 30, 2019, total revenue increased \$4.8 million, or 11.5%, to \$46.4 million from \$41.6 million for the same period in 2018. For the nine months ended September 30, 2019, total revenue increased \$12.7 million, or 10.6%, to \$132.9 million from \$120.2 million for the same period in 2018. The increase in total revenue for the nine months ended September 30, 2019, was driven largely by higher net interest income and swap fees for the Bank.

Our annualized net interest margin was 1.94% and 2.22% for the three months ended September 30, 2019 and 2018, respectively, and 2.02% and 2.31% for the nine months ended September 30, 2019 and 2018, respectively. The decrease in net interest margin for the three months ended September 30, 2019, was driven by an increase of four basis points in the yield on loans, more than offset by an increase of 33 basis points in the cost of interest-bearing liabilities. The decrease in net interest margin for the nine months ended September 30, 2019, was driven by an increase of 35 basis points in the yield on loans, more than offset by an increase of 68 basis points.

Our loans are predominantly variable rate loans indexed to 1-month LIBOR and our deposits are a combination of fixed-rate time deposits and variable rate deposits, many of which are indexed to the Effective Federal Funds Rate. When the financial markets anticipate a rate cut by the FOMC, LIBOR rates typically decrease in advance of action taken by the Federal Reserve, which compresses and can invert the historical spread between 1-month LIBOR and the Effective Federal Funds Rate. This occurred at certain times during the three and nine months ended September 30, 2019, compressing our net interest margin, and impacting our net interest income and our rate of revenue growth as well as other ratios such as the Bank's efficiency ratio, return on average assets and return on average common equity.

Our non-interest income is largely comprised of investment management fees for Chartwell, which totaled \$8.9 million for the three months ended September 30, 2019, as compared to \$9.8 million for the same period in 2018, and \$27.6 million for the nine months ended September 30, 2019, as compared to \$28.4 million for the same period in 2018. Assets under management were \$9.62 billion as of September 30, 2019, a decrease of \$250.0 million from September 30, 2018, driven by market appreciation of \$279.0 million, which was more than offset by net outflows of \$529.0 million.

Our annualized ratio of non-interest expense to average assets was 1.59% and 1.90% for the three months ended September 30, 2019 and 2018, respectively, and 1.69% and 1.98% for the nine months ended September 30, 2019 and 2018, respectively. The Bank's efficiency ratio was 50.70% and 52.86% for the three months ended September 30, 2019 and 2018, respectively, and 53.94% and 52.55% for the nine months ended September 30, 2019 and 2018, respectively. The Bank's efficiency ratio reflects growth in the Bank's total revenue of 13.0% offset by the growth in the Bank's non-interest expense of 16.0% for the nine months ended September 30, 2019.

Our annualized return on average assets (net income to average total assets) was 0.94% and 1.06% for the three months ended September 30, 2019 and 2018, respectively, and 0.94% and 1.04% for the nine months ended September 30, 2019 and 2018, respectively. Our annualized return on average common equity (net income available to common shareholders to average common equity) was 11.82% and 12.78% for the three months ended September 30, 2019 and 2018, respectively, and 11.97% and 12.36% for the nine months ended September 30, 2019 and 2018, respectively.

Our total assets were \$7.20 billion as of September 30, 2019, an increase of \$1.16 billion, or 25.8% on an annualized basis, from December 31, 2018. Loans and leases held-for-investment grew by \$883.8 million to \$6.02 billion as of September 30, 2019, an annualized increase of 23.0%, from December 31, 2018, as a result of growth in our commercial and private banking loan portfolios. Total deposits increased \$1.04 billion, or 27.6% on an annualized basis, to \$6.09 billion as of September 30, 2019, from December 31, 2018.

Our ratio of adverse rated credits to total loans declined to 0.44% at September 30, 2019, from 0.48% at December 31, 2018. Our ratio of allowance for loan and lease losses to loans was 0.22% and 0.26% as of September 30, 2019 and December 31, 2018, respectively. We had a credit to provision for loan losses of \$607,000 for the three months ended September 30, 2019 primarily due to a decrease in specific reserves related to a loan moving into other real estate owned ("OREO") at fair value as well as a decrease in general reserves, compared to provision credit of \$234,000 for the three months ended September 30, 2018. We had a credit to provision for loan and lease losses of \$1.7 million for the nine months ended September 30, 2019 primarily due to recoveries of \$2.0 million in the commercial and industrial portfolio, partially offset by an increase in general reserves in the commercial real estate portfolio due to increased loan growth, compared to provision expense of \$376,000 for the nine months ended September 30, 2018.

Our book value per common share increased \$1.40 to \$16.67 as of September 30, 2019, from \$15.27 as of December 31, 2018, largely as a result of our net income available to common shareholders during the nine months ended September 30, 2019, which was partially offset by the issuance of restricted stock during the same period.

### Non-GAAP Financial Measures

We report certain financial information determined by methods other than in accordance with GAAP. These non-GAAP financial measures are “tangible common equity,” “tangible book value per common share,” “total revenue,” “Pre-tax, pre-provision net revenue,” “efficiency ratio” and “EBITDA.” These non-GAAP financial measures are supplemental measures that we believe provide management and our investors with a more detailed understanding of our performance, although these measures are not necessarily comparable to similar measures that may be presented by other companies. The non-GAAP financial measures presented herein are calculated as follows:

“Tangible common equity” is defined as common shareholders’ equity reduced by intangible assets, including goodwill. We believe this measure is important to management and investors so that they can better understand and assess changes from period to period in common shareholders’ equity exclusive of changes in intangible assets associated with prior acquisitions. Intangible assets are created when we buy businesses that add relationships and revenue to our Company. Intangible assets have the effect of increasing both equity and assets, while not increasing our tangible equity or tangible assets.

“Tangible book value per common share” is defined as common shareholders’ equity reduced by intangible assets, including goodwill, divided by common shares outstanding. We believe this measure is important to many investors who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets associated with prior acquisitions.

“Total revenue” is defined as net interest income and total non-interest income, excluding gains and losses on the sale and call of debt securities. We believe adjustments made to our operating revenue allow management and investors to better assess our core operating revenue by removing the volatility that is associated with certain items that are unrelated to our core business.

“Pre-tax, pre-provision net revenue” is defined as net income, without giving effect to loan and lease loss provision and income taxes and excluding gains and losses on the sale and call of investment securities. We believe this measure is important because it allows management and investors to better assess our performance in relation to our core operating revenue, excluding the volatility that is associated with provision for loan losses or other items that are unrelated to our core business.

“Efficiency ratio” is defined as total non-interest expense divided by total revenue. We believe this measure allows management and investors to better assess our operating expenses in relation to our core operating revenue, particularly at the Bank.

“EBITDA” is defined as net income before interest expense, income tax expense, depreciation expense and intangible amortization expense. We use EBITDA particularly to assess the strength of our investment management business. We believe this measure is important because it allows management and investors to better assess our investment management performance in relation to our core operating earnings by excluding certain non-cash items that are unrelated to our core business and its ability to generate cash earnings.

The following tables present the financial measures calculated and presented in accordance with GAAP that are most directly comparable to the non-GAAP financial measures and a reconciliation of the differences between the GAAP financial measures and the non-GAAP financial measures.

<i>(Dollars in thousands, except per share data)</i>	September 30, 2019	December 31, 2018
<b>Tangible common equity and tangible book value per common share:</b>		
Common shareholders’ equity	\$ 488,443	\$ 440,886
Less: goodwill and intangible assets	66,357	67,863
Tangible common equity (numerator)	\$ 422,086	\$ 373,023
Common shares outstanding (denominator)	29,296,970	28,878,674
Tangible book value per common share	\$ 14.41	\$ 12.92

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Total revenue and Pre-tax, pre-provision net revenue:</b>				
Net interest income	\$ 32,316	\$ 28,819	\$ 93,991	\$ 83,872
Total non-interest income	14,243	12,751	39,291	36,342
Less: net gain on the sale and call of debt securities	206	—	346	6
Total revenue	\$ 46,353	\$ 41,570	\$ 132,936	\$ 120,208
Less: total non-interest expense	27,773	25,686	82,030	74,854
Pre-tax, pre-provision net revenue	\$ 18,580	\$ 15,884	\$ 50,906	\$ 45,354

**BANK SEGMENT**

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Bank total revenue:</b>				
Net interest income	\$ 32,265	\$ 29,316	\$ 94,971	\$ 85,397
Total non-interest income	5,319	2,850	10,813	7,881
Less: net gain on the sale and call of debt securities	206	—	346	6
Bank total revenue	\$ 37,378	\$ 32,166	\$ 105,438	\$ 93,272
<b>Bank efficiency ratio:</b>				
Total non-interest expense (numerator)	\$ 18,949	\$ 17,002	\$ 56,872	\$ 49,011
Total revenue (denominator)	\$ 37,378	\$ 32,166	\$ 105,438	\$ 93,272
Bank efficiency ratio	50.70%	52.86%	53.94%	52.55%

**INVESTMENT MANAGEMENT SEGMENT**

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Investment Management EBITDA:</b>				
Net income	\$ 316	\$ 957	\$ 2,419	\$ 2,383
Interest expense	—	—	—	—
Income tax expense	3	282	830	786
Depreciation expense	111	126	355	376
Intangible amortization expense	502	502	1,506	1,465
EBITDA	\$ 932	\$ 1,867	\$ 5,110	\$ 5,010

**Results of Operations****Net Interest Income**

Net interest income represents the difference between the interest received on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities and changes in interest yields earned and interest rates paid. Net interest income comprised 70.7% and 69.8% of total revenue for the nine months ended September 30, 2019 and 2018, respectively.

The table below reflects an analysis of net interest income, on a fully taxable equivalent basis, for the periods indicated. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax-exempt income by one minus the statutory federal income tax rate of 21% for 2019 and 2018.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Interest income	\$ 67,732	\$ 52,424	\$ 196,973	\$ 141,624
Fully taxable equivalent adjustment	24	27	79	84
Interest income adjusted	67,756	52,451	197,052	141,708
Less: interest expense	35,416	23,605	102,982	57,752
Net interest income adjusted	\$ 32,340	\$ 28,846	\$ 94,070	\$ 83,956
Yield on earning assets <sup>(1)(2)</sup>	4.06%	4.04%	4.23%	3.91%
Cost of interest-bearing liabilities <sup>(1)</sup>	2.38%	2.05%	2.47%	1.79%
Net interest spread <sup>(1)(2)</sup>	1.68%	1.99%	1.76%	2.12%
Net interest margin <sup>(1)(2)</sup>	1.94%	2.22%	2.02%	2.31%

<sup>(1)</sup> Annualized.

<sup>(2)</sup> Calculated on a fully taxable equivalent basis.

The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the three months ended September 30, 2019 and 2018. Non-accrual loans are included in the calculation of average loan balances, while interest collected on non-accrual loans is recorded as a reduction to principal. Where applicable, interest income and yield are reflected on a fully taxable equivalent basis and have been adjusted based on the statutory federal income tax rate of 21% for 2019 and 2018.

	Three Months Ended September 30,					
	2019			2018		
	Average Balance	Interest Income <sup>(1)/</sup> Expense	Average Yield/ Rate <sup>(2)</sup>	Average Balance	Interest Income <sup>(1)/</sup> Expense	Average Yield/ Rate <sup>(2)</sup>
<i>(Dollars in thousands)</i>						
<b>Assets</b>						
Interest-earning deposits	\$ 388,274	\$ 2,144	2.19%	\$ 207,346	\$ 1,015	1.94%
Federal funds sold	8,424	44	2.07%	9,563	46	1.91%
Debt securities available-for-sale	262,665	2,085	3.15%	236,053	1,836	3.09%
Debt securities held-to-maturity	174,331	1,537	3.50%	76,341	699	3.63%
Equity securities	4,720	12	1.01%	11,219	71	2.51%
FHLB stock	10,585	382	14.32%	11,342	314	10.98%
Total loans and leases	5,776,652	61,552	4.23%	4,594,755	48,470	4.19%
Total interest-earning assets	6,625,651	67,756	4.06%	5,146,619	52,451	4.04%
Other assets	288,216			223,996		
Total assets	\$ 6,913,867			\$ 5,370,615		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing deposits:						
Interest-bearing checking accounts	\$ 1,116,624	\$ 5,795	2.06%	\$ 657,402	\$ 3,267	1.97%
Money market deposit accounts	3,106,186	18,870	2.41%	2,506,334	12,428	1.97%
Certificates of deposit	1,462,521	9,449	2.56%	1,155,888	6,487	2.23%
Borrowings:						
FHLB borrowings	224,130	1,302	2.30%	221,576	853	1.53%
Line of credit borrowings	—	—	—%	1,277	16	4.97%
Subordinated notes payable, net	—	—	—%	34,832	554	6.31%
Total interest-bearing liabilities	5,909,461	35,416	2.38%	4,577,309	23,605	2.05%
Noninterest-bearing deposits	268,013			253,033		
Other liabilities	137,934			78,802		
Shareholders' equity	598,459			461,471		
Total liabilities and shareholders' equity	\$ 6,913,867			\$ 5,370,615		
Net interest income <sup>(1)</sup>		\$ 32,340			\$ 28,846	
Net interest spread <sup>(1)</sup>			1.68%			1.99%
Net interest margin <sup>(1)</sup>			1.94%			2.22%

<sup>(1)</sup> Calculated on a fully taxable equivalent basis.

<sup>(2)</sup> Annualized.

*Net Interest Income for the Three Months Ended September 30, 2019 and 2018.* Net interest income, calculated on a fully taxable equivalent basis, increased \$3.5 million, or 12.1%, to \$32.3 million for the three months ended September 30, 2019, from \$28.8 million for the same period in 2018. The increase in net interest income for the three months ended September 30, 2019, was primarily attributable to a \$1.48 billion, or 28.7%, increase in average interest-earning assets driven primarily by loan growth. This increase in net interest income also reflects an increase of \$15.3 million, or 29.2%, in interest income, partially offset by an increase of \$11.8 million, or 50.0%, in interest expense. Net interest margin decreased to 1.94% for the three months ended September 30, 2019, as compared to 2.22% for the same period in 2018, driven by higher cost of funds, partially offset by higher yield on our loan portfolio.

The increase in interest income on interest-earning assets was primarily the result of an increase in average total loans, which is our primary earning asset, of \$1.18 billion, or 25.7%, as well as an increase of four basis points in yield on our loans for the three months ended September 30, 2019, compared to the same period in 2018. The yield on our loan portfolio was primarily driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our floating-rate loans. The change in yield is also attributable to our continuing gradual shift towards lower-risk, lower-yielding marketable-securities-backed private banking loans and commercial loans. The overall yield on interest-earning assets increased two basis points to 4.06% for the three months ended September 30, 2019, as compared to 4.04% for the same period in 2018, primarily due to the higher yield on loans.

The increase in interest expense on interest-bearing liabilities was primarily the result of an increase of \$1.33 billion, or 29.1%, in average interest-bearing liabilities for the three months ended September 30, 2019, compared to the same period in 2018, as well as an increase

of 33 basis points in the average rate paid on our interest-bearing liabilities. The increase in the average rate paid on our interest-bearing liabilities reflected increases in rates paid in all deposit categories and FHLB borrowings, which was largely driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our variable-rate liabilities. The increase in average interest-bearing liabilities was driven primarily by an increase of \$599.9 million in average money market deposit accounts, an increase of \$459.2 million in average interest-bearing checking accounts and an increase of \$306.6 million in average certificates of deposits.

The following table analyzes the dollar amount of the changes in interest income and interest expense with respect to the primary components of interest-earning assets and interest-bearing liabilities. The table shows the amount of the change in interest income or interest expense caused by either changes in outstanding balances or changes in interest rates for the three months ended September 30, 2019, compared to the same period in 2018. The effect of a change in balances is measured by applying the average rate during the first period to the balance ("volume") change between the two periods. The effect of changes in interest rate is measured by applying the change in rate between the two periods to the average volume during the first period.

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2019 over 2018		
	Yield/Rate	Volume	Change <sup>(1)</sup>
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	\$ 144	\$ 985	\$ 1,129
Federal funds sold	4	(6)	(2)
Debt securities available-for-sale	38	211	249
Debt securities held-to-maturity	(27)	865	838
Equity securities	(30)	(29)	(59)
FHLB stock	90	(22)	68
Total loans	493	12,589	13,082
Total increase in interest income	712	14,593	15,305
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	151	2,377	2,528
Money market deposit accounts	3,122	3,320	6,442
Certificates of deposit	1,075	1,887	2,962
Borrowings:			
FHLB borrowings	439	10	449
Line of credit borrowings	—	(16)	(16)
Subordinated notes payable, net	—	(554)	(554)
Total increase in interest expense	4,787	7,024	11,811
Total increase (decrease) in net interest income	\$ (4,075)	\$ 7,569	\$ 3,494

<sup>(1)</sup> The change in interest income and interest expense due to changes in both composition and applicable yields/rates has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the nine months ended September 30, 2019 and 2018. Non-accrual loans are included in the calculation of average loan balances, while interest payments collected on non-accrual loans are recorded as a reduction to principal. Where applicable, interest income and yield are reflected on a fully taxable equivalent basis and have been adjusted based on the statutory federal income tax rate of 21% for 2019 and 2018.

	Nine Months Ended September 30,					
	2019			2018		
	Average Balance	Interest Income ( <sup>1</sup> )/ Expense	Average Yield/ Rate ( <sup>2</sup> )	Average Balance	Interest Income ( <sup>1</sup> )/ Expense	Average Yield/ Rate ( <sup>2</sup> )
<i>(Dollars in thousands)</i>						
<b>Assets</b>						
Interest-earning deposits	\$ 282,828	\$ 4,942	2.34%	\$ 181,368	\$ 2,436	1.80%
Federal funds sold	9,412	142	2.02%	7,761	100	1.72%
Debt securities available-for-sale	249,490	6,125	3.28%	187,041	4,150	2.97%
Debt securities held-to-maturity	189,083	5,267	3.72%	69,217	1,973	3.81%
Equity securities	8,363	112	1.79%	9,498	200	2.82%
FHLB stock	17,069	1,072	8.40%	14,856	738	6.64%
Total loans and leases	5,474,522	179,392	4.38%	4,381,057	132,111	4.03%
Total interest-earning assets	6,230,767	197,052	4.23%	4,850,798	141,708	3.91%
Other assets	266,059			215,388		
Total assets	\$ 6,496,826			\$ 5,066,186		
<b>Liabilities and Shareholders' Equity</b>						
Interest-bearing deposits:						
Interest-bearing checking accounts	\$ 927,198	\$ 15,303	2.21%	\$ 576,032	\$ 7,464	1.73%
Money market deposit accounts	2,883,009	53,608	2.49%	2,369,910	30,263	1.71%
Certificates of deposit	1,375,324	26,691	2.59%	1,021,248	14,552	1.91%
Borrowings:						
FHLB borrowings	370,550	6,222	2.24%	316,264	3,743	1.58%
Line of credit borrowings	1,650	68	5.51%	2,202	69	4.19%
Subordinated notes payable, net	23,178	1,090	6.29%	34,781	1,661	6.38%
Total interest-bearing liabilities	5,580,909	102,982	2.47%	4,320,437	57,752	1.79%
Noninterest-bearing deposits	262,056			242,325		
Other liabilities	113,331			68,064		
Shareholders' equity	540,530			435,360		
Total liabilities and shareholders' equity	\$ 6,496,826			\$ 5,066,186		
Net interest income ( <sup>1</sup> )		\$ 94,070			\$ 83,956	
Net interest spread ( <sup>1</sup> )			1.76%			2.12%
Net interest margin ( <sup>1</sup> )			2.02%			2.31%

(<sup>1</sup>) Calculated on a fully taxable equivalent basis.

(<sup>2</sup>) Annualized.

*Net Interest Income for the Nine Months Ended September 30, 2019 and 2018.* Net interest income, calculated on a fully taxable equivalent basis, increased \$10.1 million, or 12.0%, to \$94.1 million for the nine months ended September 30, 2019, from \$84.0 million for the same period in 2018. The increase in net interest income for the nine months ended September 30, 2019, was primarily attributable to a \$1.38 billion, or 28.4%, increase in average interest-earning assets driven primarily by loan growth. This increase in net interest income also reflects an increase of \$55.3 million, or 39.1%, in interest income, partially offset by an increase of \$45.2 million, or 78.3%, in interest expense. Net interest margin was 2.02% for the nine months ended September 30, 2019, compared to 2.31% for the same period in 2018, driven by higher cost of funds, partially offset by higher yield on our loan portfolio.

The increase in interest income on interest-earning assets was primarily the result of an increase in average total loans, which are our primary earning assets, of \$1.09 billion, or 25.0%, as well as an increase of 35 basis points in yield on our loans for the nine months ended September 30, 2019, compared to the same period in 2018. The yield on our loan portfolio was primarily driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our floating-rate loans. The change in yield is also attributable to our continuing gradual shift towards lower-risk, lower-yielding marketable-securities-backed private banking loans and commercial loans. The overall yield on interest-earning assets increased 32 basis points to 4.23% for the nine months ended September 30, 2019, as compared to 3.91% for the same period in 2018, primarily due to the higher loan yields.

The increase in interest expense on interest-bearing liabilities was primarily the result of an increase of 68 basis points in the average rate paid on our interest-bearing liabilities, as well as an increase of \$1.26 billion, or 29.2%, in average interest-bearing liabilities for the

nine months ended September 30, 2019, compared to the same period in 2018. The increase in average rate paid on our interest-bearing liabilities reflected increases in rates paid in all deposit categories and FHLB borrowings, which was largely driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our variable-rate liabilities. The increase in average interest-bearing liabilities was driven primarily by an increase of \$513.1 million in average money market deposit accounts, an increase of \$351.2 million in average interest-bearing checking accounts and an increase of \$354.1 million in average certificates of deposit.

The following table analyzes the dollar amount of the changes in interest income and interest expense with respect to the primary components of interest-earning assets and interest-bearing liabilities. The table shows the amount of the change in interest income or interest expense caused by either changes in outstanding balances or changes in interest rates for the nine months ended September 30, 2019, compared to the same period in 2018. The effect of a change in balances is measured by applying the average rate during the first period to the balance ("volume") change between the two periods. The effect of changes in interest rate is measured by applying the change in rate between the two periods to the average volume during the first period.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2019 over 2018		
	Yield/Rate	Volume	Change <sup>(1)</sup>
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	\$ 877	\$ 1,629	\$ 2,506
Federal funds sold	19	23	42
Debt securities available-for-sale	478	1,497	1,975
Debt securities held-to-maturity	(46)	3,340	3,294
Equity securities	(66)	(22)	(88)
FHLB stock	214	120	334
Total loans	12,186	35,095	47,281
Total increase in interest income	13,662	41,682	55,344
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	2,429	5,410	7,839
Money market deposit accounts	15,831	7,514	23,345
Certificates of deposit	6,200	5,939	12,139
Borrowings:			
FHLB borrowings	1,758	721	2,479
Line of credit borrowings	19	(20)	(1)
Subordinated notes payable, net	(25)	(546)	(571)
Total increase in interest expense	26,212	19,018	45,230
Total increase (decrease) in net interest income	\$ (12,550)	\$ 22,664	\$ 10,114

<sup>(1)</sup> The change in interest income and interest expense due to changes in both composition and applicable yields/rates has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

### ***Provision for Loan and Lease Losses***

The provision for loan and lease losses represents our determination of the amount necessary to be recorded against the current period's earnings to maintain the allowance for loan and lease losses at a level that is considered adequate in relation to the estimated losses inherent in the loan and lease portfolio. For additional information regarding our allowance for loan and lease losses, see "*Allowance for Loan and Lease Losses.*"

*Provision for Loan and Lease Losses for the Three Months Ended September 30, 2019 and 2018.* We recorded a credit to provision for loan and lease losses of \$607,000 for the three months ended September 30, 2019, compared to credit to provision of \$234,000 for the three months ended September 30, 2018. The credit to provision for loan and lease losses for the three months ended September 30, 2019, was comprised of a net decrease of \$455,000 in specific reserves on non-performing loans in our private banking portfolio, largely driven by a residential mortgage that moved to OREO, a decrease of \$187,000 in general reserves due to improved credit loss history, partially offset by increased loan growth, and recoveries of \$77,000 in our commercial and industrial portfolio, partially offset by charge-offs of \$112,000 in private banking residential mortgages. The credit to provision for loan and lease losses for the three months ended September 30, 2018, was comprised of a net increase of \$230,000 in general reserves and an increase of \$100,000 in specific reserves on non-performing loans, more than offset by recoveries of \$564,000.

*Provision for Loan and Lease Losses for the Nine Months Ended September 30, 2019 and 2018.* We recorded a credit to provision for loan and lease losses of \$1.7 million for the nine months ended September 30, 2019, compared to a provision expense of \$376,000 for the nine months ended September 30, 2018. The credit to provision for loan and lease losses for the nine months ended September 30, 2019, was comprised of recoveries of \$2.0 million in our commercial and industrial portfolio and a net decrease of \$266,000 in specific reserves primarily due to paydowns on these non-performing loans and previously mentioned loan to other real estate owned, partially offset by a net increase in general reserves of \$432,000 and charge-offs of \$112,000. The provision for loan and lease losses for the nine months ended September 30, 2018, was comprised of a net increase of \$1.2 million in general reserves and an increase in specific reserves of \$30,000 on non-performing loans, partially offset by recoveries of \$858,000.

### **Non-Interest Income**

Non-interest income is an important component of our total revenue and is comprised primarily of investment management fees from Chartwell coupled with fees generated from loan and deposit relationships with our Bank customers, including swap transactions. The information provided in the table below under the caption “Parent and Other” represents general operating activity of the Company not considered to be a reportable segment, which includes parent company activity as well as eliminations and adjustments that are necessary for purposes of reconciliation to the consolidated amounts.

The following table presents the components of our non-interest income by operating segment for the three months ended September 30, 2019 and 2018:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	\$ —	\$ 9,016	\$ (114)	\$ 8,902	\$ —	\$ 9,914	\$ (86)	\$ 9,828
Service charges on deposits	129	—	—	129	146	—	—	146
Net gain on the sale and call of debt securities	206	—	—	206	—	—	—	—
Swap fees	4,171	—	—	4,171	1,881	—	—	1,881
Commitment and other loan fees	464	—	—	464	373	—	—	373
Other income <sup>(1)</sup>	349	(9)	31	371	450	—	73	523
<b>Total non-interest income</b>	<b>\$ 5,319</b>	<b>\$ 9,007</b>	<b>\$ (83)</b>	<b>\$ 14,243</b>	<b>\$ 2,850</b>	<b>\$ 9,914</b>	<b>\$ (13)</b>	<b>\$ 12,751</b>

<sup>(1)</sup> Other income largely includes items such as income from bank owned life insurance (“BOLI”), change in fair value on swaps and equity securities, gains on the sale of loans or other real estate owned (“OREO”), and other general operating income.

*Non-Interest Income for the Three Months Ended September 30, 2019 and 2018.* Our non-interest income was \$14.2 million for the three months ended September 30, 2019, an increase of \$1.5 million, or 11.7%, from \$12.8 million for the same period in 2018. This increase was primarily related to increases in swap fees and higher net gain on debt securities, partially offset by lower investment management fees and other income, as follows:

#### *Bank Segment:*

- Swap fees increased \$2.3 million for the three months ended September 30, 2019, compared to the same period in 2018, due to an increase in the number of customer swap transactions closed during the quarter. While level and frequency of income associated with swap transactions can vary materially from period to period based on customers’ expectations of market conditions and term loan originations, there is strong customer demand for long-term interest rate protection in the current interest rate environment.
- There was a net gain on the sale and call of debt securities of \$206,000 for the three months ended September 30, 2019, as compared to no gain or loss for the same period in 2018.

#### *Investment Management Segment:*

- Investment management fees decreased \$898,000 for the three months ended September 30, 2019, compared to the same period in 2018, due to lower assets under management. Assets under management were \$9.62 billion as of September 30, 2019, a decrease of \$250.0 million from September 30, 2018, driven by market appreciation of \$279.0 million, which was more than offset by net outflows of \$529.0 million.

*Parent and Other:*

- Other income reflected \$31,000 of unrealized gains on equity securities for the three months ended September 30, 2019, related to a mutual fund investment in mid-cap value equities, compared to unrealized gains of \$73,000 for the same period in 2018.

The following table presents the components of our non-interest income by operating segment for the nine months ended September 30, 2019 and 2018:

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	\$ —	\$ 27,912	\$ (332)	\$ 27,580	\$ —	\$ 28,621	\$ (199)	\$ 28,422
Service charges on deposits	343	—	—	343	420	—	—	420
Net gain on the sale and call of debt securities	346	—	—	346	6	—	—	6
Swap fees	7,666	—	—	7,666	5,066	—	—	5,066
Commitment and other loan fees	1,251	—	—	1,251	1,036	—	—	1,036
Other income <sup>(1)</sup>	1,207	17	881	2,105	1,353	1	38	1,392
<b>Total non-interest income</b>	<b>\$ 10,813</b>	<b>\$ 27,929</b>	<b>\$ 549</b>	<b>\$ 39,291</b>	<b>\$ 7,881</b>	<b>\$ 28,622</b>	<b>\$ (161)</b>	<b>\$ 36,342</b>

<sup>(1)</sup> Other income largely includes items such as income from BOLI, change in fair value on swaps and equity securities, gains on the sale of loans or OREO, and other general operating income.

*Non-Interest Income for the Nine Months Ended September 30, 2019 and 2018.* Our non-interest income was \$39.3 million for the nine months ended September 30, 2019, an increase of \$2.9 million, or 8.1%, from \$36.3 million for the same period in 2018. This increase was primarily related to increases in swap fees, other income, net gain on debt securities, commitment and other loan fees, partially offset by decreases in investment management fees, as follows:

*Bank Segment:*

- Swap fees increased \$2.6 million for the nine months ended September 30, 2019, compared to the same period in 2018, driven by ongoing demand for long-term interest rate protection from both new and existing customers. While level and frequency of income associated with swap transactions can vary materially from period to period based on customers' expectations of market conditions and term loan originations, there is strong customer demand for long-term interest rate protection in the current interest rate environment.
- There was a net gain on the sale and call of debt securities of \$346,000 for the nine months ended September 30, 2019, as compared to a net gain of \$6,000 for the same period in 2018.

*Investment Management Segment:*

- Investment management fees decreased \$709,000 for the nine months ended September 30, 2019, compared to the same period in 2018, which was due to lower assets under management. Assets under management were \$9.62 billion as of September 30, 2019, a decrease of \$250.0 million from September 30, 2018, driven by market appreciation of \$279.0 million, which was more than offset by net outflows of \$529.0 million.

*Parent and Other:*

- Other income reflected \$881,000 of unrealized gains on equity securities for the nine months ended September 30, 2019, related to our mutual fund investment in mid-cap value equities, compared to unrealized gains of \$38,000 for the same period in 2018.

***Non-Interest Expense***

Our non-interest expense represents the operating cost of maintaining and growing our business. The largest portion of non-interest expense for each segment is compensation and employee benefits, which include employee payroll expense as well as the cost of incentive compensation, benefit plans, health insurance and payroll taxes, all of which are impacted by the growth in our employee base, coupled with increases in the level of compensation and benefits of our existing employees. The information provided in the table below under the caption "Parent and Other" represents general operating activity of the Company not considered to be a reportable segment, which includes parent company activity as well as eliminations and adjustments that are necessary for purposes of reconciliation to the consolidated amounts.

The following table presents the components of our non-interest expense by operating segment for the three months ended September 30, 2019 and 2018:

	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
<i>(Dollars in thousands)</i>								
Compensation and employee benefits	\$ 12,805	\$ 5,902	\$ —	\$ 18,707	\$ 10,826	\$ 6,141	\$ —	\$ 16,967
Premises and occupancy costs	1,380	324	—	1,704	1,138	294	—	1,432
Professional fees	1,237	141	(73)	1,305	814	190	(115)	889
FDIC insurance expense	994	—	—	994	1,053	—	—	1,053
General insurance expense	190	68	—	258	211	67	—	278
State capital shares tax	(720)	—	—	(720)	485	—	—	485
Travel and entertainment expense	1,053	286	—	1,339	727	259	—	986
Intangible amortization expense	—	502	—	502	—	502	—	502
Other operating expenses <sup>(1)</sup>	2,010	1,465	209	3,684	1,748	1,222	124	3,094
<b>Total non-interest expense</b>	<b>\$ 18,949</b>	<b>\$ 8,688</b>	<b>\$ 136</b>	<b>\$ 27,773</b>	<b>\$ 17,002</b>	<b>\$ 8,675</b>	<b>\$ 9</b>	<b>\$ 25,686</b>
Full-time equivalent employees <sup>(2)</sup>	219	57	—	276	188	65	—	253

<sup>(1)</sup> Other operating expenses largely include items such as organizational dues and subscriptions, charitable contributions, data processing, investment research fees, sub-advisory fees, telephone, marketing, employee-related expenses and other general operating expenses.

<sup>(2)</sup> Full-time equivalent employees shown are as of the end of the periods presented.

*Non-Interest Expense for the Three Months Ended September 30, 2019 and 2018.* Our non-interest expense for the three months ended September 30, 2019, increased \$2.1 million, or 8.1%, as compared to the same period in 2018, which included a \$1.9 million increase in expenses of the Bank segment and a \$13,000 increase in expenses of the Investment Management segment. Notable changes in each segment's expenses are as follows:

*Bank Segment:*

- The Bank's compensation and employee benefits costs for the three months ended September 30, 2019, increased by \$2.0 million compared to the same period in 2018, primarily due to an increase in the number of full-time equivalent employees, increases in the overall annual wage and benefits costs of our existing employees, and increases in incentive and stock-based compensation expenses.
- Premises and occupancy costs for the three months ended September 30, 2019, increased by \$242,000 compared to the same period in 2018, primarily due to continued investments in our infrastructure, including additional office space in our Pittsburgh headquarters and investments in technology.
- Professional fees for the three months ended September 30, 2019 increased by \$423,000 compared to the same period in 2018, primarily due to continued growth in loan production and certain regulatory matters.
- State capital shares tax for the three months ended September 30, 2019, decreased by \$1.2 million compared to the same period in 2018, primarily due to a recent favorable ruling received by the Company.
- Travel and entertainment expense for the three months ended September 30, 2019 increased by \$326,000 compared to the same period in 2018, primarily due to a higher level of officer and relationship manager business development efforts consistent with our continued growth.
- Other operating expenses for the three months ended September 30, 2019, increased by \$262,000 compared to the same period in 2018, primarily related to higher data processing expenses and higher organizational dues and subscription fees.

*Investment Management Segment:*

- Chartwell's compensation and employee benefits costs for the three months ended September 30, 2019, decreased by \$239,000 compared to the same period in 2018, primarily due to decreases in full-time equivalent employees.

- Other operating expenses for the three months ended September 30, 2019, increased by \$243,000 compared to the same period in 2018, primarily related to higher investment research fees.

The following table presents the components of our non-interest expense by operating segment for the nine months ended September 30, 2019 and 2018:

	Nine Months Ended September 30, 2019				Nine Months Ended September 30, 2018			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
<i>(Dollars in thousands)</i>								
Compensation and employee benefits	\$ 35,791	\$ 16,676	\$ —	\$ 52,467	\$ 30,431	\$ 17,746	\$ —	\$ 48,177
Premises and occupancy costs	3,892	916	—	4,808	3,128	858	—	3,986
Professional fees	3,281	533	(108)	3,706	2,569	879	90	3,538
FDIC insurance expense	3,462	—	—	3,462	3,333	—	—	3,333
General insurance expense	608	203	—	811	565	202	—	767
State capital shares tax	40	—	—	40	1,396	—	—	1,396
Travel and entertainment expense	2,408	806	—	3,214	1,915	723	—	2,638
Intangible amortization expense	—	1,506	—	1,506	—	1,465	—	1,465
Other operating expenses <sup>(1)</sup>	7,390	4,040	586	12,016	5,674	3,580	300	9,554
<b>Total non-interest expense</b>	<b>\$ 56,872</b>	<b>\$ 24,680</b>	<b>\$ 478</b>	<b>\$ 82,030</b>	<b>\$ 49,011</b>	<b>\$ 25,453</b>	<b>\$ 390</b>	<b>\$ 74,854</b>

<sup>(1)</sup> Other operating expenses largely include items such as organizational dues and subscriptions, charitable contributions, data processing, investment research fees, sub-advisory fees, telephone, marketing, employee-related expenses and other general operating expenses.

*Non-Interest Expense for the Nine Months Ended September 30, 2019 and 2018.* Our non-interest expense for the nine months ended September 30, 2019, increased \$7.2 million, or 9.6%, as compared to the same period in 2018, which included a \$7.9 million increase in expenses of the Bank segment and a \$773,000 decrease in expenses of the Investment Management segment. Notable changes in each segment's expenses are as follows:

*Bank Segment:*

- The Bank's compensation and employee benefits costs for the nine months ended September 30, 2019, increased by \$5.4 million compared to the same period in 2018, primarily due to an increase in the number of full-time equivalent employees, increases in the overall annual wage and benefits costs of our existing employees, and increases in incentive and stock-based compensation expenses.
- Premises and occupancy costs for the nine months ended September 30, 2019, increased by \$764,000 compared to the same period in 2018, primarily due to continued investments in our infrastructure, including additional office space in our Pittsburgh headquarters and investments in technology.
- Professional fees for the nine months ended September 30, 2019, increased by \$712,000 compared to the same period in 2018, primarily due to continued growth in loan production and certain regulatory matters.
- FDIC insurance expense for the nine months ended September 30, 2019 included a small bank assessment credit due to the deposit insurance fund reserve ratio exceeding a target threshold.
- Travel and entertainment expense for the nine months ended September 30, 2019, increased by \$493,000 compared to the same period in 2018, primarily due to a higher level of officer and relationship manager business development efforts consistent with our continued growth.
- State capital shares tax for the nine months ended September 30, 2019, decreased by \$1.4 million compared to the same period in 2018, due to a recent favorable ruling received by the Company.
- Other operating expenses for the nine months ended September 30, 2019, increased by \$1.7 million compared to the same period in 2018, primarily related to a valuation adjustment on OREO, higher marketing expenses, an increase in organization dues and subscriptions, and higher data processing expenses.

*Investment Management Segment:*

- Chartwell’s compensation and employee benefits costs for the nine months ended September 30, 2019, decreased by \$1.1 million compared to the same period in 2018, primarily due to decreases in full-time equivalent employees and incentive and stock-based compensation expenses.
- Professional fees for the nine months ended September 30, 2019, decreased by \$346,000 compared to the same period in 2018. The prior year period included higher legal fees incurred in connection with the acquisition of Columbia.
- Other operating expenses for the nine months ended September 30, 2019, increased by \$460,000 compared to the same period in 2018, primarily due to higher investment research fees.

**Income Taxes**

We utilize the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities with regard to a change in tax rates is recognized in income in the period that includes the enactment date. We evaluate whether it is more likely than not that we will be able to realize the benefit of identified deferred tax assets.

*Income Taxes for the Three Months Ended September 30, 2019 and 2018.* For the three months ended September 30, 2019, we recognized income tax expense of \$3.1 million, or 15.8% of income before tax, as compared to income tax expense of \$1.8 million, or 11.2% of income before tax, for the same period in 2018. Our effective tax rate of 15.8% for the three months ended September 30, 2019, increased as compared to the same period in the prior year primarily due to the amount and timing of tax credits recognized in 2019 compared to 2018.

*Income Taxes for the Nine Months Ended September 30, 2019 and 2018.* For the nine months ended September 30, 2019, we recognized income tax expense of \$7.4 million, or 13.9% of income before tax, as compared to income tax expense of \$5.7 million, or 12.6% of income before tax, for the same period in 2018. Our effective tax rate of 13.9% for the nine months ended September 30, 2019, increased as compared to the same period in the prior year primarily due to the amount and timing of tax credits recognized in 2019 compared to 2018.

**Financial Condition**

Our total assets as of September 30, 2019, were \$7.20 billion, an increase of \$1.16 billion, or 25.8% on an annualized basis, from December 31, 2018, driven primarily by growth in our loan portfolio and cash and cash equivalents. As of September 30, 2019, our loan portfolio totaled \$6.02 billion, an increase of \$883.8 million, or 23.0% on an annualized basis, from December 31, 2018. Total investment securities increased \$2.0 million, or 0.6% on an annualized basis, to \$468.7 million as of September 30, 2019, from December 31, 2018. Cash and cash equivalents increased \$194.0 million to \$383.9 million as of September 30, 2019, from December 31, 2018. Our Asset and Liability Committee (“ALCO”) is responsible for managing the investment portfolio and liquidity of the Bank, among other responsibilities. Given the current overall interest rate environment, our ALCO has kept excess liquidity in interest-bearing cash deposits and other short-term, high-grade investments rather than deploying this excess liquidity in the Bank’s investment portfolio.

As of September 30, 2019, our total deposits were \$6.09 billion, an increase of \$1.04 billion, or 27.6% annualized, from December 31, 2018. Net borrowings decreased \$74.2 million to \$330.0 million as of September 30, 2019, from December 31, 2018. Our shareholders’ equity increased \$125.2 million to \$604.5 million as of September 30, 2019, from December 31, 2018, due primarily to the net proceeds of \$77.6 million from our issuance of preferred stock in May 2019 and net income of \$45.6 million.

**Loans and Leases**

Our loan and lease portfolio, which represents our largest earning asset, primarily consists of loans to our private banking clients, commercial and industrial loans and leases, and real estate loans secured by commercial properties. As of September 30, 2019, 92.4% of our loans had a floating interest rate.

The following table presents the composition of our loan portfolio as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019		December 31, 2018	
	Outstanding	Percent of Loans	Outstanding	Percent of Loans
Private banking loans	\$ 3,368,142	56.0%	\$ 2,869,543	55.9%
Middle-market banking loans:				
Commercial and industrial	992,508	16.5%	785,320	15.3%
Commercial real estate	1,656,030	27.5%	1,478,010	28.8%
Total middle-market banking loans	2,648,538	44.0%	2,263,330	44.1%
Loans and leases held-for-investment	\$ 6,016,680	100.0%	\$ 5,132,873	100.0%

*Loans and Leases Held-for-Investment.* Loans and leases held-for-investment increased by \$883.8 million, or 23.0% on an annualized basis, to \$6.02 billion as of September 30, 2019, from December 31, 2018. Our growth for the nine months ended September 30, 2019, was comprised of an increase in private banking loans of \$498.6 million, an increase in commercial and industrial loans and leases of \$207.2 million and an increase in commercial real estate loans of \$178.0 million.

#### *Primary Loan Categories*

*Private Banking Loans.* Our private banking loans include personal and commercial loans that are sourced through our private banking channel (which operates on a national basis), including referral relationships with financial intermediaries. These loans primarily consist of loans made to high-net-worth individuals, trusts and businesses that are secured by cash, marketable securities, and/or cash value life insurance, residential property or other financial assets. The primary source of repayment for these loans is the income and assets of the borrower. We also have a limited number of unsecured loans and lines of credit in our private banking loan portfolio.

As of September 30, 2019, \$3.27 billion, or 97.2%, of our private banking loans were secured by cash, marketable securities and/or cash value life insurance as compared to \$2.77 billion, or 96.7%, as of December 31, 2018. Our private banking lines of credit are typically due on demand. We expect the growth in these loans to continue as a result of our focus on this portion of our private banking business. We believe we have strong competitive advantages in this line of business given our proprietary technology and distribution channels. These loans usually have a lower risk profile and are an efficient use of capital because they typically are zero percent risk-weighted for regulatory capital purposes. On a daily basis, we monitor the collateral of the loans secured by cash, marketable securities and/or cash value life insurance, which further reduces the risk profile of the private banking portfolio. Since inception, we have had no charge-offs related to our loans secured by cash, marketable securities and/or cash value life insurance.

Loans sourced through our private banking channel also include loans that are classified for regulatory purposes as commercial, most of which are also secured by cash, marketable securities or cash value life insurance. The table below includes all loans made through our private banking channel, by collateral type, as of the dates indicated.

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
Private banking loans:		
Secured by cash, marketable securities and/or cash value life insurance	\$ 3,272,175	\$ 2,774,800
Secured by real estate	65,822	69,766
Other	30,145	24,977
Total private banking loans	\$ 3,368,142	\$ 2,869,543

As of September 30, 2019, there were \$3.20 billion of total private banking loans with a floating interest rate and \$167.5 million with a fixed interest rate, as compared to \$2.75 billion and \$122.6 million, respectively, as of December 31, 2018.

*Middle-Market Banking - Commercial and Industrial Loans and Leases.* Our commercial and industrial loan and lease portfolio primarily includes loans and leases made to financial and other service companies or manufacturers generally for the purposes of financing production, operating capacity, accounts receivable, inventory, equipment, acquisitions and recapitalizations. Cash flow from the borrower's operations is the primary source of repayment for these loans and leases, except for certain commercial loans that are secured by marketable securities.

As of September 30, 2019, there were \$819.8 million of total commercial and industrial loans with a floating interest rate and \$172.7 million with a fixed interest rate, as compared to \$645.5 million and \$139.8 million, respectively, as of December 31, 2018.

*Middle-Market Banking - Commercial Real Estate Loans.* Our commercial real estate loan portfolio includes loans secured by commercial purpose real estate, including both owner-occupied properties and investment properties for various purposes including office, industrial, multifamily, retail, hospitality, healthcare and self-storage. Also included are commercial construction loans to finance the construction or renovation of structures as well as to finance the acquisition and development of raw land for various purposes. Individual project cash flows, global cash flows and liquidity from the developer, or the sale of the property are the primary sources of repayment for commercial real estate loans secured by investment properties. The primary source of repayment for commercial real estate loans secured by owner-occupied properties is cash flow from the borrower’s operations. There were \$189.8 million and \$183.7 million of owner-occupied commercial real estate loans as of September 30, 2019 and December 31, 2018, respectively.

As of September 30, 2019, there were \$1.54 billion of total commercial real estate loans with a floating interest rate and \$115.0 million with a fixed interest rate, as compared to \$1.34 billion and \$137.5 million, respectively, as of December 31, 2018.

*Loan and Lease Maturities and Interest Rate Sensitivity*

The following table presents the contractual maturity ranges and the amount of such loans and leases with fixed and adjustable rates in each maturity range as of the date indicated.

<i>(Dollars in thousands)</i>	September 30, 2019			
	One Year or Less <sup>(1)</sup>	One to Five Years	Greater Than Five Years	Total
<b>Maturity:</b>				
Private banking	\$ 3,198,990	\$ 62,748	\$ 106,404	\$ 3,368,142
Commercial and industrial	249,612	534,321	208,575	992,508
Commercial real estate	222,299	741,194	692,537	1,656,030
<b>Loans and leases held-for-investment</b>	<b>\$ 3,670,901</b>	<b>\$ 1,338,263</b>	<b>\$ 1,007,516</b>	<b>\$ 6,016,680</b>
<b>Interest rate sensitivity:</b>				
Fixed interest rates	\$ 152,426	\$ 135,944	\$ 166,833	\$ 455,203
Floating or adjustable interest rates	3,518,475	1,202,319	840,683	5,561,477
<b>Loans and leases held-for-investment</b>	<b>\$ 3,670,901</b>	<b>\$ 1,338,263</b>	<b>\$ 1,007,516</b>	<b>\$ 6,016,680</b>

<sup>(1)</sup> The amounts outstanding reflected in the “One Year or Less” column include \$3.16 billion of loans that are due on demand with no stated maturity.

*Interest Reserve Loans*

As of September 30, 2019, loans with interest reserves totaled \$331.3 million, which represented 5.5% of loans and leases held-for-investment, as compared to \$255.4 million, or 5.0%, as of December 31, 2018. Certain loans reserve a portion of the proceeds to be used to pay interest due on the loan. These loans with interest reserves are common for construction and land development loans. The use of interest reserves is based on the feasibility of the project, the creditworthiness of the borrower and guarantors, and the loan to value coverage of the collateral. The interest reserve may be used by the borrower, when certain financial conditions are met, to draw loan funds to pay interest charges on the outstanding balance of the loan. When drawn, the interest is capitalized and added to the loan balance, subject to conditions specified during the initial underwriting and at the time the credit is approved. We have procedures and controls for monitoring compliance with loan covenants, advancing funds and determining default conditions.

*Allowance for Loan and Lease Losses*

Our allowance for loan and lease losses represents our estimate of probable losses inherent in the loan and lease portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan and lease portfolio. Additions are made to the allowance through both periodic provisions recorded in the consolidated statements of income and recoveries of losses previously incurred. Reductions to the allowance occur as loans and lease are charged off or when the credit history of any of the three loan portfolios improves. Refer to Note 1, Summary of Significant Accounting Policies and Note 4, Allowance for Loan and Lease Losses, to our unaudited condensed consolidated financial statements for more details on the Company’s allowance for loan and lease losses.

The following table summarizes the allowance for loan and lease losses, as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
General reserves	\$ 13,203	\$ 12,771
Specific reserves	171	437
<b>Total allowance for loan and lease losses</b>	<b>\$ 13,374</b>	<b>\$ 13,208</b>
Allowance for loan and lease losses to loans and leases	0.22%	0.26%

As of September 30, 2019, we had impaired loans with an aggregated total outstanding balance of \$171,000 that were fully reserved. As of December 31, 2018, we had specific reserves totaling \$437,000 related to impaired loans, with an aggregated total outstanding balance of \$2.2 million. These loans were on non-accrual status as of September 30, 2019 and December 31, 2018, respectively.

The following table summarizes allowance for loan and lease losses and the percentage of loans and leases by category, as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019		December 31, 2018	
	Reserve	Percent of Loans	Reserve	Percent of Loans
Private banking	\$ 1,851	56.0%	\$ 1,942	55.9%
Commercial and industrial	5,316	16.5%	5,764	15.3%
Commercial real estate	6,207	27.5%	5,502	28.8%
<b>Total allowance for loan and lease losses</b>	<b>\$ 13,374</b>	<b>100.0%</b>	<b>\$ 13,208</b>	<b>100.0%</b>

*Allowance for Loan and Lease Losses as of September 30, 2019 and December 31, 2018.* Our allowance for loan and lease losses increased to \$13.4 million, or 0.22% of loans, as of September 30, 2019, as compared to \$13.2 million, or 0.26% of loans, as of December 31, 2018. Our allowance for loan and lease losses related to private banking loans decreased \$91,000 from December 31, 2018 to September 30, 2019, which was primarily attributable to lower specific reserves on non-performing loans, partially offset by higher general reserves related to growth in this portfolio. Our allowance for loan and lease losses related to commercial and industrial loans decreased \$448,000 from December 31, 2018 to September 30, 2019, which was attributable to lower general reserves due to an improved credit loss history. Our allowance for loan and lease losses related to commercial real estate loans increased by \$705,000 from December 31, 2018 to September 30, 2019, which was attributable to higher general reserves related to growth in this portfolio.

#### *Charge-Offs and Recoveries*

Our charge-off policy for commercial and private banking loans and leases requires that obligations that are not collectible be promptly charged off in the month the loss becomes probable, regardless of the delinquency status of the loan or lease. We recognize a partial charge-off when we have determined that the value of the collateral is less than the remaining ledger balance at the time of the evaluation. An obligation is not required to be charged off, regardless of delinquency status, if we have determined there exists sufficient collateral to protect the remaining loan or lease balance and there exists a strategy to liquidate the collateral. We may also consider a number of other factors to determine when a charge-off is appropriate, including: the status of a bankruptcy proceeding, the value of collateral and probability of successful liquidation, and the status of adverse proceedings or litigation that may result in collection.

[Table of Contents](#)

The following table provides an analysis of the allowance for loan and lease losses, charge-offs, recoveries and provision for loan and lease losses for the periods indicated:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Beginning balance	\$ 14,016	\$ 15,321	\$ 13,208	\$ 14,417
Charge-offs:				
Private banking	(112)	—	(112)	—
Commercial and industrial	—	(2,068)	—	(2,068)
Commercial real estate	—	—	—	—
Total charge-offs	(112)	(2,068)	(112)	(2,068)
Recoveries:				
Private banking	—	—	—	—
Commercial and industrial	77	564	1,974	858
Commercial real estate	—	—	—	—
Total recoveries	77	564	1,974	858
Net recoveries (charge-offs)	(35)	(1,504)	1,862	(1,210)
Provision (credit) for loan and lease losses	(607)	(234)	(1,696)	376
Ending balance	\$ 13,374	\$ 13,583	\$ 13,374	\$ 13,583
Net loan charge-offs (recoveries) to average total loans, annualized	— %	0.13 %	(0.05)%	0.04%
Provision (credit) for loan and lease losses to average total loans, annualized	(0.04)%	(0.02)%	(0.04)%	0.01%

*Non-Performing Assets*

Non-performing assets consist of non-performing loans and OREO. Non-performing loans are loans that are on non-accrual status. OREO is real property acquired through foreclosure on the collateral underlying defaulted loans and includes in-substance foreclosures. We record OREO at fair value, less estimated costs to sell the assets.

Our policy is to place loans in all categories on non-accrual status when collection of interest or principal is doubtful, or when interest or principal payments are 90 days or more past due. There were no loans 90 days or more past due and still accruing interest as of September 30, 2019 and December 31, 2018, and there was no interest income recognized on loans while on non-accrual status for the nine months ended September 30, 2019 and 2018. As of September 30, 2019, non-performing loans were \$184,000, or 0.00% of total loans, compared to \$2.2 million, or 0.04% of total loans, as of December 31, 2018. We had specific reserves of \$171,000 and \$437,000 as of September 30, 2019 and December 31, 2018, respectively, on these non-performing loans. The net loan balance of our non-performing loans was 6.3% and 74.3% of the customer's outstanding balance after payments, charge-offs and specific reserves as of September 30, 2019 and December 31, 2018, respectively.

For additional information on our non-performing loans as of September 30, 2019 and December 31, 2018, refer to Note 4, Allowance for Loan and Lease Losses, to our unaudited condensed consolidated financial statements.

Once the determination is made that a foreclosure is necessary, the loan is reclassified as "in-substance foreclosure" until a sale date and title to the property is finalized. Once we own the property, it is maintained, marketed, and rented or sold to repay the original loan. Historically, foreclosure trends in our loan portfolio have been low due to the improved credit quality of the real estate portfolio. Any loans that are modified or extended are reviewed for potential classification as a troubled debt restructuring ("TDR") loan. For borrowers that are experiencing financial difficulty, we complete a process that outlines the terms of the modification, the reasons for the proposed modification, and documents the current status of the borrower.

We had non-performing assets of \$4.4 million, or 0.06% of total assets, as of September 30, 2019, as compared to \$5.7 million, or 0.09% of total assets, as of December 31, 2018. The decrease in non-performing assets was due to the addition of new non-performing loans of \$5.1 million, more than offset by \$6.4 million in paydowns on non-performing loans and write-downs on OREO during the nine months ended September 30, 2019. This decrease was considered within the assessment of the determination of the allowance for loan and lease losses. As of September 30, 2019 and December 31, 2018, we had OREO properties totaling \$4.3 million and \$3.4 million, respectively.

[Table of Contents](#)

The following table summarizes our non-performing assets as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
Non-performing loans:		
Private banking	\$ 184	\$ 2,237
Commercial and industrial	—	—
Commercial real estate	—	—
<b>Total non-performing loans</b>	<b>\$ 184</b>	<b>\$ 2,237</b>
Other real estate owned	4,250	3,424
<b>Total non-performing assets</b>	<b>\$ 4,434</b>	<b>\$ 5,661</b>
Non-performing troubled debt restructured loans	\$ 171	\$ 237
Performing troubled debt restructured loans	\$ —	\$ —
Non-performing loans to total loans	—%	0.04%
Allowance for loan and lease losses to non-performing loans	7,268.48%	590.43%
Non-performing assets to total assets	0.06%	0.09%

#### *Potential Problem Loans*

Potential problem loans are those loans that are not categorized as non-performing loans, but where current information indicates that the borrower may not be able to comply with repayment terms. Among other factors, we monitor the past due status as an indicator of credit deterioration and potential problem loans. A loan is considered past due when the contractual principal and/or interest due in accordance with the terms of the loan agreement remains unpaid after the due date of the scheduled payment. To the extent that loans become past due, we assess the potential for loss on such loans as we would with other problem loans and consider the effect of any potential loss in determining any provision for loan and lease losses. We also assess alternatives to maximize collection of any past due loans, including and without limitation, restructuring loan terms, requiring additional loan guarantee(s) or collateral, or other planned action.

For additional information on the age analysis of past due loans segregated by class of loan for September 30, 2019 and December 31, 2018, refer to Note 4, Allowance for Loan and Lease Losses, to our unaudited condensed consolidated financial statements.

On a monthly basis, we monitor various credit quality indicators for our loan portfolio, including delinquency, non-performing status, changes in risk ratings, changes in the underlying performance of the borrowers and other relevant factors. On a daily basis, we monitor the collateral of loans secured by cash, marketable securities and/or cash value life insurance within the private banking portfolio, which further reduces the risk profile of that portfolio.

Loan risk ratings are assigned based on the creditworthiness of the borrower and the quality of the collateral for loans secured by marketable securities. Loan risk ratings are reviewed on an ongoing basis according to internal policies. Loans within the pass rating are believed to have a lower risk of loss than loans that are risk rated as special mention, substandard or doubtful, which are believed to have an increasing risk of loss. Our internal risk ratings are consistent with regulatory guidance. We also monitor the loan portfolio through a formal periodic review process. All non-pass rated loans are reviewed monthly and higher risk-rated loans within the pass category are reviewed three times a year.

For additional information on the definitions of our internal risk rating and the recorded investment in loans by credit quality indicator for September 30, 2019 and December 31, 2018, refer to Note 4, Allowance for Loan and Lease Losses, to our unaudited condensed consolidated financial statements.

#### *Investment Securities*

We utilize investment activities to enhance net interest income while supporting liquidity management and interest rate risk management. Our securities portfolio consists of available-for-sale debt securities, held-to-maturity debt securities, equity securities and, from time to time, debt securities held for trading purposes. Also included in our investment securities is FHLB stock. For additional information on FHLB stock, refer to Note 2, Investment Securities, to our unaudited condensed consolidated financial statements. Debt securities purchased with the intent to sell under trading activity and equity securities are recorded at fair value and changes to fair value are recognized in the consolidated statements of income. Debt securities categorized as available-for-sale are recorded at fair value and changes in the fair value of these securities are recognized as a component of total shareholders' equity, within accumulated other comprehensive income (loss), net of deferred taxes. Debt securities categorized as held-to-maturity are securities that the Company intends to hold until maturity and are recorded at amortized cost.

The Bank has engaged Chartwell to provide securities portfolio advisory services, subject to the investment parameters set forth in our investment policy.

As of September 30, 2019 and December 31, 2018, we reported debt securities in available-for-sale and held-to-maturity categories, as well as equity securities. In general, fair value is based on quoted market prices of identical assets, when available. Where sufficient data is not available to produce a fair valuation, fair value is based on broker quotes for similar assets. We validate the prices received from these third parties on a quarterly basis by comparing them to prices provided by a different independent pricing service. We have also reviewed the valuation methodologies provided to us by our pricing services. Broker quotes may be adjusted to ensure that financial instruments are recorded at fair value. Adjustments may include unobservable parameters, among other things. Securities, like loans, are subject to interest rate risk and credit risk. In addition, by their nature, debt securities classified as available-for-sale, trading and equity securities are also subject to fair value risks that could negatively affect the level of liquidity available to us, as well as shareholders' equity.

We perform a quarterly review of our investment securities to identify those that may indicate other-than-temporary impairment ("OTTI"). Our policy for OTTI is based on a number of factors, including, but not limited to the length of time and extent to which the estimated fair value has been less than cost, the financial condition of the underlying issuer, the ability of the issuer to meet contractual obligations, the likelihood of the investment security's ability to recover any decline in its estimated fair value and, for debt securities, whether we intend to sell the security or if it is more likely than not that we will be required to sell the security prior to its recovery. If the financial markets experience deterioration, charges to income could occur in future periods as a result of OTTI determinations.

Our available-for-sale debt securities portfolio consists of U.S. government agency obligations, mortgage-backed securities, collateralized mortgage obligations, corporate bonds and single-issuer trust preferred securities, all with varying contractual maturities. Our held-to-maturity debt securities consists of certain municipal bonds, agency obligations, mortgage-backed securities and corporate bonds while our trading portfolio, when active, typically consists of U.S. treasury notes, also with varying contractual maturities. However, these maturities do not necessarily represent the expected life of certain securities as the securities may be called or paid down without penalty prior to their stated maturities. The effective duration of our debt securities portfolio as of September 30, 2019, was approximately 1.4, where duration is defined as the approximate percentage change in price for a 100 basis point change in rates. No investment in any of these securities exceeds any applicable limitation imposed by law or regulation. Our ALCO reviews the investment portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

*Available-for-Sale Debt Securities.* We held \$261.2 million and \$233.3 million in debt securities available-for-sale as of September 30, 2019 and December 31, 2018, respectively. The increase of \$27.9 million was primarily attributable to purchases of \$59.1 million, net of prepayments, calls and maturities of \$32.2 million and sales of \$5.0 million for certain securities during the nine months ended September 30, 2019.

On a fair value basis, 43.8% of our available-for-sale debt securities as of September 30, 2019, were floating-rate securities, for which yields increase or decrease based on changes in market interest rates. As of December 31, 2018, floating-rate securities comprised 31.4% of our available-for-sale debt securities.

On a fair value basis, 22.2% of our available-for-sale debt securities as of September 30, 2019, were U.S. government and agency securities, which tend to have a lower risk profile than certain corporate bonds and single-issuer trust preferred securities, which comprised the remainder of the portfolio. As of December 31, 2018, agency securities comprised 27.9% of our available-for-sale debt securities.

*Held-to-Maturity Debt Securities.* We held \$187.2 million and \$196.1 million in debt securities held-to-maturity as of September 30, 2019 and December 31, 2018, respectively. The decrease of \$8.9 million was primarily attributable to calls and maturities of \$183.6 million, net of purchases of \$174.6 million for certain securities during the nine months ended September 30, 2019. As part of our asset and liability management strategy, we determined that we have the intent and ability to hold these bonds until maturity, and these securities were reported at amortized cost as of September 30, 2019 and December 31, 2018.

*Trading Debt Securities.* We held no trading debt securities as of September 30, 2019 and December 31, 2018.

*Equity Securities.* Equity securities as of September 30, 2019, consisted of an investment in a mid-cap value equity mutual fund. We had \$4.8 million and \$12.7 million in equity securities outstanding as of September 30, 2019 and December 31, 2018, respectively. The decrease was primarily attributable to the sale of \$8.8 million of a mutual fund investing in short-duration, corporate bonds during the nine months ended September 30, 2019.

[Table of Contents](#)

The following tables summarize the amortized cost and fair value of debt securities available-for-sale and held-to-maturity, as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	\$ 183,621	\$ 2,788	\$ 444	\$ 185,965
Trust preferred securities	18,060	—	706	17,354
Agency collateralized mortgage obligations	28,887	17	38	28,866
Agency mortgage-backed securities	18,469	426	—	18,895
Agency debentures	9,486	614	—	10,100
Total debt securities available-for-sale	258,523	3,845	1,188	261,180
Debt securities held-to-maturity:				
Corporate bonds	27,180	585	—	27,765
Agency debentures	136,892	969	105	137,756
Municipal bonds	18,765	150	—	18,915
Agency mortgage-backed securities	4,373	409	—	4,782
Total debt securities held-to-maturity	187,210	2,113	105	189,218
Total debt securities	\$ 445,733	\$ 5,958	\$ 1,293	\$ 450,398

<i>(Dollars in thousands)</i>	December 31, 2018			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	\$ 152,691	\$ 33	\$ 1,661	\$ 151,063
Trust preferred securities	17,964	—	1,115	16,849
Non-agency collateralized loan obligations	393	—	3	390
Agency collateralized mortgage obligations	33,680	42	4	33,718
Agency mortgage-backed securities	21,575	37	348	21,264
Agency debentures	9,994	67	49	10,012
Total debt securities available-for-sale	236,297	179	3,180	233,296
Debt securities held-to-maturity:				
Corporate bonds	27,184	353	22	27,515
Agency debentures	141,575	472	34	142,013
Municipal bonds	22,963	11	61	22,913
Agency mortgage-backed securities	4,409	—	27	4,382
Total debt securities held-to-maturity	196,131	836	144	196,823
Total debt securities	\$ 432,428	\$ 1,015	\$ 3,324	\$ 430,119

The changes in the fair values of our municipal bonds, agency debentures, agency collateralized mortgage obligations and agency mortgage-backed securities are primarily the result of interest rate fluctuations. To assess for credit impairment, management evaluates the underlying issuer's financial performance and the related credit rating information through a review of publicly available financial statements and other publicly available information. The most recent assessment for credit impairment did not identify any issues related to the ultimate repayment of principal and interest on these debt securities. In addition, the Company has the ability and intent to hold debt securities in an unrealized loss position until recovery of their amortized cost. Based on this, the Company considers all of the unrealized losses to be temporary.

Debt securities available-for-sale of \$3.0 million as of September 30, 2019, were held in safekeeping at the FHLB and were included in the calculation of borrowing capacity. Additionally, there were no debt securities held-to-maturity that were pledged as collateral for certain deposit relationships.

[Table of Contents](#)

The following table sets forth the fair value, contractual maturities and approximated weighted average yield, calculated on a fully taxable equivalent basis, of our available-for-sale and held-to-maturity debt securities portfolios as of September 30, 2019, based on estimated annual income divided by the average amortized cost of these securities. Contractual maturities may differ from expected maturities because issuers and/or borrowers may have the right to call or prepay obligations with or without penalties, which would also impact the corresponding yield.

<i>(Dollars in thousands)</i>	September 30, 2019									
	Less Than One Year		One to Five Years		Five to 10 Years		Greater Than 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<b>Debt securities available-for-sale:</b>										
Corporate bonds	\$ 45,284	2.97%	\$ 109,121	3.19%	\$ 31,560	3.56%	\$ —	—%	\$ 185,965	3.20%
Trust preferred securities	—	—%	—	—%	9,256	4.17%	8,098	4.22%	17,354	4.19%
Agency collateralized mortgage obligations	—	—%	543	2.80%	—	—%	28,323	2.64%	28,866	2.64%
Agency mortgage-backed securities	—	—%	—	—%	—	—%	18,895	2.87%	18,895	2.87%
Agency debentures	—	—%	—	—%	—	—%	10,100	3.18%	10,100	3.18%
<b>Total debt securities available-for-sale</b>	<b>45,284</b>		<b>109,664</b>		<b>40,816</b>		<b>65,416</b>		<b>261,180</b>	
Weighted average yield		2.97%		3.19%		3.70%		3.00%		3.18%
<b>Debt securities held-to-maturity:</b>										
Corporate bonds	—	—%	4,646	5.59%	23,119	5.27%	—	—%	27,765	5.33%
Agency debentures	—	—%	5,003	3.30%	101,122	3.09%	31,631	3.57%	137,756	3.20%
Municipal bonds	3,316	2.62%	11,243	3.16%	4,356	3.67%	—	—%	18,915	3.18%
Agency mortgage-backed securities	—	—%	—	—%	—	—%	4,782	3.69%	4,782	3.69%
<b>Total debt securities held-to-maturity</b>	<b>3,316</b>		<b>20,892</b>		<b>128,597</b>		<b>36,413</b>		<b>189,218</b>	
Weighted average yield		2.62%		3.72%		3.49%		3.59%		3.52%
<b>Total debt securities</b>	<b>\$ 48,600</b>		<b>\$ 130,556</b>		<b>\$ 169,413</b>		<b>\$ 101,829</b>		<b>\$ 450,398</b>	
Weighted average yield		2.95%		3.28%		3.54%		3.20%		3.33%

The table above excludes equity securities because they have an indefinite life. For additional information regarding our investment securities portfolios, refer to Note 2, Investment Securities, to our unaudited condensed consolidated financial statements.

**Assets Under Management**

Chartwell's total assets under management of \$9.62 billion increased \$426.0 million, or 4.6%, as of September 30, 2019, from \$9.19 billion as of December 31, 2018.

The following table shows the changes of our assets under management by investment style for the nine months ended September 30, 2019.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2019				
	Beginning Balance	Inflows <sup>(1)</sup>	Outflows <sup>(2)</sup>	Market Appreciation (Depreciation)	Ending Balance
Equity investment styles	\$ 3,419,000	\$ 282,000	\$ (416,000)	\$ 591,000	\$ 3,876,000
Fixed income investment styles	4,263,000	383,000	(262,000)	294,000	4,678,000
Balanced investment styles	1,507,000	121,000	(663,000)	96,000	1,061,000
<b>Total assets under management</b>	<b>\$ 9,189,000</b>	<b>\$ 786,000</b>	<b>\$ (1,341,000)</b>	<b>\$ 981,000</b>	<b>\$ 9,615,000</b>

<sup>(1)</sup> Inflows consist of new business and contributions to existing accounts.

<sup>(2)</sup> Outflows consist of business lost as well as distributions from existing accounts.

**Deposits**

Deposits are our primary source of funds to support our earning assets. We have focused on creating and growing diversified, stable, and low all-in cost deposit channels without operating through a traditional branch network. We market liquidity and treasury management products to middle-market commercial clients as well as other deposit products to high-net-worth individuals, family offices, trust companies, wealth management firms, municipalities, endowments and foundations, broker/dealers, futures commission merchants and other financial institutions. We believe that our deposit base is stable and diversified. We further believe we have the ability to attract new deposits, which is the primary source of funding our projected loan growth.

We continue to enhance our liquidity and treasury management capabilities and team to support our efforts to grow this source of funding. Treasury management deposit accounts totaled \$1.1 billion as of September 30, 2019, increasing \$449.8 million, or 74.6%, from December 31, 2018.

The table below depicts average balances of, and rates paid on our deposit portfolio by major deposit category for the three months ended September 30, 2019 and 2018.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,			
	2019		2018	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
Interest-bearing checking accounts	\$ 1,116,624	2.06%	\$ 657,402	1.97%
Money market deposit accounts	3,106,186	2.41%	2,506,334	1.97%
Certificates of deposit	1,462,521	2.56%	1,155,888	2.23%
Total average interest-bearing deposits	5,685,331	2.38%	4,319,624	2.04%
Noninterest-bearing deposits	268,013	—	253,033	—
Total average deposits	\$ 5,953,344	2.27%	\$ 4,572,657	1.92%

*Average Deposits for the Three Months Ended September 30, 2019 and 2018.* For the three months ended September 30, 2019, our average total deposits were \$5.95 billion, representing an increase of \$1.38 billion, or 30.2%, from the same period in 2018. The deposit growth was driven by increases in all deposit categories. Average noninterest-bearing deposits increased \$15.0 million, or 5.9%, in the three months ended September 30, 2019, from the three months ended September 30, 2018. Average interest-bearing checking accounts increased to 19.6% of total average interest-bearing deposits for the three months ended September 30, 2019, compared to 15.2% for the same period in 2018. The average cost of total deposits increased 35 basis points to 2.27% for the three months ended September 30, 2019, from 1.92% for the same period in 2018. Our average cost of interest-bearing deposits increased 34 basis points to 2.38% for the three months ended September 30, 2019, from 2.04% for the same period in 2018, as average rates paid were higher in all interest-bearing deposit categories, which was primarily driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our variable-rate deposits. Average money market deposits decreased to 54.7% of total average interest-bearing deposits for the three months ended September 30, 2019, from 58.0% for the same period in 2018. Average certificates of deposit decreased to 25.7% of total average interest-bearing deposits for the three months ended September 30, 2019, compared to 26.8% for the same period in 2018.

The table below depicts average balances of, and rates paid on our deposit portfolio by deposit type for the nine months ended September 30, 2019 and 2018.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,			
	2019		2018	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
Interest-bearing checking accounts	\$ 927,198	2.21%	\$ 576,032	1.73%
Money market deposit accounts	2,883,009	2.49%	2,369,910	1.71%
Certificates of deposit	1,375,324	2.59%	1,021,248	1.91%
Total average interest-bearing deposits	5,185,531	2.46%	3,967,190	1.76%
Noninterest-bearing deposits	262,056	—	242,325	—
Total average deposits	\$ 5,447,587	2.35%	\$ 4,209,515	1.66%

*Average Deposits for the Nine Months Ended September 30, 2019 and 2018.* For the nine months ended September 30, 2019, our average total deposits were \$5.45 billion, representing an increase of \$1.24 billion, or 29.4%, from the same period in 2018. The average deposit growth was driven by increases in all deposit categories. Average noninterest-bearing deposits increased \$19.7 million, or 8.1%, in the

nine months ended September 30, 2019, from the nine months ended September 30, 2018. Average interest-bearing checking accounts increased to 17.9% of total average interest-bearing deposits for the nine months ended September 30, 2019, compared to 14.5% for the same period in 2018. The average cost of total deposits increased 69 basis points to 2.35% for the nine months ended September 30, 2019, from 1.66% for the same period in 2018. Our average cost of interest-bearing deposits increased 70 basis points to 2.46% for the nine months ended September 30, 2019, from 1.76% for the same period in 2018, as average rates paid were higher in all interest-bearing deposit categories, which was driven by the direction and timing of the Federal Reserve's target Federal Funds Rate changes, which impacted our variable-rate deposits. Average money market deposits decreased to 55.6% of total average interest-bearing deposits for the nine months ended September 30, 2019, from 59.7% for the same period in 2018. Average certificates of deposit increased to 26.5% of total average interest-bearing deposits for the nine months ended September 30, 2019, compared to 25.8% for the same period in 2018.

#### Certificates of Deposit

Maturities of certificates of deposit of \$100,000 or more outstanding are summarized below, as of September 30, 2019.

<i>(Dollars in thousands)</i>	September 30, 2019	
Months to maturity:		
Three months or less	\$	382,683
Over three to six months		217,581
Over six to 12 months		288,090
Over 12 months		185,411
<b>Total</b>	<b>\$</b>	<b>1,073,765</b>

#### Reciprocal and Brokered Deposits

As of September 30, 2019, we consider approximately 90% of our total deposits to be relationship-based deposits, which include reciprocal certificates of deposit placed through CDARS® and reciprocal demand deposits placed through ICS®. As of September 30, 2019, the Bank had CDARS® and ICS® reciprocal deposits totaling \$883.6 million, which were classified as non-brokered deposits. We continue to utilize brokered deposits as a tool for us to manage our cost of funds and to efficiently match changes in our liquidity needs based on our loan growth with our deposit balances. As of September 30, 2019, brokered deposits were approximately 10% of total deposits. For additional information on our deposits, refer to Note 6, Deposits, to our unaudited condensed consolidated financial statements.

#### Borrowings

Deposits are the primary source of funds for our lending and investment activities, as well as the Bank's general business purposes. As an alternative source of liquidity, we may obtain advances from the FHLB of Pittsburgh, sell investment securities subject to our obligation to repurchase them, purchase Federal funds or engage in overnight borrowings from the FHLB or our correspondent banks.

The following table presents certain information with respect to our outstanding borrowings, as of September 30, 2019 and December 31, 2018.

<i>(Dollars in thousands)</i>	September 30, 2019					December 31, 2018				
	Amount	Interest Rate	Maximum Balance at Any Month End	Average Balance During the Period	Maximum Original Term	Amount	Interest Rate	Maximum Balance at Any Month End	Average Balance During the Period	Maximum Original Term
FHLB borrowings	\$ 330,000	2.23%	\$ 605,000	\$ 370,550	12 months	\$ 365,000	2.61%	\$ 565,000	\$ 325,356	12 months
Line of credit borrowings	—	—%	4,250	1,650	12 months	4,250	5.47%	6,200	2,568	12 months
Subordinated notes payable	—	—%	35,000	23,205	5 years	35,000	5.75%	35,000	35,000	5 years
<b>Total borrowings outstanding</b>	<b>\$ 330,000</b>	<b>2.23%</b>	<b>\$ 644,250</b>	<b>\$ 395,405</b>		<b>\$ 404,250</b>	<b>2.91%</b>	<b>\$ 606,200</b>	<b>\$ 362,924</b>	

The Company previously entered into cash flow hedge transactions to establish the interest rate paid on \$200.0 million of its FHLB borrowings at varying effective rates and maturities. For additional information on the detail of each cash flow hedge transaction, refer to Note 11, Derivatives and Hedging Activity, to our unaudited condensed consolidated financial statements.

## Liquidity

We evaluate liquidity both at the holding company level and at the Bank level. As of September 30, 2019, the Bank and Chartwell represent our only material assets. Our primary sources of funds at the parent company level are cash on hand, dividends paid to us from the Bank and Chartwell, availability on our line of credit, and the net proceeds from the issuance of our debt and/or equity securities. As of September 30, 2019, our primary liquidity needs at the parent company level were the quarterly dividends on our preferred stock and our share repurchase program. All other liquidity needs were minimal and related to reimbursing the Bank for management, accounting and financial reporting services provided by Bank personnel. During the nine months ended September 30, 2019, the parent company paid \$35.0 million on the repayment of principal of subordinated debt, \$1.1 million related to interest payments on our subordinated notes and other borrowings, \$3.8 million related to our preferred stock dividends and \$1.8 million related to our share repurchase program. During the nine months ended September 30, 2018, the parent company paid \$1.3 million related to the acquisition of Columbia, \$2.1 million related to interest payments on our subordinated notes and other borrowings, \$4.6 million related to our share repurchase program and \$1.4 million related to our preferred stock dividend. We believe that our cash on hand at the parent company level, coupled with the dividend paying capacity of the Bank and Chartwell, were adequate to fund any foreseeable parent company obligations as of September 30, 2019. In addition, the holding company maintains an unsecured line of credit of \$50.0 million with Texas Capital Bank, of which the full amount was available for borrowing as of September 30, 2019.

Our goal in liquidity management at the Bank level is to satisfy the cash flow requirements of depositors and borrowers, as well as our operating cash needs. These requirements include the payment of deposits on demand or at their contractual maturity, the repayment of borrowings as they mature, the payment of our ordinary business obligations, the ability to fund new and existing loans and other funding commitments, and the ability to take advantage of new business opportunities. Our ALCO, which includes members of executive management, has established an asset/liability management policy designed to achieve and maintain earnings performance consistent with long-term goals while maintaining acceptable levels of interest rate risk, well capitalized regulatory status and adequate levels of liquidity. The ALCO has also established a contingency funding plan to address liquidity crisis conditions. The ALCO is designated as the body responsible for the monitoring and implementation of these policies. The ALCO reviews liquidity on a frequent basis and approves significant changes in strategies that affect balance sheet or cash flow positions.

Sources of asset liquidity are cash, interest-earning deposits with other banks, federal funds sold, certain unpledged debt and equity securities, loan repayments (scheduled and unscheduled) and future earnings. Sources of liability liquidity include a stable deposit base, the ability to renew maturing certificates of deposit, borrowing availability at the FHLB of Pittsburgh, unsecured lines with other financial institutions, access to reciprocal CDARS<sup>®</sup> and ICS<sup>®</sup> deposits and brokered deposits, and the ability to raise debt and equity. Customer deposits, which are an important source of liquidity, depend on the confidence of customers in us. Deposits are supported by our capital position and, up to applicable limits, the protection provided by FDIC insurance.

We measure and monitor liquidity on an ongoing basis, which allows us to more effectively understand and react to trends in our balance sheet. In addition, the ALCO uses a variety of methods to monitor our liquidity position, including a liquidity gap, which measures potential sources and uses of funds over future periods. We have established policy guidelines for a variety of liquidity-related performance metrics, such as net loans to deposits, brokered funding composition, cash to total loans and duration of certificates of deposit, among others, all of which are utilized in measuring and managing our liquidity position. The ALCO performs contingency funding and capital stress analyses at least annually to determine our ability to meet potential liquidity and capital needs under various stress scenarios.

We believe that our liquidity position continues to be strong due to our ability to generate strong growth in deposits, which is evidenced by our ratio of total deposits to total assets of 84.7% and 83.7% as of September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019, we had available liquidity of \$1.15 billion, or 16.0% of total assets. These sources consisted of available cash totaling \$162.0 million, or 2.2% of total assets, unpledged investment securities totaling \$405.6 million, or 5.6% of total assets, and the ability to borrow from the FHLB and correspondent bank lines totaling \$586.7 million, or 8.2% of total assets. Available cash excludes cash posted as collateral for derivative and letter of credit transactions and the reserve balance requirement at the Federal Reserve.

The following table shows our available liquidity, by source, as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019	December 31, 2018
Available cash	\$ 161,954	\$ 97,703
Certain unpledged debt and equity securities	405,569	389,010
Net borrowing capacity	586,747	476,686
Total liquidity	\$ 1,154,270	\$ 963,399

For the nine months ended September 30, 2019, we generated \$48.7 million of cash from operating activities, compared to \$55.6 million for the same period in 2018. This change in cash flow was primarily the result of an increase in net income of \$6.3 million for the nine

months ended September 30, 2019, more than offset by changes in working capital items largely related to timing. In addition, we received a federal income tax refund of \$7.7 million during the nine months ended September 30, 2019, compared to a \$6.5 million refund during the nine months ended September 30, 2018.

Investing activities resulted in a net cash outflow of \$894.0 million for the nine months ended September 30, 2019, as compared to a net cash outflow of \$752.2 million for the same period in 2018. The outflows for the nine months ended September 30, 2019, were primarily due to net loan growth of \$881.9 million and purchases of investment securities totaling \$233.7 million, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling \$229.6 million. The outflows for the nine months ended September 30, 2018, included net loan growth of \$582.4 million and purchases of investment securities totaling \$194.7 million, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling \$27.7 million.

Financing activities resulted in a net inflow of \$1.04 billion for the nine months ended September 30, 2019, compared to a net inflow of \$727.1 million for the same period in 2018. The inflows for the nine months ended September 30, 2019, were primarily a result of a net increase in deposits of \$1.04 billion and proceeds from the issuance of preferred stock of \$77.6 million, partially offset by a net decrease in FHLB borrowings of \$35.0 million and repayment of subordinated debt of \$35.0 million. The inflows for the nine months ended September 30, 2018, included a net increase in deposits of \$767.0 million and proceeds from the issuance of preferred stock of \$38.5 million, partially offset by a net decrease in FHLB borrowings of \$70.0 million.

We continue to evaluate the potential impact on liquidity management of various regulatory proposals, including those being established under the Dodd-Frank Wall Street Reform and Consumer Protection Act, as government regulators continue the final rule-making process.

### Capital Resources

The access to and cost of funding for new business initiatives, the ability to engage in expanded business activities, the ability to pay dividends, the level of deposit insurance costs and the level and nature of regulatory oversight depend, in part, on our capital position. The Company filed a registration statement on Form S-3 with the SEC on December 15, 2017, which was declared effective on December 21, 2017, and which provides a means to allow us to issue registered securities to finance our growth objectives.

The assessment of capital adequacy depends on a number of factors, including asset quality, liquidity, earnings performance, changing competitive conditions and economic forces. We seek to maintain a strong capital base to support our growth and expansion activities, to provide stability to our current operations and to promote public confidence in our Company.

*Shareholders' Equity.* Shareholders' equity was \$604.5 million as of September 30, 2019, compared to \$479.4 million as of December 31, 2018. The \$125.2 million increase during the nine months ended September 30, 2019, was primarily attributable to net proceeds of \$77.6 million from the issuance of preferred stock, net income of \$45.6 million, \$6.5 million in stock-based compensation, an increase of \$801,000 in accumulated other comprehensive income (loss), and \$458,000 in exercises of stock options, partially offset by preferred stock dividends paid of \$3.8 million and the purchase of \$2.0 million in treasury stock.

In May 2019, the Company completed the issuance and sale of a registered, underwritten public offering of 3.2 million depository shares, each representing a 1/40th interest in a share of its 6.375% Fixed-to-Floating Rate Series B Non-Cumulative Perpetual Preferred Stock, no par value (the "Series B Preferred Stock"), with a liquidation preference of \$1,000 per share (equivalent to \$25 per depository share). The Company received net proceeds of \$77.6 million from the offering, after deducting underwriting discounts, commissions and direct offering expenses. Our Series B Preferred Stock provides Tier 1 capital for the holding company under federal regulatory capital rules.

When, as, and if declared by the board of directors of the Company (the "Board"), dividends will be payable on the Series B Preferred Stock from the date of issuance to, but excluding July 1, 2026, at a rate of 6.375% per annum, payable quarterly, in arrears, and from and including July 1, 2026, dividends will accrue and be payable at a floating rate equal to three-month LIBOR plus a spread of 408.8 basis points per annum, payable quarterly, in arrears. The Company may redeem the Series B Preferred Stock at its option, subject to regulatory approval, on or after July 1, 2024, as described in the prospectus supplement relating to the offering filed with the SEC on May 23, 2019.

In March 2018, the Company completed the issuance and sale of a registered, underwritten public offering of 1.6 million depository shares, each representing a 1/40th interest in a share of its 6.75% Fixed-to-Floating Rate Series A Non-Cumulative Perpetual Preferred Stock, no par value (the "Series A Preferred Stock"), with a liquidation preference of \$1,000 per share (equivalent to \$25 per depository share). The Company received net proceeds of \$38.5 million from the offering, after deducting underwriting discounts, commissions and direct offering expenses. Our Series A Preferred Stock provides Tier 1 capital for the holding company under federal regulatory capital rules.

When, as, and if declared by the Board, dividends will be payable on the Series A Preferred Stock from the date of issuance to, but excluding April 1, 2023 at a rate of 6.75% per annum, payable quarterly, in arrears, and from and including April 1, 2023, dividends will accrue and be payable at a floating rate equal to three-month LIBOR plus a spread of 398.5 basis points per annum, payable quarterly,

in arrears. The Company may redeem the Series A Preferred Stock at its option, subject to regulatory approval, on or after April 1, 2023, as described in the prospectus supplement relating to the offering filed with the SEC on March 19, 2018.

*Regulatory Capital.* As of September 30, 2019 and December 31, 2018, TriState Capital Holdings, Inc. and TriState Capital Bank were in compliance with all applicable regulatory capital requirements, and TriState Capital Bank was categorized as well capitalized for purposes of the FDIC’s prompt corrective action regulations. As we employ our capital and continue to grow our operations, our regulatory capital levels may decrease. However, we will monitor our capital in order to remain categorized as well capitalized under the applicable regulatory guidelines and in compliance with all regulatory capital standards applicable to us.

The Basel III regulatory capital framework (the “Basel III”), which began phasing in on January 1, 2015, has replaced the regulatory capital rules for the Company and the Bank. The Basel III final rules required new minimum capital ratio standards, established a new common equity tier 1 to total risk-weighted assets ratio, subjected banking organizations to certain limitations on capital distributions and discretionary bonus payments, and established a new standardized approach for risk weightings.

The final rules subject a banking organization to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization does not maintain a capital conservation buffer of risk-based capital ratios in an amount greater than 2.5% of its total risk-weighted assets. The implementation of the capital conservation buffer began on January 1, 2016, at 0.625%, and was phased in ratably over a four-year period until it reached 2.5% on January 1, 2019. As of September 30, 2019 and December 31, 2018, the capital conservation buffer was 2.5% and 1.875%, respectively, in addition to the minimum capital adequacy levels shown in the tables below. Thus, both the Company and the Bank were above the levels required to avoid limitations on capital distributions and discretionary bonus payments.

The following tables present the actual capital amounts and regulatory capital ratios for the Company and the Bank as of the dates indicated:

<i>(Dollars in thousands)</i>	September 30, 2019					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 552,734	12.40%	\$ 356,596	8.00%	N/A	N/A
Bank	\$ 505,370	11.38%	\$ 355,135	8.00%	\$ 443,919	10.00%
Tier 1 risk-based capital ratio						
Company	\$ 541,505	12.15%	\$ 267,447	6.00%	N/A	N/A
Bank	\$ 491,401	11.07%	\$ 266,352	6.00%	\$ 355,135	8.00%
Common equity tier 1 risk-based capital ratio						
Company	\$ 427,084	9.58%	\$ 200,585	4.50%	N/A	N/A
Bank	\$ 491,401	11.07%	\$ 199,764	4.50%	\$ 288,547	6.50%
Tier 1 leverage ratio						
Company	\$ 541,505	7.91%	\$ 273,931	4.00%	N/A	N/A
Bank	\$ 491,401	7.20%	\$ 273,036	4.00%	\$ 341,295	5.00%

	December 31, 2018					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<i>(Dollars in thousands)</i>						
Total risk-based capital ratio						
Company	\$ 426,066	10.86%	\$ 313,789	8.00%	N/A	N/A
Bank	\$ 437,849	11.25%	\$ 311,497	8.00%	\$ 389,371	10.00%
Tier 1 risk-based capital ratio						
Company	\$ 414,808	10.58%	\$ 235,342	6.00%	N/A	N/A
Bank	\$ 424,418	10.90%	\$ 233,622	6.00%	\$ 311,497	8.00%
Common equity tier 1 risk-based capital ratio						
Company	\$ 378,117	9.64%	\$ 176,506	4.50%	N/A	N/A
Bank	\$ 424,418	10.90%	\$ 175,217	4.50%	\$ 253,091	6.50%
Tier 1 leverage ratio						
Company	\$ 414,808	7.28%	\$ 227,851	4.00%	N/A	N/A
Bank	\$ 424,418	7.49%	\$ 226,762	4.00%	\$ 283,453	5.00%

### Contractual Obligations and Commitments

There were no material changes to contractual obligations during the nine months ended September 30, 2019, that were outside the ordinary course of business.

### Off-Balance Sheet Arrangements

In the normal course of business, we enter into various transactions that are not included in our consolidated balance sheets in accordance with GAAP. These transactions include commitments to extend credit in the ordinary course of business to approved customers.

Loan commitments, including standby letters of credit, are recorded on our statement of financial condition as they are funded. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Loan commitments include unused commitments for open end lines secured by cash, marketable securities and/or cash value life insurance or residential properties, and commitments to fund loans secured by commercial real estate, construction loans, business lines of credit and other unused commitments of loans in various stages of funding. Not all commitments will fund or fully fund as customers often only draw on a portion of their available credit. We have the ability to generate the liquidity necessary to fund anticipated draws under unused loan commitments.

Standby letters of credit are written conditional commitments issued by us to guarantee the performance of our customer to a third party. In the event our customer does not perform in accordance with the terms of the agreement with the third party, we would be required to fund the commitment. The maximum potential amount of future payments we could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, we would be entitled to seek recovery from the customer.

We minimize our exposure to loss under loan commitments and standby letters of credit by subjecting them to credit approval and monitoring procedures. The effect on our revenues, expenses, cash flows and liquidity of the unused portions of these commitments cannot be reasonably predicted because, while the borrower has the ability to draw upon these commitments at any time, these commitments often expire without being drawn. There is no guarantee that the lines of credit will be used.

[Table of Contents](#)

The following table is a summary of the total notional amount of unused loan commitments and standby letters of credit commitments, based on the availability of eligible collateral or other terms under the loan agreement, by contractual maturities outstanding as of the date indicated.

<i>(Dollars in thousands)</i>	September 30, 2019				
	One Year or Less <sup>(1)</sup>	One to Three Years	Three to Five Years	Greater Than Five Years	Total
Unused loan commitments	\$ 3,851,043	\$ 436,634	\$ 155,305	\$ 23,104	\$ 4,466,086
Standby letters of credit	40,813	21,106	9,145	—	71,064
<b>Total off-balance sheet arrangements</b>	<b>\$ 3,891,856</b>	<b>\$ 457,740</b>	<b>\$ 164,450</b>	<b>\$ 23,104</b>	<b>\$ 4,537,150</b>

<sup>(1)</sup> The off-balance sheet amounts reflected in the “One Year or Less” column include \$3.51 billion in unused loan commitments and \$272,000 in standby letters of credit that are due on demand with no stated maturity.

## Market Risk

Market risk refers to potential losses arising from changes in interest rates, foreign exchange rates, equity prices and commodity prices. Our primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact the level of both income and expense recorded on most of our assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those that have a short term to maturity. Because of the nature of our operations, we are not subject to foreign exchange or commodity price risk. From time to time we hold market risk sensitive instruments for trading purposes. The summary information provided in this section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

Interest rate risk is comprised of re-pricing risk, basis risk, yield curve risk and option risk. Re-pricing risk arises from differences in the cash flow or re-pricing between asset and liability portfolios. Basis risk arises when asset and liability portfolios are related to different market rate indexes, which do not always change by the same amount or at the same time. Yield curve risk arises when asset and liability portfolios are related to different maturities on a given yield curve; when the yield curve changes shape, the risk position is altered. Option risk arises from embedded options within asset and liability products as certain borrowers may prepay their loans and certain depositors may redeem their certificates when rates change.

Our ALCO actively measures and manages interest rate risk. The ALCO is responsible for the formulation and implementation of strategies to improve balance sheet positioning and earnings, and for reviewing our interest rate sensitivity position. This involves devising policy guidelines, risk measures and limits, and managing the amount of interest rate risk and its effect on net interest income and capital.

We utilize an asset/liability model to measure and manage interest rate risk. The specific measurement tools used by management on at least a quarterly basis include net interest income (“NII”) simulation, economic value of equity (“EVE”) analysis and gap analysis. All are static measures that do not incorporate assumptions regarding future business. All are also measures of interest rate sensitivity used to help us develop strategies for managing exposure to interest rate risk rather than projecting future earnings.

In our view, all three measures have specific benefits and shortcomings. NII simulation explicitly measures exposure to earnings from changes in market rates of interest but does not provide a long-term view of value. EVE analysis helps identify changes in optionality and price over a longer term horizon, but its liquidation perspective does not convey the earnings-based measures that are typically the focus of managing and valuing a going concern. Gap analysis compares the difference between the amount of interest-earning assets and interest-bearing liabilities subject to re-pricing over a period of time but only captures a single rate environment. Reviewing these various measures together helps management obtain a comprehensive view of our interest risk rate profile.

[Table of Contents](#)

The following NII simulation and EVE analysis metrics were calculated using rate shocks that represent immediate rate changes that move all market rates by the same amount instantaneously. The variance percentages represent the change between the NII simulation and EVE calculated under the particular rate scenario versus the NII simulation and EVE analysis calculated assuming market rates as of the dates indicated.

<i>(Dollars in thousands)</i>	September 30, 2019		December 31, 2018	
	Amount Change from Base Case	Percent Change from Base Case	Amount Change from Base Case	Percent Change from Base Case
<b>Net interest income (loss):</b>				
+300	\$ 41,377	30.80 %	\$ 26,950	22.28 %
+200	\$ 27,784	20.68 %	\$ 18,056	14.93 %
+100	\$ 14,295	10.64 %	\$ 9,399	7.77 %
-100	\$ (14,961)	(11.14)%	\$ (9,712)	(8.03)%
-200	\$ (30,312)	(22.57)%	\$ (22,079)	(18.25)%
<b>Economic value of equity:</b>				
+300	\$ 7,435	1.27 %	\$ (19,782)	(4.09)%
+200	\$ 6,898	1.18 %	\$ (12,468)	(2.58)%
+100	\$ 7,260	1.24 %	\$ (3,526)	(0.73)%
-100	\$ (9,453)	(1.62)%	\$ (505)	(0.10)%
-200	\$ (18,784)	(3.21)%	\$ (1,380)	(0.29)%

We plan to continue to manage an asset sensitive interest rate risk position when it comes to net interest income due to the ongoing desire for some duration in the liability portfolio. Given the longer term nature of the EVE analysis and with longer-term interest rates being less certain, we plan to continue to manage a near neutral interest rate risk position when it comes to economic value of equity, although our EVE position will continue to add more bias toward asset sensitivity as interest rates decline.

[Table of Contents](#)

The following gap analysis presents the amounts of interest-earning assets and interest-bearing liabilities and related cash flow hedging instruments that are subject to re-pricing within the periods indicated.

(Dollars in thousands)	September 30, 2019								Total Balance
	Less Than 90 Days	91 to 180 Days	181 to 365 Days	One to Three Years	Three to Five Years	Greater Than Five Years	Non-Sensitive		
<b>Assets:</b>									
Interest-earning deposits	\$ 378,182	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 378,182
Federal funds sold	5,411	—	—	—	—	—	—	—	5,411
Total investment securities	260,112	19,196	47,239	81,545	36,755	23,433	441		468,721
Total loans and leases	5,655,539	37,392	45,094	170,371	61,511	43,251	3,522		6,016,680
Other assets	—	—	—	—	—	—	329,455		329,455
<b>Total assets</b>	<b>\$ 6,299,244</b>	<b>\$ 56,588</b>	<b>\$ 92,333</b>	<b>\$ 251,916</b>	<b>\$ 98,266</b>	<b>\$ 66,684</b>	<b>\$ 333,418</b>		<b>\$ 7,198,449</b>
<b>Liabilities:</b>									
Transaction deposits	\$ 4,104,240	\$ 10,000	\$ 72,000	\$ 196,295	\$ 100,000	\$ —	\$ 312,285		\$ 4,794,820
Certificates of deposit	493,646	276,504	312,259	217,376	—	—	—		1,299,785
Borrowings, net	130,000	—	—	100,000	100,000	—	—		330,000
Other liabilities	—	—	—	—	—	—	169,337		169,337
<b>Total liabilities</b>	<b>4,727,886</b>	<b>286,504</b>	<b>384,259</b>	<b>513,671</b>	<b>200,000</b>	<b>—</b>	<b>481,622</b>		<b>6,593,942</b>
<b>Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>604,507</b>		<b>604,507</b>
<b>Total liabilities and equity</b>	<b>\$ 4,727,886</b>	<b>\$ 286,504</b>	<b>\$ 384,259</b>	<b>\$ 513,671</b>	<b>\$ 200,000</b>	<b>\$ —</b>	<b>\$ 1,086,129</b>		<b>\$ 7,198,449</b>
<b>Interest rate sensitivity gap</b>	<b>\$ 1,571,358</b>	<b>\$ (229,916)</b>	<b>\$ (291,926)</b>	<b>\$ (261,755)</b>	<b>\$ (101,734)</b>	<b>\$ 66,684</b>	<b>\$ (752,711)</b>		
<b>Cumulative interest rate sensitivity gap</b>	<b>\$ 1,571,358</b>	<b>\$ 1,341,442</b>	<b>\$ 1,049,516</b>	<b>\$ 787,761</b>	<b>\$ 686,027</b>	<b>\$ 752,711</b>			
<b>Cumulative interest rate sensitive assets to rate sensitive liabilities</b>	<b>133.2%</b>	<b>126.8%</b>	<b>119.4%</b>	<b>113.3%</b>	<b>111.2%</b>	<b>112.3%</b>	<b>109.2%</b>		
<b>Cumulative gap to total assets</b>	<b>21.8%</b>	<b>18.6%</b>	<b>14.6%</b>	<b>10.9%</b>	<b>9.5%</b>	<b>10.5%</b>			

The cumulative 12-month ratio of interest rate sensitive assets to interest rate sensitive liabilities increased to 119.4% as of September 30, 2019, from 112.2% as of December 31, 2018.

The Company entered into cash flow hedge transactions to fix the interest rate on certain of the Company's borrowings for varying periods of time. These transactions have the effect on our gap analysis of moving \$200.0 million of borrowings from the less than 90 days re-pricing category to the one to three years re-pricing category and the three to five years re-pricing category of \$100.0 million each. For additional information on cash flow hedge transactions, refer to Note 11, Derivatives and Hedging Activity, to our unaudited condensed consolidated financial statements.

Additionally, in all of these analyses (NII, EVE and gap), we use what we believe is a conservative treatment of non-maturity, interest-bearing deposits. In our gap analysis, the allocation of non-maturity, interest-bearing deposits is fully reflected in the less than 90 days re-pricing category. The allocation of non-maturity, noninterest-bearing deposits is fully reflected in the non-sensitive category. In taking this approach, we provide ourselves with no benefit to either NII or EVE from a potential time lag in the rate increase of our non-maturity, interest-bearing deposits.

### Impact of Inflation

Our financial statements and related data presented herein have been prepared in accordance with GAAP, which requires the measure of financial position and operating results in terms of historic dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Inflation generally increases the costs of funds and operating overhead, and to the extent loans and other assets bear variable rates, the yields on such assets. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant effect on the performance of a financial institution than the effects

of general levels of inflation. In addition, inflation affects a financial institution's cost of goods and services purchased, the cost of salaries and benefits, occupancy expense and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings and shareholders' equity.

## **Other Matters**

### ***New Accounting Standard - Current Expected Credit Loss ("CECL")***

As described in Note 1, to our unaudited condensed consolidated financial statements the FASB issued ASU 2016-13 "Measurement of Credit Losses on Financial Instruments" which significantly changes how entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses that occur over the life of the financial asset. This impairment recognition accounting standard requires reserves over the life of the loan rather than the loss emergence period used in the current incurred loss model.

In December 2018, The Office of the Comptroller, The Federal Deposit Insurance Corporation and The Board of Governors adopted a final rule that addresses changes to credit loss accounting. The rule provides banks with the option to phase in the day-one effects on regulatory capital of CECL over a three-year period.

Management created a formal working group, consisting of key stakeholders from finance, risk management and credit management, to govern the implementation of this accounting standard. Management is in the process of designing current expected credit loss estimation methodologies and analyzing data to be able to comply with this accounting standard. Management has engaged a third-party software model to determine the current expected credit loss within the requirements of the accounting standard. Management is developing governing processes to oversee and support all aspects of complying with the accounting standard. Management also is in the process of developing accounting policy documentation and validating the third-party model.

Management has completed parallel runs of its loan portfolio under its existing ALLL methodology and the CECL methodology as estimated by the third-party model for the first three quarters of 2019 and continues to analyze the results. The parallel runs have not yet been fully validated. The key inputs to the model are loan segmentation, origination vintage, amortized cost, contractual lives of loans, historical losses, and a representative national economic forecast.

The initial and future impact of the standard is likely to change as we develop the methodology, and analyze our inputs and decisions made around those inputs, and will also depend on the composition, size and credit quality of our loan portfolio and the economic forecast used in the model at the time of adoption and future measurements, respectively.

The results of implementing the accounting standard may cause a material increase in our overall allowance for loan losses upon adoption.

### ***LIBOR Transition***

On July 27, 2017, the United Kingdom's Financial Conduct Authority (the "FCA") announced that it will no longer persuade or require banks to submit rates for the calculation of the London Interbank Offered Rate ("LIBOR") after 2021. Given LIBOR's extensive use across financial markets, the transition away from LIBOR presents various risks and challenges to financial markets and institutions, including to the Company. The Company's commercial and consumer businesses issue, trade and hold various products that are currently indexed to LIBOR. As of September 30, 2019, the Company had a material amount of loans, investment securities, FHLB advances and notional value of derivatives indexed to LIBOR that will mature after 2021. If not sufficiently planned for, the discontinuation of LIBOR could result in financial, operational, legal, reputational or compliance risks to financial markets and institutions, including to the Company.

The Alternative Reference Rates Committee ("ARRC") has proposed the Secured Overnight Financing Rate ("SOFR") as its preferred rate as an alternative to LIBOR. The selection of SOFR as the alternative reference rate currently presents certain market concerns, because a term structure for SOFR has not yet developed, and there is not yet a generally accepted methodology for adjusting SOFR, which represents an overnight, risk-free rate, so that it will be comparable to LIBOR, which has various tenors and reflects a risk component.

In early 2019, the ARRC released final recommended fallback contract language for new issuances of LIBOR-indexed bilateral business loans, syndicated loans, floating rate notes and securitizations. The International Swaps and Derivatives Association, Inc. ("ISDA") is also expected to provide guidance on fallback contract language related to derivative transactions in late 2019.

Due to the uncertainty surrounding the future of LIBOR, it is expected that the transition will span several reporting periods through the end of 2021. One of the major identified risks is inadequate fallback language in the various instruments' contracts that may result in issues establishing the alternative index and adjusting the margin as applicable. The Company continues to monitor this activity and evaluate the related risks. The Company has already: (1) established a cross-functional team to identify, assess and monitor risks associated with the transition of LIBOR and other benchmark rates; (2) developed an inventory of affected products; and (3) implemented more

robust fallback contract language. The Company's cross-functional team is also tasked with managing clear communication of the Company's transition plans with both internal and external stakeholders and ensuring that the Company appropriately updates its business processes, analytical tools, information systems and contract language to minimize disruption during and after the LIBOR transition. For additional information related to the potential impact surrounding the transition from LIBOR on the Company's business, see "Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q and "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, previously filed with the SEC.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Quantitative and qualitative disclosures about market risk are presented under the caption "Market Risk" in Part I, Item 2 of this Quarterly Report on Form 10-Q.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### ***Disclosure Controls and Procedures***

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2019. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2019.

#### ***Changes in Internal Control over Financial Reporting***

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2019, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. During the three months ended September 30, 2019, the Company was not a party to any legal proceedings the resolution of which management believes will be material to the Company's business, future prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

### **ITEM 1A. RISK FACTORS**

There have not been any material changes to the risk factors previously disclosed under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018, previously filed with the SEC, except for the risk factor included below:

***The phasing out and ultimate replacement of LIBOR with an alternative reference rate and changes in the manner of calculating other reference rates may adversely impact the value of loans and other financial instruments we hold that are linked to LIBOR or other reference rates in ways that are difficult to predict and could adversely impact our financial condition and results of operations.***

The FCA announced in July 2017 that it will no longer persuade or require banks to submit rates for the calculation of the LIBOR after 2021. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates in the United Kingdom or elsewhere. While Intercontinental Exchange Inc., the company that administers LIBOR, plans to continue publishing LIBOR, liquidity in the interbank markets that those LIBOR estimates are based upon has been declining. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond 2021. Whether or not SOFR attains market acceptance as a LIBOR replacement remains in question and the future of LIBOR at this time is uncertain. We have a significant amount of loans, derivatives and other financial obligations or extensions of credit that may be adversely affected by the discontinuation of LIBOR and uncertainty regarding its replacement. In addition, uncertainty regarding the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for securities on which the interest or dividend is determined by reference to LIBOR, including the depository shares underlying our Series A Preferred Stock and Series B Preferred Stock during their respective floating rate periods. The discontinuation of LIBOR also could result in operational, legal and compliance risks, and if we are unable to adequately manage such

risks, they could have a material adverse impact on our reputation and on our business, financial condition, results of operations or future prospects.

***The current expected credit loss standard established by the FASB Board will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations***

In June 2016, FASB issued an accounting standard update, “Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which replaces the current “incurred loss” model for recognizing credit losses with an “expected loss” model, which is referred to as the Current Expected Credit Loss (“CECL”) model. The CECL model will become effective for the Company for the fiscal year beginning January 1, 2020. Under the CECL model, we will be required to present certain financial assets carried at amortized costs at the net amount expected to be collected. The measurement of expected credit losses is to be based on historical information, current conditions and reasonable forecasts to estimate the expected loss over the life of the loan. This differs significantly from the “incurred loss” model, which delays recognition until it is probable a loss has been incurred. Therefore, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses. Although we are continuing to evaluate the quantitative and qualitative effects of the CECL model on our estimated credit losses, results of operation and financial position, the adoption of this standard could have a material impact on the Company’s financial statements.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### *Recent Sales of Unregistered Securities*

None.

### *Purchases of Equity Securities by the Company and Affiliated Purchasers*

The table below sets forth information regarding the Company’s purchases of its common stock during its fiscal quarter ended September 30, 2019:

	<b>Total Number of Shares Purchased <sup>(1)</sup></b>	<b>Weighted Average Price Paid per Share <sup>(1)</sup></b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></b>
July 1, 2019 - July 31, 2019	16,131	\$ 20.24	10,000	\$ 11,303,137
August 1, 2019 - August 31, 2019	26,405	19.57	25,000	10,814,015
September 1, 2019 - September 30, 2019	20,846	19.37	20,000	10,428,804
<b>Total</b>	<b>63,382</b>	<b>\$ 19.67</b>	<b>55,000</b>	<b>\$ 10,428,804</b>

<sup>(1)</sup> There were 8,382 shares of treasury stock acquired in connection with the exercise, net settlement or vesting of equity awards included in the total number of shares purchased reflected in the table above. These shares were not part of a publicly announced plan or program.

<sup>(2)</sup> On October 16, 2018, the Board approved an additional share repurchase program of up to \$5 million. On July 15, 2019, the Board approved an additional share repurchase program of up to \$10 million. Under this authorization, purchases of shares may be made at the discretion of management from time to time in the open market or through negotiated transactions, as well as purchases of shares or the options to acquire shares subject to common stock incentive compensation award agreements from officers, directors or employees of the Company.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

**Exhibit No.   Description**

31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
32	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
101	The following materials from TriState Capital Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2019, formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Income, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) the Unaudited Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements.*

\* This information is deemed furnished, not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TRISTATE CAPITAL HOLDINGS, INC.**

By /s/ James F. Getz  
James F. Getz  
Chairman, President and Chief Executive Officer

By /s/ David J. Demas  
David J. Demas  
Chief Financial Officer

Date: November 5, 2019

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, James F. Getz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TriState Capital Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By:

/s/ James F. Getz

James F. Getz

Chairman, President and Chief Executive Officer

Dated: November 5, 2019

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, David J. Demas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TriState Capital Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

By:

/s/ David J. Demas  
David J. Demas  
Chief Financial Officer

Dated: November 5, 2019

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND  
CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF SARBANES-OXLEY ACT**

Pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of TriState Capital Holdings, Inc. hereby certify that the Quarterly Report of TriState Capital Holdings, Inc. on Form 10-Q for the quarterly period ended September 30, 2019 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of TriState Capital Holdings, Inc.

By:

/s/ James F. Getz

James F. Getz

Chairman, President and Chief Executive Officer

Dated: November 5, 2019

By:

/s/ David J. Demas

David J. Demas

Chief Financial Officer

Dated: November 5, 2019