UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2020

☐ **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	**20-4929029**
(State or other jurisdiction of incorporation or organization)	(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
Depositary 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
Depositary 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

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	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of April 30, 2020, there were 29,841,310 shares of the registrant's common stock, no par value, outstanding.

TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	4
PART I – FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS	6
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION	6
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME	7
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	8
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	9
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	12
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	41
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	69
ITEM 4. CONTROLS AND PROCEDURES	69
PART II – OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	70
ITEM 1A. RISK FACTORS	70
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	71
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	71
ITEM 4. MINE SAFETY DISCLOSURES	71
ITEM 5. OTHER INFORMATION	71
ITEM 6. EXHIBITS	71
SIGNATURES	73

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:

- risks associated with COVID-19 and their expected impact and duration, including effects on our operations, our clients, economic conditions and the demand for our products and services;
- 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 upon adoption;
- 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;
- changes and direction of government policy toward and intervention in the U.S. financial system;
- natural disasters and adverse weather, acts of terrorism, cyber-attacks, an outbreak of hostilities, a public health outbreak (such as COVID-19) 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.

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

(Dollars in thousands)	March 31, 2020	December 31, 2019
ASSETS		
Cash	$ 357	$ 357
Interest-earning deposits with other institutions	1,004,612	395,860
Federal funds sold	5,159	7,638
Cash and cash equivalents	1,010,128	403,855
Debt securities available-for-sale, at fair value	275,170	248,782
Debt securities held-to-maturity, at cost	312,842	196,044
Federal Home Loan Bank stock	18,724	24,324
Total investment securities	606,736	469,150
Loans and leases held-for-investment	6,958,149	6,577,559
Allowance for loan and lease losses	(17,304)	(14,108)
Loans and leases held-for-investment, net	6,940,845	6,563,451
Accrued interest receivable	22,106	22,326
Investment management fees receivable, net	6,656	7,560
Goodwill	41,659	41,660
Intangible assets, net of accumulated amortization of $10,939 and $10,437, respectively	23,693	24,194
Office properties and equipment, net of accumulated depreciation of $14,479 and $13,976, respectively	10,089	9,569
Operating lease right-of-use asset	22,085	22,589
Bank owned life insurance	70,472	70,044
Prepaid expenses and other assets	235,592	131,412
Total assets	$ 8,990,061	$ 7,765,810
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities:		
Deposits	$ 7,782,759	$ 6,634,613
Borrowings, net	330,000	355,000
Accrued interest payable on deposits and borrowings	4,462	5,490
Deferred tax liability, net	2,366	6,931
Operating lease liability	23,244	23,644
Other accrued expenses and other liabilities	232,850	118,851
Total liabilities	8,375,681	7,144,529
Shareholders’ Equity:		
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 80,500, respectively	77,611	77,611
Common stock, no par value; Shares authorized - 45,000,000; Shares issued - 32,002,728 and 31,482,408, respectively; Shares outstanding - 29,762,578 and 29,355,986, respectively	295,587	295,349
Additional paid-in capital	22,783	23,095
Retained earnings	229,382	218,449
Accumulated other comprehensive income (loss), net	(14,049)	1,132
Treasury stock (2,240,150 and 2,126,422 shares, respectively)	(35,402)	(32,823)
Total shareholders’ equity	614,380	621,281
Total liabilities and shareholders’ equity	$ 8,990,061	$ 7,765,810

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended March 31,	
(Dollars in thousands, except per share data)	2020	2019
Interest income:		
Loans and leases	$ 58,918	$ 57,262
Investments	3,901	4,353
Interest-earning deposits	1,383	1,287
Total interest income	64,202	62,902
Interest expense:		
Deposits	27,244	29,333
Borrowings	2,036	3,197
Total interest expense	29,280	32,530
Net interest income	34,922	30,372
Provision (credit) for loan and lease losses	2,993	(377)
Net interest income after provision for loan and lease losses	31,929	30,749
Non-interest income:		
Investment management fees	7,638	9,424
Service charges on deposits	213	136
Net gain on the sale and call of debt securities	57	28
Swap fees	4,373	1,803
Commitment and other loan fees	419	531
Other income	616	1,147
Total non-interest income	13,316	13,069
Non-interest expense:		
Compensation and employee benefits	17,446	16,775
Premises and occupancy costs	1,909	1,270
Professional fees	1,470	995
FDIC insurance expense	2,170	1,421
General insurance expense	262	294
State capital shares tax	383	380
Travel and entertainment expense	864	835
Intangible amortization expense	502	502
Other operating expenses	4,138	4,200
Total non-interest expense	29,144	26,672
Income before tax	16,101	17,146
Income tax expense	3,206	2,582
Net income	$ 12,895	$ 14,564
Preferred stock dividends	1,962	679
Net income available to common shareholders	$ 10,933	$ 13,885
Earnings per common share:		
Basic	$ 0.39	$ 0.50
Diluted	$ 0.38	$ 0.48

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
Net income	$ 12,895	$ 14,564
Other comprehensive income (loss):		
Unrealized holding gains (losses) on debt securities, net of tax expense (benefit) of $(2,997) and $766, respectively	(9,422)	2,430
Reclassification adjustment for gains included in net income on debt securities, net of tax expense of $(3) and $(4), respectively	(12)	(13)
Unrealized holding losses on derivatives, net of tax expense of $(1,837) and $(44), respectively	(5,874)	(162)
Reclassification adjustment for losses (gains) included in net income on derivatives, net of tax benefit (expense) of $32 and $(139), respectively	127	(422)
Other comprehensive income (loss)	(15,181)	1,833
Total comprehensive income (loss)	$ (2,286)	$ 16,397

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Preferred Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	Total Shareholders’ Equity
Balance, December 31, 2018	$ 38,468	$ 293,355	$ 15,364	$ 164,009	$ (1,331)	$ (30,511)	$ 479,354
Net income	—	—	—	14,564	—	—	14,564
Other comprehensive income	—	—	—	—	1,833	—	1,833
Preferred stock dividends	—	—	—	(679)	—	—	(679)
Exercise of stock options	—	342	(154)	—	—	—	188
Purchase of treasury stock	—	—	—	—	—	(433)	(433)
Stock-based compensation	—	—	1,730	—	—	—	1,730
Balance, March 31, 2019	$ 38,468	$ 293,697	$ 16,940	$ 177,894	$ 502	$ (30,944)	$ 496,557
Balance, December 31, 2019	$ 116,079	$ 295,349	$ 23,095	$ 218,449	$ 1,132	$ (32,823)	$ 621,281
Net income	—	—	—	12,895	—	—	12,895
Other comprehensive loss	—	—	—	—	(15,181)	—	(15,181)
Preferred stock dividends	—	—	—	(1,962)	—	—	(1,962)
Exercise of stock options	—	238	(147)	—	—	—	91
Purchase of treasury stock	—	—	—	—	—	(2,579)	(2,579)
Cancellation of stock options	—	—	(2,484)	—	—	—	(2,484)
Stock-based compensation	—	—	2,319	—	—	—	2,319
Balance, March 31, 2020	$ 116,079	$ 295,587	$ 22,783	$ 229,382	$ (14,049)	$ (35,402)	$ 614,380

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
Cash flows from operating activities:		
Net income	$ 12,895	$ 14,564
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangible amortization expense	1,005	906
Amortization of deferred financing costs	—	51
Provision (credit) for loan losses	2,993	(377)
Stock-based compensation expense	2,319	1,730
Net gain on the sale or call of debt securities available-for-sale	(15)	(17)
Net gain on the call of debt securities held-to-maturity	(42)	(11)
Income from equity securities	—	(719)
Income from debt securities trading	(239)	—
Purchase of debt securities trading	(20,932)	—
Proceeds from the sale of debt securities trading	21,171	—
Net amortization (accretion) of premiums and discounts on debt securities	15	(5)
Decrease (increase) in investment management fees receivable, net	904	(595)
Decrease (increase) in accrued interest receivable	220	(3,145)
Decrease (increase) in accrued interest payable	(1,028)	593
Bank owned life insurance income	(428)	(420)
Decrease in income taxes payable	—	(488)
Decrease in prepaid income taxes	2,688	7,066
Deferred tax provision	240	223
Increase (decrease) in accounts payable and other accrued expenses	(13,816)	(19,323)
Other, net	(3,653)	(4,173)
Net cash provided by (used in) operating activities	4,297	(4,140)
Cash flows from investing activities:		
Purchase of debt securities available-for-sale	(92,637)	(12,425)
Purchase of debt securities held-to-maturity	(219,269)	(42,367)
Proceeds from the sale of debt securities available-for-sale	49,967	—
Proceeds from the sale of equity securities	—	2,000
Principal repayments and maturities of debt securities available-for-sale	3,856	10,202
Principal repayments and maturities of debt securities held-to-maturity	122,505	21,595
Investment in low income housing and historic tax credits	(2,847)	(311)
Net redemption of Federal Home Loan Bank stock	5,600	4,600
Net increase in loans and leases	(380,388)	(201,971)
Additions to office properties and equipment	(1,023)	(656)
Net cash used in investing activities	(514,236)	(219,333)
Cash flows from financing activities:		
Net increase in deposit accounts	1,148,146	287,243
Net decrease in Federal Home Loan Bank advances	(55,000)	(5,000)
Net increase (decrease) in line of credit advances	30,000	(1,000)
Net proceeds from exercise of stock options	91	188
Cancellation of stock options	(2,484)	—
Payment of contingent consideration	—	(2,920)
Purchase of treasury stock	(2,579)	(433)
Dividends paid on preferred stock	(1,962)	(679)
Net cash provided by financing activities	1,116,212	277,399
Net change in cash and cash equivalents during the period	606,273	53,926
Cash and cash equivalents at beginning of the period	403,855	189,985
Cash and cash equivalents at end of the period	$ 1,010,128	$ 243,911

(Dollars in thousands)	Three Months Ended March 31, 2020	2019
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Interest expense	$ 30,308	$ 31,886
Income taxes	$ 278	$ (4,219)
Other non-cash activity:		
Operating lease right-of-use asset	$ 22,084	$ 24,766
Unsettled purchase of debt securities held-to-maturity	$ 20,000	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

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

[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 regionally located middle-market businesses and financial services providers and the private banking needs of high-net-worth individuals nation-wide. 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 other real estate owned by the bank and/or 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, 2019, included in the Company’s Annual Report on Form 10-K filed with the SEC on February 24, 2020.

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 March 31, 2020 and December 31, 2019. 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 March 31, 2020 and December 31, 2019. 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 three months ended March 31, 2020, and 2019 and no allowance for uncollectible accounts as of March 31, 2020 and December 31, 2019.

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 a 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 a 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

The Company accounts for its stock-based compensation awards based on estimated fair values of stock-based awards made to employees and directors. 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.

The Company executes interest rate derivatives with its commercial banking customers to facilitate their respective risk management strategies which generate swap fee income. 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 and are not designated as hedging instruments. Swap fees are based on the notional amount and weighted maturity of each individual transaction and are collected and recorded to non-interest income in the consolidated statements of income when the transaction is executed.

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.

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:

	March 31, 2020			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	$ 213,148	$ 1,214	$ 8,596	$ 205,766
Trust preferred securities	18,125	—	2,329	15,796
Agency collateralized mortgage obligations	25,983	1	325	25,659
Agency mortgage-backed securities	17,683	753	9	18,427
Agency debentures	8,967	555	—	9,522
Total debt securities available-for-sale	283,906	2,523	11,259	275,170
Debt securities held-to-maturity:				
Corporate bonds	22,177	575	12	22,740
Agency debentures (1)	271,743	1,091	—	272,834
Municipal bonds	14,575	121	—	14,696
Agency mortgage-backed securities	4,347	719	—	5,066
Total debt securities held-to-maturity	312,842	2,506	12	315,336
Total debt securities	$ 596,748	$ 5,029	$ 11,271	$ 590,506

(1) Balance includes $20 million of unsettled transactions.

	December 31, 2019			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	$ 172,704	$ 2,821	$ 107	$ 175,418
Trust preferred securities	18,092	216	48	18,260
Agency collateralized mortgage obligations	27,262	11	80	27,193
Agency mortgage-backed securities	18,058	451	—	18,509
Agency debentures	8,961	441	—	9,402
Total debt securities available-for-sale	245,077	3,940	235	248,782
Debt securities held-to-maturity:				
Corporate bonds	24,678	619	—	25,297
Agency debentures	149,912	628	935	149,605
Municipal bonds	17,094	144	—	17,238
Agency mortgage-backed securities	4,360	255	—	4,615
Total debt securities held-to-maturity	196,044	1,646	935	196,755
Total debt securities	$ 441,121	$ 5,586	$ 1,170	$ 445,537

Interest income on investment securities was as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
Taxable interest income	$ 3,391	$ 3,872
Non-taxable interest income	112	104
Dividend income	398	377
Total interest income on investment securities	$ 3,901	$ 4,353

As of March 31, 2020, the contractual maturities of the debt securities were:

	March 31, 2020			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in less than one year	$ 53,698	$ 53,423	$ 4,824	$ 4,834
Due from one to five years	98,325	96,411	87,424	87,785
Due from five to ten years	70,963	64,959	197,656	198,490
Due after ten years	60,920	60,377	22,938	24,227
Total debt securities	$ 283,906	$ 275,170	$ 312,842	$ 315,336

The $60.4 million fair value of debt securities available-for-sale with a contractual maturity due after 10 years as of March 31, 2020, included $34.2 million, or 56.7%, that are floating-rate securities. The $197.7 million amortized cost of debt securities held-to-maturity with a contractual maturity due from five to 10 years as of March 31, 2020, included $15.8 million that have call provisions within the next three 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:

	Available-for-Sale		Held-to-Maturity	
	Three Months Ended March 31,		Three Months Ended March 31,	
(Dollars in thousands)	2020	2019	2020	2019
Proceeds from sales	$ 49,967	$ —	$ —	$ —
Proceeds from calls	—	1,224	122,353	21,460
Total proceeds	$ 49,967	$ 1,224	$ 122,353	$ 21,460
Gross realized gains	$ 15	$ 17	$ 42	$ 11
Gross realized losses	—	—	—	—
Net realized gains	$ 15	$ 17	$ 42	$ 11

Debt securities available-for-sale of $2.6 million as of March 31, 2020, were held in safekeeping at the FHLB and were included in the calculation of borrowing capacity. Additionally, there were $14.1 million of debt securities held-to-maturity that were pledged as collateral for certain deposit relationships.

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 March 31, 2020 and December 31, 2019, respectively:

	March 31, 2020					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities available-for-sale:						
Corporate bonds	$ 125,170	$ 6,582	$ 17,986	$ 2,014	$ 143,156	$ 8,596
Trust preferred securities	15,795	2,329	—	—	15,795	2,329
Agency collateralized mortgage obligations	3,794	41	21,188	284	24,982	325
Agency mortgage-backed securities	1,289	9	—	—	1,289	9
Total debt securities available-for-sale	146,048	8,961	39,174	2,298	185,222	11,259
Debt securities held-to-maturity:						
Corporate bonds	4,489	12	—	—	4,489	12
Total debt securities held-to-maturity	4,489	12	—	—	4,489	12
Total temporarily impaired debt securities (1)	$ 150,537	$ 8,973	$ 39,174	$ 2,298	$ 189,711	$ 11,271

(1) The number of investment positions with unrealized losses totaled 63 for available-for-sale securities and 4 for held-to-maturity securities.

	December 31, 2019					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities available-for-sale:						
Corporate bonds	$ 4,942	$ 58	$ 19,951	$ 49	$ 24,893	$ 107
Trust preferred securities	—	—	4,417	48	4,417	48
Agency collateralized mortgage obligations	22,117	66	2,544	14	24,661	80
Total debt securities available-for-sale	27,059	124	26,912	111	53,971	235
Debt securities held-to-maturity:						
Agency debentures	87,879	935	—	—	87,879	935
Total debt securities held-to-maturity	87,879	935	—	—	87,879	935
Total temporarily impaired debt securities (1)	$ 114,938	$ 1,059	$ 26,912	$ 111	$ 141,850	$ 1,170

(1) The number of investment positions with unrealized losses totaled 86 for available-for-sale securities and 53 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 March 31, 2020 and December 31, 2019.

There was $18.7 million and $24.3 million in FHLB stock outstanding as of March 31, 2020 and December 31, 2019, 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 and certain financial services companies with whom we have multiple relationship components.

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

	March 31, 2020			
(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Loans and leases held-for-investment, before deferred fees and costs	$ 3,908,672	$ 1,186,242	$ 1,856,183	$ 6,951,097
Deferred loan costs (fees)	6,883	4,862	(4,693)	7,052
Loans and leases held-for-investment, net of deferred fees and costs	3,915,555	1,191,104	1,851,490	6,958,149
Allowance for loan and lease losses	(2,174)	(6,685)	(8,445)	(17,304)
Loans and leases held-for-investment, net	$ 3,913,381	$ 1,184,419	$ 1,843,045	$ 6,940,845

	December 31, 2019			
(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Loans and leases held-for-investment, before deferred fees and costs	$ 3,688,779	$ 1,080,767	$ 1,801,375	$ 6,570,921
Deferred loan costs (fees)	6,623	4,942	(4,927)	6,638
Loans and leases held-for-investment, net of deferred fees and costs	3,695,402	1,085,709	1,796,448	6,577,559
Allowance for loan and lease losses	(1,973)	(5,262)	(6,873)	(14,108)
Loans and leases held-for-investment, net	$ 3,693,429	$ 1,080,447	$ 1,789,575	$ 6,563,451

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 March 31, 2020 and December 31, 2019, was $4.78 billion and $4.91 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 $712,000 and $645,000 as of March 31, 2020 and December 31, 2019, 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 $37.7 million and $20.7 million as of March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, included in the total unfunded commitments above, was $70.6 million and $72.8 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 three months ended March 31, 2020 and 2019, there were draws on letters of credit totaling $35,000 and $48,000, 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 97.5% and 97.4% of total private banking loans as of March 31, 2020 and December 31, 2019, respectively.

Commercial 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.

Commercial 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:

	March 31, 2020			
(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Pass	$ 3,912,060	$ 1,175,517	$ 1,835,993	$ 6,923,570
Special mention	—	15,587	4,872	20,459
Substandard	3,495	—	10,625	14,120
Loans and leases held-for-investment	$ 3,915,555	$ 1,191,104	$ 1,851,490	$ 6,958,149

	December 31, 2019			
(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Pass	$ 3,691,866	$ 1,069,932	$ 1,780,768	$ 6,542,566
Special mention	—	15,777	14,284	30,061
Substandard	3,536	—	1,396	4,932
Loans and leases held-for-investment	$ 3,695,402	$ 1,085,709	$ 1,796,448	$ 6,577,559

Changes in the allowance for loan and lease losses were as follows for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31, 2020			
(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	$ 1,973	$ 5,262	$ 6,873	$ 14,108
Provision (credit) for loan losses	201	1,220	1,572	2,993
Charge-offs	—	—	—	—
Recoveries	—	203	—	203
Balance, end of period	$ 2,174	$ 6,685	$ 8,445	$ 17,304

	Three Months Ended March 31, 2019			
(Dollars in thousands)	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	59	(604)	168	(377)
Charge-offs	—	—	—	—
Recoveries	—	1,881	—	1,881
Balance, end of period	$ 2,001	$ 7,041	$ 5,670	$ 14,712

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

(Dollars in thousands)	March 31, 2020					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	$ 450	$ 206	$ 184	$ 840	$ 3,914,715	$ 3,915,555
Commercial and industrial	—	—	—	—	1,191,104	1,191,104
Commercial real estate	—	—	—	—	1,851,490	1,851,490
Loans and leases held-for-investment	$ 450	$ 206	$ 184	$ 840	$ 6,957,309	$ 6,958,149

(Dollars in thousands)	December 31, 2019					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	$ 261	$ —	$ 184	$ 445	$ 3,694,957	$ 3,695,402
Commercial and industrial	—	—	—	—	1,085,709	1,085,709
Commercial real estate	—	—	—	—	1,796,448	1,796,448
Loans and leases held-for-investment	$ 261	$ —	$ 184	$ 445	$ 6,577,114	$ 6,577,559

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.

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

(Dollars in thousands)	As of and for the Three Months Ended March 31, 2020				
	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	$ —

(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	As of and for the Twelve Months Ended December 31, 2019				
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	$ —

Impaired loans as of March 31, 2020 and December 31, 2019, were $184,000 and $184,000, respectively. There was no interest income recognized on impaired loans that were also on non-accrual status for the three months ended March 31, 2020, and the twelve months ended December 31, 2019. As of March 31, 2020 and December 31, 2019, 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 $171,000 as of March 31, 2020 and December 31, 2019, respectively.

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

(Dollars in thousands)	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
	March 31, 2020			
Allowance for loan and lease losses:				
Individually evaluated for impairment	$ 171	$ —	$ —	$ 171
Collectively evaluated for impairment	2,003	6,685	8,445	17,133
Total allowance for loan and lease losses	$ 2,174	$ 6,685	$ 8,445	$ 17,304
Loans and leases held-for-investment:				
Individually evaluated for impairment	$ 184	$ —	$ —	$ 184
Collectively evaluated for impairment	3,915,371	1,191,104	1,851,490	6,957,965
Loans and leases held-for-investment	$ 3,915,555	$ 1,191,104	$ 1,851,490	$ 6,958,149

(Dollars in thousands)	December 31, 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	1,802	5,262	6,873	13,937
Total allowance for loan and lease losses	$ 1,973	$ 5,262	$ 6,873	$ 14,108
Loans and leases held-for-investment:				
Individually evaluated for impairment	$ 184	$ —	$ —	$ 184
Collectively evaluated for impairment	3,695,218	1,085,709	1,796,448	6,577,375
Loans and leases held-for-investment	$ 3,695,402	$ 1,085,709	$ 1,796,448	$ 6,577,559

Troubled Debt Restructuring

The aggregate recorded investment of impaired loans with terms modified through a troubled debt restructuring was $171,000 and $171,000 as of March 31, 2020 and December 31, 2019, respectively, which were also on non-accrual. There were no unused commitments on loans designated as troubled debt restructurings as of March 31, 2020 and December 31, 2019.

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 three months ended March 31, 2020 and 2019.

There were no loans newly designated as TDRs during the three months ended March 31, 2020 and 2019.

Other Real Estate Owned

As of March 31, 2020 and December 31, 2019, the balance of the other real estate owned portfolio was $4.3 million and $4.3 million, respectively. There were no residential mortgage loans in the process of foreclosure as of March 31, 2020.

[5] DEPOSITS

As of March 31, 2020 and December 31, 2019, deposits were comprised of the following:

	Interest Rate Range	Weighted Average Interest Rate		Balance	
(Dollars in thousands)	March 31, 2020	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Demand and savings accounts:					
Noninterest-bearing checking accounts	—	—	—	$ 362,075	$ 356,102
Interest-bearing checking accounts	0.05 to 1.86%	0.49%	1.57%	2,195,824	1,398,264
Money market deposit accounts	0.10 to 3.25%	0.90%	1.84%	3,783,842	3,426,745
Total demand and savings accounts				6,341,741	5,181,111
Certificates of deposit	0.65 to 3.25%	1.84%	2.24%	1,441,018	1,453,502
Total deposits				$ 7,782,759	$ 6,634,613
Weighted average rate on interest-bearing accounts		0.96%	1.87%		

As of March 31, 2020 and December 31, 2019, the Bank had total brokered deposits of $1.29 billion and $766.6 million, respectively. Reciprocal deposits through Certificate of Deposit Account Registry Service® ("CDARS®") and Insured Cash Sweep® ("ICS®") totaled $938.9 million and $857.9 million as of March 31, 2020 and December 31, 2019, respectively, and were considered non-brokered.

As of March 31, 2020 and December 31, 2019, certificates of deposit with balances of $100,000 or more, excluding brokered and reciprocal deposits, totaled $521.9 million and $551.5 million, respectively. As of March 31, 2020 and December 31, 2019, certificates of deposit with balances of $250,000 or more, excluding brokered and reciprocal deposits, totaled $214.6 million and $233.5 million.

The contractual maturity of certificates of deposit was as follows:

(Dollars in thousands)		March 31, 2020		December 31, 2019
12 months or less	$	1,325,423	$	1,244,838
12 months to 24 months		95,403		168,437
24 months to 36 months		20,192		40,227
Total	$	1,441,018	$	1,453,502

Interest expense on deposits was as follows:

	Three Months Ended March 31,			
(Dollars in thousands)		2020		2019
Interest-bearing checking accounts	$	5,214	$	4,542
Money market deposit accounts		14,655		16,540
Certificates of deposit		7,375		8,251
Total interest expense on deposits	$	27,244	$	29,333

[6] BORROWINGS

As of March 31, 2020 and December 31, 2019, borrowings were comprised of the following:

	March 31, 2020			December 31, 2019		
(Dollars in thousands)	Interest Rate	Ending Balance	Maturity Date	Interest Rate	Ending Balance	Maturity Date
FHLB borrowings:						
FHLB line of credit	—%	$ —		1.81%	$ 55,000	5/1/2020
Issued 3/20/2020	0.67%	50,000	6/22/2020	—%	—	
Issued 3/02/2020	1.68%	50,000	6/2/2020	—%	—	
Issued 3/02/2020	1.68%	150,000	6/1/2020	—%	—	
Issued 1/08/2020	1.84%	50,000	4/8/2020	—%	—	
Issued 12/12/2019	—%	—		1.85%	100,000	1/13/2020
Issued 12/02/2019	—%	—		1.91%	150,000	3/2/2020
Issued 10/08/2019		—		2.00%	50,000	1/8/2020
Line of credit borrowings	4.25%	30,000	10/17/2020		—	
Total borrowings, net		$ 330,000			$ 355,000	

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 March 31, 2020, the Bank's borrowing capacity is based on the information provided in the December 31, 2019, QCR filing. As of March 31, 2020, the Bank had securities held in safekeeping at the FHLB with a fair value of $2.6 million, combined with pledged loans of $1.24 billion, for a gross borrowing capacity of $886.7 million, of which $300.0 million was outstanding in advances. As of December 31, 2019, there was $355.0 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 March 31, 2020 and December 31, 2019, 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 $3.2 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 $75.0 million with Texas Capital Bank. As of March 31, 2020 and December 31, 2019, there was $30.0 million and $0 outstanding under this line of credit, respectively.

Interest expense on borrowings was as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
FHLB borrowings	$ 2,035	$ 2,585
Line of credit borrowings	1	58
Subordinated notes payable	—	554
Total interest expense on borrowings	$ 2,036	$ 3,197

[7] STOCK TRANSACTIONS

In May 2019, the Company completed the issuance and sale of a registered, underwritten public offering of 3,220,000 depositary 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 3,220,000 depositary 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 1,610,000 depositary 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 1,610,000 depositary 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 three months ended March 31, 2020, the Company paid dividends of $679,000 on its Series A Preferred Stock and $1.3 million on its Series B Preferred Stock. During the three months ended March 31, 2019, the Company paid dividends of $679,000 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 $9.9 million remained available as of March 31, 2020. 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 three months ended March 31, 2020, the Company repurchased 30,000 shares for approximately $520,000, at an average cost of $17.33 per share, which are held as treasury stock. During the three months ended March 31, 2019, the Company repurchased 20,000 shares for approximately $433,000, at an average cost of 21.66 per share, which are held as treasury stock.

In addition to the shares purchased in the market, the Company acquired 83,728 shares of treasury stock for approximately $2.1 million in connection with the exercise, net settlement or vesting of equity awards during the three months ended March 31, 2020. The Company did not aquire shares of treasury stock in connection with the exercise, net settlement or vesting of equity awards during the three months ended March 31, 2019.

Under prior authorization of the Board, stock option cancellation programs were approved to allow for certain outstanding and vested stock option awards to be canceled by the option holder at a price based on the closing day's stock price less the option exercise price. During the three months ended March 31, 2020, there were 212,447 options canceled for approximately $2.5 million, which was recorded as a reduction to additional paid-in capital.

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, 2018	40,250	28,878,674
Issuance of preferred stock	—	—
Issuance of restricted common stock	—	538,703
Forfeitures of restricted common stock	—	(61,474)
Exercise of stock options	—	15,930
Purchase of treasury stock	—	(20,000)
Balance, March 31, 2019	40,250	29,351,833

	Number of Preferred Shares Outstanding	Number of Common Shares Outstanding
Balance, December 31, 2019	120,750	29,355,986
Issuance of restricted common stock	—	513,820
Forfeitures of restricted common stock	—	(3,500)
Exercise of stock options	—	10,000
Purchase of treasury stock	—	(113,728)
Balance, March 31, 2020	120,750	29,762,578

[8] 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 March 31, 2020 and December 31, 2019, 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. As of both March 31, 2020 and December 31, 2019, the capital conservation buffer was 2.5%, 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 March 31, 2020 and December 31, 2019:

	March 31, 2020					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	$ 585,503	11.42%	$ 410,021	8.00%	N/A	N/A
Bank	$ 597,764	11.69%	$ 408,904	8.00%	$ 511,131	10.00%
Tier 1 risk-based capital ratio						
Company	$ 567,487	11.07%	$ 307,516	6.00%	N/A	N/A
Bank	$ 579,748	11.34%	$ 306,678	6.00%	$ 408,904	8.00%
Common equity tier 1 risk-based capital ratio						
Company	$ 451,408	8.81%	$ 230,637	4.50%	N/A	N/A
Bank	$ 579,748	11.34%	$ 230,009	4.50%	$ 332,235	6.50%
Tier 1 leverage ratio						
Company	$ 567,487	7.19%	$ 315,811	4.00%	N/A	N/A
Bank	$ 579,748	7.36%	$ 315,172	4.00%	$ 393,966	5.00%

	December 31, 2019					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	$ 572,221	12.05%	$ 379,911	8.00%	N/A	N/A
Bank	$ 547,532	11.57%	$ 378,623	8.00%	$ 473,279	10.00%
Tier 1 risk-based capital ratio						
Company	$ 558,068	11.75%	$ 284,933	6.00%	N/A	N/A
Bank	$ 532,779	11.26%	$ 283,967	6.00%	$ 378,623	8.00%
Common equity tier 1 risk-based capital ratio						
Company	$ 442,385	9.32%	$ 213,700	4.50%	N/A	N/A
Bank	$ 532,779	11.26%	$ 212,975	4.50%	$ 307,631	6.50%
Tier 1 leverage ratio						
Company	$ 558,068	7.54%	$ 296,038	4.00%	N/A	N/A
Bank	$ 532,779	7.22%	$ 295,277	4.00%	$ 369,097	5.00%

[9] EARNINGS PER COMMON SHARE

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

	Three Months Ended March 31,	
(Dollars in thousands, except per share data)	2020	2019
Net income available to common shareholders	$ 10,933	$ 13,885
Weighted average common shares outstanding:		
Basic	28,180,589	27,832,839
Restricted stock - dilutive	427,404	538,711
Stock options - dilutive	236,851	332,086
Diluted	28,844,844	28,703,636
Earnings per common share:		
Basic	$ 0.39	$ 0.50
Diluted	$ 0.38	$ 0.48

	Three Months Ended March 31,	
	2020	2019
Anti-dilutive shares [(1)]	545,320	146,579

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

[10] 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 March 31, 2020 and December 31, 2019:

	Asset Derivatives as of March 31, 2020		Liability Derivatives as of March 31, 2020	
(Dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	$ 21	Other liabilities	$ 9,837
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	157,938	Other liabilities	158,036
Total	Other assets	$ 157,959	Other liabilities	$ 167,873

(Dollars in thousands)	Asset Derivatives as of December 31, 2019 Balance Sheet Location	Asset Derivatives as of December 31, 2019 Fair Value	Liability Derivatives as of December 31, 2019 Balance Sheet Location	Liability Derivatives as of December 31, 2019 Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	$ —	Other liabilities	$ 2,184
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	55,241	Other liabilities	55,289
Total	Other assets	$ 55,241	Other liabilities	$ 57,473

The following tables show the impact legally enforceable master netting agreements had on the Company's derivative financial instruments as of March 31, 2020 and December 31, 2019:

	Offsetting of Derivative Assets					
				Gross Amounts Not Offset in the Statement of Financial Position		
(Dollars in thousands)	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	Financial Instruments	Cash Collateral Received	Net Amount
March 31, 2020	$ 157,959	$ —	$ 157,959	$ (32)	$ —	$ 157,927
December 31, 2019	$ 55,241	$ —	$ 55,241	$ (850)	$ —	$ 54,391

	Offsetting of Derivative Liabilities					
				Gross Amounts Not Offset in the Statement of Financial Position		
(Dollars in thousands)	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	Financial Instruments	Cash Collateral Posted	Net Amount
March 31, 2020	$ 167,873	$ —	$ 167,873	$ (32)	$ (167,250)	$ 591
December 31, 2019	$ 57,473	$ —	$ 57,473	$ (850)	$ (55,753)	$ 870

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 three months ended March 31, 2020.

Characteristics of the Company’s interest rate derivative transactions designated as cash flow hedges of interest rate risk as of March 31, 2020, were as follows:

(Dollars in thousands)	Notional Amount	Effective Rate [1]	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%	$ 581	1/8/2021	9
Issued 5/30/2019	50,000	2.05%	731	6/1/2022	26
Issued 5/30/2019	50,000	2.03%	724	6/1/2023	38
Issued 5/30/2019	50,000	2.04%	729	6/1/2024	50
Issued 2/28/2020	50,000	0.98%	192	3/2/2025	59
Issued 3/20/2020	50,000	0.60%	10	3/20/2025	60
Total	$ 300,000		$ 2,967		

[1] 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):

		Three Months Ended March 31,		Three Months Ended March 31,	
(Dollars in thousands)		2020	2019	2020	2019
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	$ (159)	$ 561	$ (7,711)	$ (206)

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 March 31, 2020, the Company had interest rate derivative transactions with an aggregate notional amount of $3.10 billion related to this program.

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

		Three Months Ended March 31,	
(Dollars in thousands)		2020	2019
Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives	
Interest rate products	Non-interest income	$ (61)	$ (20)

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 March 31, 2020, the termination value of derivatives for which the Company had master netting arrangements with the counterparty and in a net liability position was $167.8 million, including accrued interest. As of March 31, 2020, the Company has minimum collateral

posting thresholds with certain of its derivative counterparties and has posted collateral of $169.0 million. If the Company had breached any of these provisions as of March 31, 2020, it could have been required to settle its obligations under the agreements at their termination value.

[11] 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 March 31, 2020 and December 31, 2019:

	March 31, 2020			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Financial assets:				
Debt securities available-for-sale:				
Corporate bonds	$ —	$ 205,766	$ —	$ 205,766
Trust preferred securities	—	15,796	—	15,796
Agency collateralized mortgage obligations	—	25,659	—	25,659
Agency mortgage-backed securities	—	18,427	—	18,427
Agency debentures	—	9,522	—	9,522
Interest rate swaps	—	157,959	—	157,959
Total financial assets	—	433,129	—	433,129
Financial liabilities:				
Interest rate swaps	—	167,873	—	167,873
Total financial liabilities	$ —	$ 167,873	$ —	$ 167,873

	December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Financial assets:				
Debt securities available-for-sale:				
Corporate bonds	$ —	$ 175,418	$ —	$ 175,418
Trust preferred securities	—	18,260	—	18,260
Agency collateralized mortgage obligations	—	27,193	—	27,193
Agency mortgage-backed securities	—	18,509	—	18,509
Agency debentures	—	9,402	—	9,402
Interest rate swaps	—	55,241	—	55,241
Total financial assets	—	304,023	—	304,023
Financial liabilities:				
Interest rate swaps	—	57,473	—	57,473
Total financial liabilities	$ —	$ 57,473	$ —	$ 57,473

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.

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.

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 March 31, 2020 and December 31, 2019:

	March 31, 2020			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Loans measured for impairment, net	$ —	$ —	$ 13	$ 13
Other real estate owned	—	—	4,250	4,250
Total assets	$ —	$ —	$ 4,263	$ 4,263

	December 31, 2019			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Loans measured for impairment, net	$ —	$ —	$ 13	$ 13
Other real estate owned	—	—	4,250	4,250
Total assets	$ —	$ —	$ 4,263	$ 4,263

As of March 31, 2020 and December 31, 2019, the Company recorded $171,000 and $171,000, 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 March 31, 2020 and December 31, 2019:

	March 31, 2020			
(Dollars in thousands)	Fair Value	Valuation Techniques [(1)]	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	17%

(1) 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.

(Dollars in thousands)	December 31, 2019				
		Fair Value	Valuation Techniques [1]	Significant Unobservable Inputs	Weighted Average Multiple/ 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	17%

[1] 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:

(Dollars in thousands)	Fair Value Level	March 31, 2020 Carrying Amount	March 31, 2020 Estimated Fair Value	December 31, 2019 Carrying Amount	December 31, 2019 Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	$ 1,010,128	$ 1,010,128	$ 403,855	$ 403,855
Debt securities available-for-sale	2	275,170	275,170	248,782	248,782
Debt securities held-to-maturity	2	312,842	315,336	196,044	196,755
Federal Home Loan Bank stock	2	18,724	18,724	24,324	24,324
Loans and leases held-for-investment, net	3	6,940,845	6,967,244	6,563,451	6,548,432
Accrued interest receivable	2	22,106	22,106	22,326	22,326
Investment management fees receivable, net	2	6,656	6,656	7,560	7,560
Bank owned life insurance	2	70,472	70,472	70,044	70,044
Other real estate owned	3	4,250	4,250	4,250	4,250
Interest rate swaps	2	157,959	157,959	55,241	55,241
Financial liabilities:					
Deposits	2	$ 7,782,759	$ 7,808,249	$ 6,634,613	$ 6,648,546
Borrowings, net	2	330,000	330,400	355,000	355,003
Interest rate swaps	2	167,873	167,873	57,473	57,473

During the three months ended March 31, 2020 and 2019, 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 March 31, 2020 and December 31, 2019:

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.

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.

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.

[12] 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:

	Three Months Ended March 31,					
	2020			2019		
(Dollars in thousands)	Debt Securities	Derivatives	Total	Debt Securities	Derivatives	Total
Balance, beginning of period	$ 2,756	$ (1,624)	$ 1,132	$ (2,363)	$ 1,032	$ (1,331)
Change in unrealized holding gains (losses)	(9,422)	(5,874)	(15,296)	2,430	(162)	2,268
Losses (gains) reclassified from other comprehensive income	(12)	127	115	(13)	(422)	(435)
Net other comprehensive income (loss)	(9,434)	(5,747)	(15,181)	2,417	(584)	1,833
Balance, end of period	$ (6,678)	$ (7,371)	$ (14,049)	$ 54	$ 448	$ 502

[13] 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.

[14] 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.

Table of Contents

- 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.

(Dollars in thousands)	March 31, 2020	December 31, 2019
Assets:		
Bank	$ 8,915,114	$ 7,686,981
Investment management	83,238	83,295
Parent and other	(8,291)	(4,466)
Total assets	$ 8,990,061	$ 7,765,810

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Income statement data:								
Interest income	$ 64,202	$ —	$ —	$ 64,202	$ 62,830	$ —	$ 72	$ 62,902
Interest expense	29,296	—	(16)	29,280	31,919	—	611	32,530
Net interest income (loss)	34,906	—	16	34,922	30,911	—	(539)	30,372
Provision (credit) for loan and lease losses	2,993	—	—	2,993	(377)	—	—	(377)
Net interest income (loss) after provision for loan and lease losses	31,913	—	16	31,929	31,288	—	(539)	30,749
Non-interest income:								
Investment management fees	—	7,765	(127)	7,638	—	9,533	(109)	9,424
Net gain on the sale and call of debt securities	57	—	—	57	28	—	—	28
Other non-interest income (loss)	5,652	(31)	—	5,621	2,877	21	719	3,617
Total non-interest income (loss)	5,709	7,734	(127)	13,316	2,905	9,554	610	13,069
Non-interest expense:								
Intangible amortization expense	—	502	—	502	—	502	—	502
Other non-interest expense	21,034	6,626	982	28,642	19,021	7,058	91	26,170
Total non-interest expense	21,034	7,128	982	29,144	19,021	7,560	91	26,672
Income (loss) before tax	16,588	606	(1,093)	16,101	15,172	1,994	(20)	17,146
Income tax expense (benefit)	3,348	28	(170)	3,206	2,024	563	(5)	2,582
Net income (loss)	$ 13,240	$ 578	$ (923)	$ 12,895	$ 13,148	$ 1,431	$ (15)	$ 14,564

[15] SUBSEQUENT EVENTS

On May 11, 2020, the Company issued subordinated notes payable of $60.0 million with a maturity date of May 15, 2030. The subordinated notes have a fixed rate of 5.75% through May 15, 2025, at which point they convert to floating rate indexed to three-month LIBOR plus a spread of 5.36%. Beginning with the interest payment due on May 15, 2025, the Company may, at its option, redeem the subordinated notes. The proceeds will qualify under federal regulatory rules as Tier 2 capital for the holding company. The proceeds will be used for general corporate purposes including the funding of the continued growth for the Bank subsidiary, where such funding would count as Tier 1 capital.

On April 14, 2020, 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 July 1, 2020, to preferred shareholders of record as of the close of business on June 15, 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 months ended March 31, 2020. 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, 2019, 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, swap fees, loan 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 $8.32 billion as of March 31, 2020. 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.

Developments Related to COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID-19") as a global pandemic. This public health crisis has resulted in unprecedented uncertainty, volatility and disruption in financial markets and in governmental, commercial and consumer activity in the United States and globally, including the markets that we we serve. Responses to the crisis include stay at home orders, voluntary and involuntary closing of businesses deemed as "non-essential" and the Board of Governors of the Federal Reserve (the "Federal Reserve") cut interest rates to near zero. In addition, on March 27, 2020, the Coronavirus Aid, Relief,

and Economic Security ("CARES") Act was enacted. The CARES Act contains substantial tax and spending provisions intended to address the impact of the COVID-19 pandemic.

We have responded quickly to the changing environment and economy by executing our business continuity plan and the vast majority of employees are now working from home even though we are considered an essential business. We also organized a COVID-19 credit strategy committee comprised of leaders from credit, legal, finance, operations, and compliance so that we could develop responsive action plans. We pro-actively conducted outreach to all commercial loan customers to understand the potential impact that COVID-19 could have on their business. In April 2020, we implemented deferral arrangements in accordance with the CARES Act that represent less than 6% of our loan and lease portfolio, and while this crisis may have substantial impact on many businesses, we have maintained our disciplined approach of focusing on commercial lending opportunities within our four-state Mid-Atlantic region where our team has deep experience and relationships. Additionally, we have worked to keep our commercial loan sizes predominately below our preferred hold level of $10.0 million. The Bank is not a qualified lender or additional lender registered with the Small Business Administration and is not participating in the Paycheck Protection Program, established by the CARES Act. Through our private banking business, we had extensive engagement with thousands of investment advisors about loan requirements as they managed portfolios in periods of historic volatility. As a result, limited cure activity was required. Year-to-date through April 15, 2020, we required maintenance on approximately 7% of our private bank accounts. We have not had to force liquidation of any accounts for clients to meet these cure obligations. We have also deliberately increased our balance sheet liquidity in anticipation of clients' needs during this public health and economic crisis and increased our allowance for loan and lease losses due to the economic uncertainty surrounding COVID-19. Our investment management business, Chartwell, was able to generate net inflows of $57 million despite the recent market volatility and in April 2020, there was excess of $200 million in institutional commitments in its new business pipeline, most of which we expect to fund before the end of the second quarter.

First Quarter Performance

For the three months ended March 31, 2020, our net income available to common shareholders was $10.9 million compared to $13.9 million for the same period in 2019, a decrease of $3.0 million, or 21.3%. Increases in net interest income of $4.6 million, or 15.0%, driven by loan growth and non-interest income of $247,000, or 1.9%, driven by customer facing interest rate swap were offset by higher provision for loan and lease losses of $3.4 million; an increase of $2.5 million, or 9.3%, in non-interest expense; an increase in preferred stock dividends of $1.3 million; and a $624,000 increase in income tax expense.

Our diluted EPS was $0.38 for the three months ended March 31, 2020, compared to $0.48 for the same period in 2019. The decrease in diluted EPS for the three months ended March 31, 2020, was a result of a decline in our net income available to common shareholders.

For the three months ended March 31, 2020, total revenue increased $4.8 million, or 11.0%, to $48.2 million from $43.4 million for the same period in 2019. The increase in total revenue for the three months ended March 31, 2020, was driven largely by higher net interest income and swap fees for the Bank, partially offset by lower investment management fees.

Our annualized net interest margin was 1.84% and 2.10% for the three months ended March 31, 2020 and 2019, respectively. The decrease in net interest margin for the three months ended March 31, 2020, was driven by a decrease of 94 basis points in the yield on loans, partially offset by a decrease of 78 basis points in the cost of interest-bearing liabilities.

The significant reduction in interest rates in response to the COVID-19 pandemic impacted our interest-earning assets and interest-bearing liabilities. Our loans are predominantly variable rate loans indexed to 1-month LIBOR. At the end of the first quarter 2020, we placed interest rate floors on many of these floating rate loans, particularly for private banking loans. 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 and others that are priced at the bank's discretion. The majority of the floating rate deposits were repriced in March in line with the Federal Reserve rate reduction. In addition, we intentionally increased our liquid assets for the express purpose of carrying more on balance sheet liquidity in anticipation of clients' needs during the COVID-19 pandemic. These carrying costs will result in marginally lower returns in the short-term based on the interest rate environment.

Our non-interest income is largely comprised of investment management fees for Chartwell, which totaled $7.6 million for the three months ended March 31, 2020, as compared to $9.4 million for the same period in 2019. Assets under management were $8.32 billion as of March 31, 2020, a decrease of $1.41 billion from March 31, 2019, driven by market depreciation of $742.0 million and outflows of 1.89 billion, offset by net new client assets of 1.22 billion.

Our annualized ratio of non-interest expense to average assets was 1.47% and 1.77% for the three months ended March 31, 2020 and 2019, respectively. The Bank's efficiency ratio was 51.86% and 56.30% for the three months ended March 31, 2020 and 2019, respectively. The Bank's efficiency ratio reflects growth in the Bank's total revenue of 20.0% which was offset by the growth in the Bank's non-interest expense of 10.6% for the three months ended March 31, 2020.

Our annualized return on average assets (net income to average total assets) was 0.65% and 0.97% for the three months ended March 31, 2020 and 2019, respectively. Our annualized return on average common equity (net income available to common shareholders to average common equity) was 8.59% and 12.50% for the three months ended March 31, 2020 and 2019, respectively. Both ratios declined due to a reduction in earnings during the three months ended March 31, 2020 compared to the same period in 2019.

Our total assets were $8.99 billion as of March 31, 2020, an increase of $1.22 billion, or 63.4% on an annualized basis, from December 31, 2019, primarily due to an increase in cash and cash equivalents, growth in our loan and lease portfolio and growth in our investment portfolio. Loans and leases held-for-investment grew by $380.6 million to $6.96 billion as of March 31, 2020, an annualized increase of 23.3%, from December 31, 2019, as a result of growth in our commercial and private banking loan portfolios. Cash and cash equivalents increased $606.3 million, or 603.8% on an annualized basis, to $1.01 billion due to the previously mentioned intentional increase in liquid assets. Total investment securities increased $137.6 million, or 118.0% on an annualized basis to $606.7 million as of March 31, 2020, from December 31, 2019. Total deposits increased $1.15 billion, or 69.6% on an annualized basis, to $7.78 billion as of March 31, 2020, from December 31, 2019.

Our ratio of adverse rated credits to total loans declined to 0.50% at March 31, 2020, from 0.53% at December 31, 2019. Our ratio of allowance for loan and lease losses to loans was 0.25% and 0.21% as of March 31, 2020 and December 31, 2019, respectively. We had provision expense for loan and lease losses of $3.0 million for the three months ended March 31, 2020, primarily due to an increase in general reserves in response to the unprecedented speed of the economic slowdown associated with the COVID-19 pandemic, partially offset by recoveries of $203,000 in the commercial and industrial portfolio, compared to a credit to provision of $377,000 for the three months ended March 31, 2019.

Our book value per common share decreased $0.47 to $16.74 as of March 31, 2020, from $17.21 as of December 31, 2019, largely as a result of the issuance of restricted stock and a decrease in equity related to accumulated other comprehensive loss during the three months ended March 31, 2020, partially offset by net income available to common shareholders for the same period.

CECL Implementation

The CARES Act provides financial institutions with the option to delay the adoption of Accounting Standards Update No. 2016-13, Financial Instruments-Credit Losses, Topic 326: Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires companies to replace the incurred loss accounting method for estimating credit losses with the current expected credit losses ("CECL") method. Relief from implementation of ASU 2016-13 ends on the earlier of the termination date of the national emergency declaration by the President or December 31, 2020. In response to the unprecedented nature of the COVID-19 pandemic and uncertainty regarding its duration and ultimate impact on economic activity, we elected to delay our implementation of the CECL accounting standard. See "Recent Accounting Pronouncements and Developments" for more information on our decision to delay implementation of CECL.

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. These disclosures should not be viewed as a substitute for financial measures in accordance with GAAP.

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.

"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 provision for loan and lease losses 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 and lease 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 and the volatility that is associated with certain discrete items that are unrelated to our core business.

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.

(Dollars in thousands, except per share data)	March 31, 2020	December 31, 2019
Tangible common equity and Tangible book value per common share:		
Common shareholders’ equity	$ 498,301	$ 505,202
Less: goodwill and intangible assets	65,352	65,854
Tangible common equity (numerator)	$ 432,949	$ 439,348
Common shares outstanding (denominator)	29,762,578	29,355,986
Tangible book value per common share	$ 14.55	$ 14.97

(Dollars in thousands)	Three Months Ended March 31, 2020	2019
Total revenue and Pre-tax, pre-provision net revenue:		
Net interest income	$ 34,922	$ 30,372
Total non-interest income	13,316	13,069
Less: net gain on the sale and call of debt securities	57	28
Total revenue	$ 48,181	$ 43,413
Less: total non-interest expense	29,144	26,672
Pre-tax, pre-provision net revenue	$ 19,037	$ 16,741

BANK SEGMENT

(Dollars in thousands)	Three Months Ended March 31, 2020	2019
Bank total revenue:		
Net interest income	$ 34,906	$ 30,911
Total non-interest income	5,709	2,905
Less: net gain on the sale and call of debt securities	57	28
Bank total revenue	$ 40,558	$ 33,788
Bank efficiency ratio:		
Total non-interest expense (numerator)	$ 21,034	$ 19,021
Total revenue (denominator)	$ 40,558	$ 33,788
Bank efficiency ratio	51.86%	56.30%

INVESTMENT MANAGEMENT SEGMENT

(Dollars in thousands)	Three Months Ended March 31, 2020	2019
Investment Management EBITDA:		
Net income	$ 578	$ 1,431
Interest expense	—	—
Income tax expense	28	563
Depreciation expense	109	125
Intangible amortization expense	502	502
EBITDA	$ 1,217	$ 2,621

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 72.5% and 70.0% of total revenue for the three months ended March 31, 2020 and 2019, 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 2020 and 2019.

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
Interest income	$ 64,202	$ 62,902
Fully taxable equivalent adjustment	30	28
Interest income adjusted	64,232	62,930
Less: interest expense	29,280	32,530
Net interest income adjusted	$ 34,952	$ 30,400
Yield on earning assets [(1)] [(2)]	3.38%	4.35%
Cost of interest-bearing liabilities [(1)]	1.72%	2.50%
Net interest spread [(1)] [(2)]	1.66%	1.85%
Net interest margin [(1)] [(2)]	1.84%	2.10%

(1) Annualized.
(2) 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 March 31, 2020 and 2019. 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 2020 and 2019.

	Three Months Ended March 31,					
	2020			2019		
(Dollars in thousands)	Average Balance	Interest Income [1]/ Expense	Average Yield/ Rate [2]	Average Balance	Interest Income [1]/ Expense	Average Yield/ Rate [2]
Assets						
Interest-earning deposits	$ 464,302	$ 1,363	1.18%	$ 202,474	$ 1,256	2.52%
Federal funds sold	7,099	20	1.13%	8,595	31	1.46%
Debt securities available-for-sale	281,870	2,044	2.92%	236,235	1,986	3.41%
Debt securities held-to-maturity	201,754	1,488	2.97%	211,833	2,018	3.86%
Debt securities trading	230	1	1.75%	—	—	—%
Equity securities	—	—	—%	12,755	72	2.29%
FHLB stock	20,179	398	7.93%	20,498	305	6.03%
Total loans and leases	6,672,692	58,918	3.55%	5,177,844	57,262	4.49%
Total interest-earning assets	7,648,126	64,232	3.38%	5,870,234	62,930	4.35%
Other assets	312,447			242,553		
Total assets	$ 7,960,573			$ 6,112,787		
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Interest-bearing checking accounts	$ 1,473,614	$ 5,214	1.42%	$ 792,690	$ 4,542	2.32%
Money market deposit accounts	3,548,965	14,655	1.66%	2,682,390	16,540	2.50%
Certificates of deposit	1,383,036	7,375	2.14%	1,300,296	8,251	2.57%
Borrowings:						
FHLB borrowings	421,923	2,035	1.94%	459,333	2,585	2.28%
Line of credit borrowings	1,484	1	0.27%	4,139	58	5.68%
Subordinated notes payable, net	—	—	—%	34,933	554	6.43%
Total interest-bearing liabilities	6,829,022	29,280	1.72%	5,273,781	32,530	2.50%
Noninterest-bearing deposits	350,086			261,682		
Other liabilities	153,207			88,485		
Shareholders' equity	628,258			488,839		
Total liabilities and shareholders' equity	$ 7,960,573			$ 6,112,787		
Net interest income [1]		$ 34,952			$ 30,400	
Net interest spread [1]			1.66%			1.85%
Net interest margin [1]			1.84%			2.10%

(1) Calculated on a fully taxable equivalent basis.
(2) Annualized.

Net Interest Income for the Three Months Ended March 31, 2020 and 2019. Net interest income, calculated on a fully taxable equivalent basis, increased $4.6 million, or 15.0%, to $35.0 million for the three months ended March 31, 2020, from $30.4 million for the same period in 2019. The increase in net interest income for the three months ended March 31, 2020, was primarily attributable to a $1.78 billion, or 30.3%, increase in average interest-earning assets driven primarily by loan growth. This increase in net interest income also reflects an increase of $1.3 million, or 2.1%, in interest income and a decrease of $3.3 million, or 10.0%, in interest expense. Net interest margin was 1.84% for the three months ended March 31, 2020, compared to 2.10% for the same period in 2019, driven by a lower yield on our loan portfolio, partially offset by a lower cost of funds.

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 $1.49 billion, or 28.9%, partially offset by a decrease of 94 basis points in yield on our loans for the three months ended March 31, 2020, compared to the same period in 2019. The most significant factor driving the yield on our loan portfolio was the impact of the recent decrease to the Federal Reserve's target federal funds rate on 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 declined 97 basis points to 3.38% for the three months ended March 31, 2020, as compared to 4.35% for the same period in 2019, primarily due to the lower loan yields.

The decrease in interest expense on interest-bearing liabilities was primarily the result of a decrease of 78 basis points in the average rate paid on our interest-bearing liabilities, partially offset by an increase of $1.56 billion, or 29.5%, in average interest-bearing liabilities for the three months ended March 31, 2020, compared to the same period in 2019. The decrease in average rate paid on our interest-bearing liabilities reflected decreases in rates paid in all deposit categories and FHLB borrowings, which was largely driven by the impact of the recent decrease to the Federal Reserve's target federal funds rate on our variable-rate liabilities. The increase in average interest-bearing liabilities was driven primarily by an increase of $866.6 million in average money market deposit accounts, an increase of $680.9 million in average interest-bearing checking accounts and an increase of $82.7 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 three months ended March 31, 2020, compared to the same period in 2019. 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.

	Three Months Ended March 31, 2020 over 2019		
(Dollars in thousands)	Yield/Rate	Volume	Change[(1)]
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	$ (926)	$ 1,033	$ 107
Federal funds sold	(6)	(5)	(11)
Debt securities available-for-sale	(310)	368	58
Debt securities held-to-maturity	(441)	(89)	(530)
Debt securities trading	—	1	1
Equity securities	—	(72)	(72)
FHLB stock	98	(5)	93
Total loans	(13,393)	15,049	1,656
Total increase (decrease) in interest income	(14,978)	16,280	1,302
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	(2,251)	2,923	672
Money market deposit accounts	(6,486)	4,601	(1,885)
Certificates of deposit	(1,407)	531	(876)
Borrowings:			
FHLB borrowings	(358)	(192)	(550)
Line of credit borrowings	(34)	(23)	(57)
Subordinated notes payable, net	—	(554)	(554)
Total increase (decrease) in interest expense	(10,536)	7,286	(3,250)
Total increase (decrease) in net interest income	$ (4,442)	$ 8,994	$ 4,552

(1) 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 March 31, 2020 and 2019. We recorded provision expense for loan and lease losses of $3.0 million for the three months ended March 31, 2020, compared to a provision credit of $377,000 for the three

months ended March 31, 2019. The provision expense for loan and lease losses for the three months ended March 31, 2020, was comprised of an increase in general reserves of $3.2 million largely due to adjustments to the qualitative risk factors in response to economic uncertainty around the COVID-19 pandemic, partially offset by recoveries of $203,000 in our commercial and industrial portfolio. As provided under the CARES Act, we opted to delay adoption of the CECL methodology until the earlier of the end of the COVID-19 national emergency or December 31, 2020. See "Recent Accounting Pronouncements and Developments" for more information on our decision to delay implementation of CECL.

The credit to provision for loan and lease losses for the three months ended March 31, 2019, was comprised of a net increase of $1.3 million in specific reserves on non-performing loans and an increase in general reserves of $184,000, which were more than offset by recoveries of $1.9 million.

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 March 31, 2020 and 2019:

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	$ —	$ 7,765	$ (127)	$ 7,638	$ —	$ 9,533	$ (109)	$ 9,424
Service charges on deposits	213	—	—	213	136	—	—	136
Net gain on the sale and call of debt securities	57	—	—	57	28	—	—	28
Swap fees	4,373	—	—	4,373	1,803	—	—	1,803
Commitment and other loan fees	419	—	—	419	531	—	—	531
Other income [(1)]	647	(31)	—	616	407	21	719	1,147
Total non-interest income	$ 5,709	$ 7,734	$ (127)	$ 13,316	$ 2,905	$ 9,554	$ 610	$ 13,069

(1) 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 Three Months Ended March 31, 2020 and 2019. Our non-interest income was $13.3 million for the three months ended March 31, 2020, an increase of $247,000, or 1.9%, from $13.1 million for the same period in 2019. This increase was primarily related to increases in swap fees, partially offset by decreases in investment management fees, and other income as follows:

Bank Segment:

- Swap fees increased $2.6 million for the three months ended March 31, 2020, compared to the same period in 2019, due to an increase of customer swap transactions 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.

Investment Management Segment:

- Investment management fees decreased $1.8 million for the three months ended March 31, 2020, compared to the same period in 2019, which was due to lower assets under management and a lower weighted average fee rate of 0.34% for the three months ended March 31, 2020, compared to 0.39% for the three months ended March 31, 2019. The lower fee rate was a result of a shift in the asset composition across investment products. Assets under management were $8.32 billion as of March 31, 2020, a decrease of $1.4 billion from March 31, 2019, driven by market depreciation of $742.0 million, and net outflows of $667.0 million.

Parent and Other:

- Other income reflected $719,000 of unrealized gains on equity securities for the three months ended March 31, 2019, related to our mutual fund investment in mid-cap value equities, these securities were no longer held in our investment portfolio during the three months ended March 31, 2020.

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 March 31, 2020 and 2019:

	Three Months Ended March 31, 2020				Three Months Ended March 31, 2019			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	$ 12,392	$ 4,768	$ 286	$ 17,446	$ 11,799	$ 4,976	$ —	$ 16,775
Premises and occupancy costs	1,622	287	—	1,909	975	295	—	1,270
Professional fees	889	106	475	1,470	934	142	(81)	995
FDIC insurance expense	2,170	—	—	2,170	1,421	—	—	1,421
General insurance expense	194	68	—	262	227	67	—	294
State capital shares tax	383	—	—	383	380	—	—	380
Travel and entertainment expense	670	194	—	864	612	223	—	835
Intangible amortization expense	—	502	—	502	—	502	—	502
Other operating expenses [(1)]	2,714	1,203	221	4,138	2,673	1,355	172	4,200
Total non-interest expense	$ 21,034	$ 7,128	$ 982	$ 29,144	$ 19,021	$ 7,560	$ 91	$ 26,672
Full-time equivalent employees [(2)]	225	57	—	282	197	62	—	259

(1) 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.
(2) Full-time equivalent employees shown are as of the end of the periods presented.

Non-Interest Expense for the Three Months Ended March 31, 2020 and 2019. Our non-interest expense for the three months ended March 31, 2020, increased $2.5 million, or 9.3%, as compared to the same period in 2019, which included a $2.0 million increase in expenses of the Bank segment and a $432,000 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 three months ended March 31, 2020, increased by $593,000 compared to the same period in 2019, 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 March 31, 2020, increased by $647,000 compared to the same period in 2019, primarily due to continued investments in our infrastructure, including additional office space in our Pittsburgh headquarters and investments in technology.

- FDIC insurance expense for the three months ended March 31, 2020 increased $749,000 compared to the same period in 2019, due to the increase in the Bank's assets.

Investment Management Segment:

- Chartwell’s compensation and employee benefits costs for the three months ended March 31, 2020, decreased by $208,000 compared to the same period in 2019, primarily due to decreases in full-time equivalent employees and incentive and stock-based compensation expenses.

- Other operating expenses for the three months ended March 31, 2020, decreased by $152,000 compared to the same period in 2019, primarily due to lower mutual fund platform distribution expense, lower organizational dues and subscriptions and lower other operating expenses, partially offset by 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 March 31, 2020 and 2019. For the three months ended March 31, 2020, we recognized income tax expense of $3.2 million, or 19.9% of income before tax, as compared to income tax expense of $2.6 million, or 15.1% of income before tax, for the same period in 2019. Our effective tax rate of 19.9% for the three months ended March 31, 2020, increased as compared to the same period in the prior year primarily due to the amount and timing of tax credits recognized in 2020 compared to 2019.

Financial Condition

Our total assets as of March 31, 2020, were $8.99 billion, an increase of $1.22 billion, or 63.4% on an annualized basis, from December 31, 2019, driven primarily by growth in our loan portfolio and cash and cash equivalents. As of March 31, 2020, our loan portfolio totaled $6.96 billion, an increase of $380.6 million, or 23.3% on an annualized basis, from December 31, 2019. Total investment securities increased $137.6 million, or 118.0% on an annualized basis, to $606.7 million as of March 31, 2020, from December 31, 2019. Cash and cash equivalents increased $606.3 million to $1.01 billion as of March 31, 2020, from December 31, 2019. 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, the strength of our loan growth, and in anticipation of clients’ credit needs during the COVID-19 crisis, our ALCO has kept excess liquidity in interest-bearing cash deposits.

As of March 31, 2020, our total deposits were $7.78 billion, an increase of $1.15 billion, or 69.6% annualized, from December 31, 2019. Net borrowings decreased $25.0 million to $330.0 million as of March 31, 2020, from December 31, 2019. Our shareholders’ equity decreased $6.9 million to $614.4 million as of March 31, 2020, from December 31, 2019, primarily due to the decrease of $15.2 million in accumulated other comprehensive income (loss), the purchase of $2.6 million in treasury stock, $2.5 million in cancellation of stock options and preferred stock dividends paid of $2.0 million, partially offset by net income of $12.9 million and $2.3 million in stock-based compensation.

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 March 31, 2020, 92.5% of our loans had a floating interest rate.

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

	March 31, 2020		December 31, 2019	
(Dollars in thousands)	Outstanding	Percent of Loans	Outstanding	Percent of Loans
Private banking loans	$ 3,915,555	56.3%	$ 3,695,402	56.2%
Middle-market banking loans:				
Commercial and industrial	1,191,104	17.1%	1,085,709	16.5%
Commercial real estate	1,851,490	26.6%	1,796,448	27.3%
Total middle-market banking loans	3,042,594	43.7%	2,882,157	43.8%
Loans and leases held-for-investment	$ 6,958,149	100.0%	$ 6,577,559	100.0%

Loans and Leases Held-for-Investment. Loans and leases held-for-investment increased by $380.6 million, or 23.3% on an annualized basis, to $6.96 billion as of March 31, 2020, from December 31, 2019. Our growth for the three months ended March 31, 2020, was comprised of an increase in private banking loans of $220.2 million, an increase in commercial and industrial loans and leases of $105.4 million and an increase in commercial real estate loans of $55.0 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 and marketable securities. We also originate loans that are secured by cash value life insurance and to a lessor extent 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 March 31, 2020, $3.82 billion, or 97.5%, of our private banking loans were secured by cash, marketable securities and/or cash value life insurance as compared to $3.60 billion, or 97.4%, as of December 31, 2019. 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 and/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.

(Dollars in thousands)	March 31, 2020	December 31, 2019
Private banking loans:		
Secured by cash, marketable securities and/or cash value life insurance	$ 3,818,475	$ 3,599,198
Secured by real estate	62,004	62,782
Other	35,076	33,422
Total private banking loans	$ 3,915,555	$ 3,695,402

As of March 31, 2020, there were $3.75 billion of total private banking loans with a floating interest rate and $163.2 million with a fixed interest rate, as compared to $3.53 billion and $169.4 million, respectively, as of December 31, 2019.

Commercial 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 March 31, 2020, there were $953.2 million of total commercial and industrial loans with a floating interest rate and $237.9 million with a fixed interest rate, as compared to $867.7 million and $218.0 million, respectively, as of December 31, 2019.

Commercial 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 $214.3 million and $210.7 million of owner-occupied commercial real estate loans as of March 31, 2020 and December 31, 2019, respectively.

As of March 31, 2020, there were $1.73 billion of total commercial real estate loans with a floating interest rate and $117.6 million with a fixed interest rate, as compared to $1.69 billion and $111.2 million, respectively, as of December 31, 2019.

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.

	March 31, 2020			
(Dollars in thousands)	One Year or Less [1]	One to Five Years	Greater Than Five Years	Total
Maturity:				
Private banking	$ 3,717,380	$ 92,043	$ 106,132	$ 3,915,555
Commercial and industrial	322,958	645,265	222,881	1,191,104
Commercial real estate	213,399	832,043	806,048	1,851,490
Loans and leases held-for-investment	$ 4,253,737	$ 1,569,351	$ 1,135,061	$ 6,958,149
Interest rate sensitivity:				
Fixed interest rates	$ 150,416	$ 198,831	$ 169,395	$ 518,642
Floating or adjustable interest rates	4,103,321	1,370,520	965,666	6,439,507
Loans and leases held-for-investment	$ 4,253,737	$ 1,569,351	$ 1,135,061	$ 6,958,149

(1) The amounts outstanding reflected in the "One Year or Less" column include $3.68 billion of loans that are due on demand with no stated maturity.

Interest Reserve Loans

As of March 31, 2020, loans with interest reserves totaled $329.8 million, which represented 4.7% of loans and leases held-for-investment, as compared to $348.0 million, or 5.3%, as of December 31, 2019. 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 project budget and schedule for completion, 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:

(Dollars in thousands)	March 31, 2020	December 31, 2019
General reserves	$ 17,133	$ 13,937
Specific reserves	171	171
Total allowance for loan and lease losses	$ 17,304	$ 14,108
Allowance for loan and lease losses to loans and leases	0.25%	0.21%

As of March 31, 2020 and December 31, 2019, we had impaired loans with an aggregated total outstanding balance of $184,000, of which$171,000 was reserved for both periods. These loans were on non-accrual status as of March 31, 2020 and December 31, 2019, 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:

	March 31, 2020		December 31, 2019	
(Dollars in thousands)	Reserve	Percent of Loans	Reserve	Percent of Loans
Private banking	$ 2,174	56.3%	$ 1,973	56.2%
Commercial and industrial	6,685	17.1%	5,262	16.5%
Commercial real estate	8,445	26.6%	6,873	27.3%
Total allowance for loan and lease losses	$ 17,304	100.0%	$ 14,108	100.0%

Allowance for Loan and Lease Losses as of March 31, 2020 and December 31, 2019. Our allowance for loan and lease losses increased to $17.3 million, or 0.25% of loans, as of March 31, 2020, as compared to $14.1 million, or 0.21% of loans, as of December 31, 2019. Our allowance for loan and lease losses increased due to adjustments to the qualitative risk factors in response to economic uncertainty around the COVID-19 pandemic as well as the growth in our loan portfolio. Our allowance related to private banking loans increased $201,000 from December 31, 2019 to March 31, 2020, primarily due to growth in the portfolio. Our allowance for loan and lease losses related to commercial and industrial loans increased $1.4 million from December 31, 2019 to March 31, 2020, and our allowance for loan and lease losses related to commercial real estate loans increased by $1.6 million from December 31, 2019 to March 31, 2020, due to growth and qualitative adjustments. As previously mentioned, we have elected to delay implementation of CECL, in accordance with relief provided by the CARES Act. See "Recent Accounting Pronouncements and Developments" for more information on our decision to delay implementation of CECL.

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.

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:

	Three Months Ended March 31,	
(Dollars in thousands)	2020	2019
Beginning balance	$ 14,108	$ 13,208
Charge-offs:		
Private banking	—	—
Commercial and industrial	—	—
Commercial real estate	—	—
Total charge-offs	—	—
Recoveries:		
Private banking	—	—
Commercial and industrial	203	1,881
Commercial real estate	—	—
Total recoveries	203	1,881
Net recoveries	203	1,881
Provision (credit) for loan and lease losses	2,993	(377)
Ending balance	$ 17,304	$ 14,712
Net loan recoveries to average total loans, annualized	(0.01)%	(0.15)%
Provision (credit) for loan and lease losses to average total loans, annualized	0.18 %	(0.03)%

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 March 31, 2020 and December 31, 2019, and there was no interest income recognized on loans while on non-accrual status for the three months ended March 31, 2020 and 2019. As of March 31, 2020, non-performing loans were $184,000, or 0.00% of total loans, compared to $184,000, or 0.00% of total loans, as of December 31, 2019. We had specific reserves of $171,000 and $171,000 as of March 31, 2020 and December 31, 2019, respectively, on these non-performing loans. The net loan balance of our non-performing loans was 6.3% and 6.3% of the customer's outstanding balance after payments, charge-offs and specific reserves as of March 31, 2020 and December 31, 2019, respectively.

For additional information on our non-performing loans as of March 31, 2020 and December 31, 2019, 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.

In response to the COVID-19 pandemic and its economic impact on our customers, we implemented a short-term loan modification program in compliance with the CARES Act to provide temporary payment relief to those borrowers directly impacted by COVID-19. Through April 15, 2020, we have granted temporary modifications on approximately 100 loans totaling approximately $378.0 million. Under the applicable guidance, these loan modifications were not considered TDRs.

We had non-performing assets of $4.4 million, or 0.05% of total assets, as of March 31, 2020, as compared to $4.4 million, or 0.06% of total assets, as of December 31, 2019. As of each of March 31, 2020 and December 31, 2019, we had OREO properties totaling $4.3 million.

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

(Dollars in thousands)		March 31, 2020		December 31, 2019
Non-performing loans:				
Private banking	$	184	$	184
Commercial and industrial		—		—
Commercial real estate		—		—
Total non-performing loans	$	184	$	184
Other real estate owned		4,250		4,250
Total non-performing assets	$	4,434	$	4,434
Non-performing troubled debt restructured loans	$	171	$	171
Performing troubled debt restructured loans	$	—	$	—
Non-performing loans to total loans		—%		—%
Allowance for loan and lease losses to non-performing loans		9,404.35%		7,667.39%
Non-performing assets to total assets		0.05%		0.06%

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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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 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 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 March 31, 2020 and December 31, 2019, we reported debt securities in available-for-sale and held-to-maturity categories. 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, and trading 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 March 31, 2020, was approximately 1.5, 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 $275.2 million and $248.8 million in debt securities available-for-sale as of March 31, 2020 and December 31, 2019, respectively. The increase of $26.4 million was primarily attributable to purchases of $92.6 million, net of prepayments, calls and maturities of $3.9 million and sales of $50.0 million for certain securities during the three months ended March 31, 2020.

On a fair value basis, 50.7% of our available-for-sale debt securities as of March 31, 2020, were floating-rate securities, for which yields increase or decrease based on changes in market interest rates. As of December 31, 2019, floating-rate securities comprised 45.8% of our available-for-sale debt securities.

On a fair value basis, 19.5% of our available-for-sale debt securities as of March 31, 2020, 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, 2019, agency securities comprised 22.1% of our available-for-sale debt securities.

Held-to-Maturity Debt Securities. We held $312.8 million and $196.0 million in debt securities held-to-maturity as of March 31, 2020 and December 31, 2019, respectively. The increase of $116.8 million was primarily attributable to purchases of $239.3 million for certain securities, net of calls and maturities of $122.5 million, during the three months ended March 31, 2020. 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 March 31, 2020 and December 31, 2019.

Trading Debt Securities. We held no trading debt securities as of March 31, 2020 and December 31, 2019.

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:

	March 31, 2020			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	$ 213,148	$ 1,214	$ 8,596	$ 205,766
Trust preferred securities	18,125	—	2,329	15,796
Agency collateralized mortgage obligations	25,983	1	325	25,659
Agency mortgage-backed securities	17,683	753	9	18,427
Agency debentures	8,967	555	—	9,522
Total debt securities available-for-sale	283,906	2,523	11,259	275,170
Debt securities held-to-maturity:				
Corporate bonds	22,177	575	12	22,740
Agency debentures	271,743	1,091	—	272,834
Municipal bonds	14,575	121	—	14,696
Agency mortgage-backed securities	4,347	719	—	5,066
Total debt securities held-to-maturity	312,842	2,506	12	315,336
Total debt securities	$ 596,748	$ 5,029	$ 11,271	$ 590,506

(1) Balance includes $20 million of unsettled transactions.

(Dollars in thousands)	December 31, 2019			
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Debt securities available-for-sale:				
Corporate bonds	$ 172,704	$ 2,821	$ 107	$ 175,418
Trust preferred securities	18,092	216	48	18,260
Agency collateralized mortgage obligations	27,262	11	80	27,193
Agency mortgage-backed securities	18,058	451	—	18,509
Agency debentures	8,961	441	—	9,402
Total debt securities available-for-sale	245,077	3,940	235	248,782
Debt securities held-to-maturity:				
Corporate bonds	24,678	619	—	25,297
Agency debentures	149,912	628	935	149,605
Municipal bonds	17,094	144	—	17,238
Agency mortgage-backed securities	4,360	255	—	4,615
Total debt securities held-to-maturity	196,044	1,646	935	196,755
Total debt securities	$ 441,121	$ 5,586	$ 1,170	$ 445,537

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 $2.6 million as of March 31, 2020, were held in safekeeping at the FHLB and were included in the calculation of borrowing capacity. Additionally, there were $14.1 million of debt securities held-to-maturity that were pledged as collateral for certain deposit relationships.

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 March 31, 2020, 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.

	March 31, 2020									
	Less Than One Year		One to Five Years		Five to 10 Years		Greater Than 10 Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Debt securities available-for-sale:										
Corporate bonds	$ 52,947	3.07%	$ 96,411	2.77%	$ 56,408	2.82%	$ —	—%	$ 205,766	2.86%
Trust preferred securities	—	—%	—	—%	8,551	3.72%	7,245	3.05%	15,796	3.40%
Agency collateralized mortgage obligations	476	2.17%	—	—%	—	—%	25,183	1.93%	25,659	1.93%
Agency mortgage-backed securities	—	—%	—	—%	—	—%	18,427	2.66%	18,427	2.66%
Agency debentures	—	—%	—	—%	—	—%	9,522	3.18%	9,522	3.18%
Total debt securities available-for-sale	53,423		96,411		64,959		60,377		275,170	
Weighted average yield		3.06%		2.77%		2.93%		2.49%		2.80%
Debt securities held-to-maturity:										
Corporate bonds	—	—%	4,668	5.59%	18,072	5.32%	—	—%	22,740	5.37%
Agency debentures	—	—%	75,148	1.45%	178,525	2.22%	19,161	3.08%	272,834	2.06%
Municipal bonds	4,834	1.78%	7,969	2.20%	1,893	2.72%	—	—%	14,696	2.13%
Agency mortgage-backed securities	—	—%	—	—%	—	—%	5,066	3.59%	5,066	3.59%
Total debt securities held-to-maturity	4,834		87,785		198,490		24,227		315,336	
Weighted average yield		1.78%		1.73%		2.50%		3.17%		2.32%
Total debt securities	$ 58,257		$ 184,196		$ 263,449		$ 84,604		$ 590,506	
Weighted average yield		2.95%		2.28%		2.62%		2.67%		2.55%

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 $8.32 billion decreased $1.38 billion, or 14.2%, as of March 31, 2020, from $9.70 billion as of December 31, 2019.

The following table shows the changes of our assets under management by investment style for the three months ended March 31, 2020.

	Three Months Ended March 31, 2020				
(Dollars in thousands)	Beginning Balance	Inflows [1]	Outflows [2]	Market Appreciation (Depreciation)	Ending Balance
Equity investment styles	$ 3,932,000	$ 129,000	$ (94,000)	$ (1,126,000)	$ 2,841,000
Fixed income investment styles	4,816,000	237,000	(75,000)	(182,000)	4,796,000
Balanced investment styles	953,000	18,000	(159,000)	(126,000)	686,000
Total assets under management	$ 9,701,000	$ 384,000	$ (328,000)	$ (1,434,000)	$ 8,323,000

(1) Inflows consist of new business and contributions to existing accounts.
(2) 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 lower all-in cost deposit channels without operating through a traditional branch network. We market liquidity and treasury management products, payment processing products, and other deposit products to high-net-worth individuals, family offices, trust companies, wealth management firms, municipalities, endowments and foundations, broker/dealers, futures commission merchants, investment management firms, property management firms, payroll providers 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. With respect to our treasury management business, we utilize hybrid interest-bearing accounts that provide our clients with certainty around the returns for their total cash position while enhancing our ability to obtain their full liquidity relationship and balance their expectations with our cost of funds expectations.

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 $1.11 billion as of March 31, 2020, increasing $33.0 million or 3.1%, from December 31, 2019.

The table below depicts average balances of, and rates paid on our deposit portfolio by deposit type for the three months ended March 31, 2020 and 2019.

	Three Months Ended March 31,			
	2020		2019	
(Dollars in thousands)	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
Interest-bearing checking accounts	$ 1,473,614	1.42%	$ 792,690	2.32%
Money market deposit accounts	3,548,965	1.66%	2,682,390	2.50%
Certificates of deposit	1,383,036	2.14%	1,300,296	2.57%
Total average interest-bearing deposits	6,405,615	1.71%	4,775,376	2.49%
Noninterest-bearing deposits	350,086	—	261,682	—
Total average deposits	$ 6,755,701	1.62%	$ 5,037,058	2.36%

Average Deposits for the Three Months Ended March 31, 2020 and 2019. For the three months ended March 31, 2020, our average total deposits were $6.76 billion, representing an increase of $1.72 billion, or 34.1%, from the same period in 2019. The average deposit growth was driven by increases in all deposit categories. Our average cost of interest-bearing deposits decreased 78 basis points to 1.71% for the three months ended March 31, 2020, from 2.49% for the same period in 2019, as average rates paid were lower in all interest-bearing deposit categories, driven by the recent decrease to the Federal Reserve's target federal funds rate, which impacted our variable-rate deposits. Average interest-bearing checking accounts increased to 23.0% of total average interest-bearing deposits for the three months ended March 31, 2020, compared to 16.6% for the same period in 2019. Average money market deposits decreased to 55.4% of total average interest-bearing deposits for the three months ended March 31, 2020, from 56.2% for the same period in 2019. Average certificates of deposit decreased to 21.6% of total average interest-bearing deposits for the three months ended March 31, 2020, compared to 27.2% for the same period in 2019. Average noninterest-bearing deposits increased 33.8%, in the three months ended March 31, 2020, from the three months ended March 31, 2019, and the average cost of total deposits decreased 74 basis points to 1.62% for the three months ended March 31, 2020, from 2.36% for the same period in 2019.

Certificates of Deposit

Maturities of certificates of deposit of $100,000 or more outstanding are summarized below, as of March 31, 2020.

(Dollars in thousands)	March 31, 2020
Months to maturity:	
Three months or less	$ 462,851
Over three to six months	301,408
Over six to 12 months	227,603
Over 12 months	110,276
Total	$ 1,102,138

Reciprocal and Brokered Deposits

As of March 31, 2020, we consider approximately 83% 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 March 31, 2020, the Bank had CDARS® and ICS® reciprocal deposits totaling $938.9 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 March 31, 2020, brokered deposits were approximately 17% of total deposits. For additional information on our deposits, refer to Note 5, 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 March 31, 2020 and December 31, 2019.

	March 31, 2020					December 31, 2019				
(Dollars in thousands)	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	$ 300,000	1.54%	$ 480,000	$ 421,923	12 months	$ 355,000	1.89%	$ 605,000	$ 394,480	12 months
Line of credit borrowings	30,000	4.25%	30,000	1,484	12 months	—	—%	4,250	1,234	12 months
Subordinated notes payable	—	—%	—	—		—	—%	35,000	17,356	5 years
Total borrowings outstanding	$ 330,000	1.79%	$ 510,000	$ 423,407		$ 355,000	1.89%	$ 644,250	$ 413,070	

The Company previously entered into cash flow hedge transactions to establish the interest rate paid on $300.0 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 10, 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 March 31, 2020, 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 March 31, 2020, 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 three months ended March 31, 2020, the parent company paid $5.1 million related to our share repurchase and stock cancellation program and $2.0 million related to our preferred stock dividends. During the three months ended March 31, 2019, the parent company paid $1.1 million related to interest payments on our subordinated notes and other borrowings, $433,000 related to our share repurchase program and $679,000 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 March 31, 2020. In addition, the holding company maintains an unsecured line of credit of $75.0 million with Texas Capital Bank, of which $45.0 million was available for borrowing as of March 31, 2020.

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 or arrangements, 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® and ICS® 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 and liquidity needs, 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.

In response to the public health and economic crisis resulting from COVID-19 pandemic, we intentionally increased our liquid assets as a component of our assets and our deposits as a portion of our assets for the express purpose of carrying more on balance sheet liquidity in anticipation of clients' credit needs. Our strong liquidity position is due to our ability to generate strong growth in deposits, which is evidenced by our ratio of total deposits to total assets of 86.6% and 85.4% as of March 31, 2020 and December 31, 2019, respectively. As of March 31, 2020, we had available liquidity of $2.02 billion, or 22.5% of total assets. These sources consisted of available cash totaling $831.0 million, or 9.2% of total assets, unpledged investment securities totaling $536.3 million, or 6.0% of total assets, and the ability to borrow from the FHLB and correspondent bank lines totaling $655.5 million, or 7.3% 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:

(Dollars in thousands)	March 31, 2020	December 31, 2019
Available cash	$ 831,044	$ 167,695
Certain unpledged debt securities	536,343	400,222
Net borrowing capacity	655,546	569,132
Total liquidity	$ 2,022,933	$ 1,137,049

For the three months ended March 31, 2020, we generated $4.3 million of cash from operating activities, compared to the utilization of $4.1 million for the same period in 2019. This change in cash flow was the result of a decrease in net income of $1.7 million for the three months ended March 31, 2020, more than offset by changes in working capital items largely related to timing.

Investing activities resulted in a net cash outflow of $514.2 million for the three months ended March 31, 2020, as compared to a net cash outflow of $219.3 million for the same period in 2019. The outflows for the three months ended March 31, 2020, were primarily due to net loan growth of $380.4 million and purchases of investment securities totaling $311.9 million, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling $176.3 million. The outflows for the three months ended March 31, 2019, included net loan growth of $202.0 million and purchases of investment securities totaling $54.8 million, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling $33.8 million.

Financing activities resulted in a net inflow of $1.12 billion for the three months ended March 31, 2020, compared to a net inflow of $277.4 million for the same period in 2019. The inflows for the three months ended March 31, 2020, were primarily a result of a net increase in deposits of $1.15 billion and a net increase of $30.0 million in line of credit borrowings, partially offset by a net decrease in FHLB borrowings of $55.0 million. The inflows for the three months ended March 31, 2019, included a net increase in deposits of $287.2 million, partially offset by a net decrease in FHLB borrowings of $5.0 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 26, 2019, 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 $614.4 million as of March 31, 2020, compared to $621.3 million as of December 31, 2019. The $6.9 million decrease during the three months ended March 31, 2020, was primarily attributable to a decrease of $15.2 million in accumulated other comprehensive income (loss), the purchase of $2.6 million in treasury stock, $2.5 million in cancellation of stock options and preferred stock dividends paid of $2.0 million, partially offset by net income of $12.9 million and $2.3 million in stock-based compensation.

In May 2019, the Company completed the issuance and sale of a registered, underwritten public offering of 3,220,000 depositary 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 1,610,000 depositary 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 March 31, 2020 and December 31, 2019, 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. As of March 31, 2020 and December 31, 2019, the capital conservation buffer was 2.5%, 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:

	March 31, 2020					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	$ 585,503	11.42%	$ 410,021	8.00%	N/A	N/A
Bank	$ 597,764	11.69%	$ 408,904	8.00%	$ 511,131	10.00%
Tier 1 risk-based capital ratio						
Company	$ 567,487	11.07%	$ 307,516	6.00%	N/A	N/A
Bank	$ 579,748	11.34%	$ 306,678	6.00%	$ 408,904	8.00%
Common equity tier 1 risk-based capital ratio						
Company	$ 451,408	8.81%	$ 230,637	4.50%	N/A	N/A
Bank	$ 579,748	11.34%	$ 230,009	4.50%	$ 332,235	6.50%
Tier 1 leverage ratio						
Company	$ 567,487	7.19%	$ 315,811	4.00%	N/A	N/A
Bank	$ 579,748	7.36%	$ 315,172	4.00%	$ 393,966	5.00%

	December 31, 2019					
	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	$ 572,221	12.05%	$ 379,911	8.00%	N/A	N/A
Bank	$ 547,532	11.57%	$ 378,623	8.00%	$ 473,279	10.00%
Tier 1 risk-based capital ratio						
Company	$ 558,068	11.75%	$ 284,933	6.00%	N/A	N/A
Bank	$ 532,779	11.26%	$ 283,967	6.00%	$ 378,623	8.00%
Common equity tier 1 risk-based capital ratio						
Company	$ 442,385	9.32%	$ 213,700	4.50%	N/A	N/A
Bank	$ 532,779	11.26%	$ 212,975	4.50%	$ 307,631	6.50%
Tier 1 leverage ratio						
Company	$ 558,068	7.54%	$ 296,038	4.00%	N/A	N/A
Bank	$ 532,779	7.22%	$ 295,277	4.00%	$ 369,097	5.00%

Contractual Obligations and Commitments

There were no material changes to contractual obligations during the three months ended March 31, 2020, 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.

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.

	March 31, 2020				
(Dollars in thousands)	One Year or Less [(1)]	One to Three Years	Three to Five Years	Greater Than Five Years	Total
Unused loan commitments	$ 4,206,548	$ 352,167	$ 130,574	$ 24,478	$ 4,713,767
Standby letters of credit	46,630	15,733	7,970	265	70,598
Total off-balance sheet arrangements	$ 4,253,178	$ 367,900	$ 138,544	$ 24,743	$ 4,784,365

(1) The off-balance sheet amounts reflected in the “One Year or Less” column include $3.82 billion in unused loan commitments and $1.1 million 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.

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 deemed appropriate as of the date of this filing. For the purpose of this exercise it is assumed that rates do not fall below zero.

	March 31, 2020		December 31, 2019	
(Dollars in thousands)	Amount Change from Base Case	Percent Change from Base Case	Amount Change from Base Case	Percent Change from Base Case
Net interest income (loss):				
+300	$ 26,913	21.13 %	$ 45,787	31.65 %
+200	$ 12,287	9.65 %	$ 30,367	20.99 %
+100	$ (2,238)	(1.76)%	$ 15,128	10.46 %
−100	$ 12,007	9.43 %	$ (16,822)	(11.63)%
Economic value of equity:				
+300	$ (32,493)	(5.08)%	$ 6,511	1.10 %
+200	$ (32,522)	(5.08)%	$ 3,691	0.62 %
+100	$ (32,112)	(5.02)%	$ 1,513	0.26 %
−100	$ (6,558)	(1.02)%	$ (10,886)	(1.84)%

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 the absolute low level of interest rates, we have migrated to a more liability sensitive interest rate risk position when it comes to economic value of equity due to the expectation of low rates for an extended period of time.

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.

	March 31, 2020							
(Dollars in thousands)	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	Total Balance
Assets:								
Interest-earning deposits	$ 1,004,612	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,004,612
Federal funds sold	5,159	—	—	—	—	—	—	5,159
Total investment securities	321,176	120,032	62,357	35,103	47,146	30,838	(9,916)	606,736
Total loans and leases	6,530,495	33,867	80,123	192,004	79,816	36,513	5,331	6,958,149
Other assets	—	—	—	—	—	—	415,405	415,405
Total assets	$ 7,861,442	$ 153,899	$ 142,480	$ 227,107	$ 126,962	$ 67,351	$ 410,820	$ 8,990,061
Liabilities:								
Transaction deposits	$ 5,442,377	$ —	$ 89,738	$ 372,551	$ 75,000	$ —	$ 362,075	$ 6,341,741
Certificates of deposit	691,148	328,337	305,938	115,595	—	—	—	1,441,018
Borrowings, net	30,000	—	50,000	50,000	200,000	—	—	330,000
Other liabilities	—	—	—	—	—	—	262,922	262,922
Total liabilities	6,163,525	328,337	445,676	538,146	275,000	—	624,997	8,375,681
Equity	—	—	—	—	—	—	614,380	614,380
Total liabilities and equity	$ 6,163,525	$ 328,337	$ 445,676	$ 538,146	$ 275,000	$ —	$ 1,239,377	$ 8,990,061
Interest rate sensitivity gap	$ 1,697,917	$ (174,438)	$ (303,196)	$ (311,039)	$ (148,038)	$ 67,351	$ (828,557)	
Cumulative interest rate sensitivity gap	$ 1,697,917	$ 1,523,479	$ 1,220,283	$ 909,244	$ 761,206	$ 828,557		
Cumulative interest rate sensitive assets to rate sensitive liabilities	127.5%	123.5%	117.6%	112.2%	109.8%	110.7%	107.3%	
Cumulative gap to total assets	18.9%	16.9%	13.6%	10.1%	8.5%	9.2%		

The cumulative 12-month ratio of interest rate sensitive assets to interest rate sensitive liabilities decreased to 117.6% as of March 31, 2020, from 121.4% as of December 31, 2019.

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 $300.0 million of borrowings from the less than 90 days re-pricing category to the six months and longer re-pricing categories. Of the $300.0 million, $50,000 was moved to the six months to one year re-pricing category, $50 million to the one year to three year repricing category, and $200.0 million to the three to five years re-pricing category. For additional information on cash flow hedge transactions, refer to Note 10, 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

Recent Regulatory Developments

In March 2020, various regulatory agencies, including the Federal Reserve and the FDIC, issued an Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers affected by the Coronavirus. The interagency statement impacted accounting for loan modifications, which was revised on April 7, 2020, in response to the CARES Act. Under Accounting Standards Codification 310-40, "Receivables – Troubled Debt Restructurings by Creditors," ("ASC 310-40"), a restructuring of debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. The agencies confirmed with the staff of the Financial Accounting Standards Board ("FASB") that short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief, are not to be considered TDRs. This includes short-term modifications such as payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant.

As provided for under the CARES Act, a financial institution may account for an eligible loan modification either under section 4013 of the CARES Act or in accordance with ASC Subtopic 310-40. If a loan modification is not eligible under section 4013, or if the institution elects not to account for the loan modification under section 4013, the financial institution should evaluate whether the modified loan is a TDR. To be an eligible loan under section 4013, a loan modification must be (1) related to COVID-19; (2) executed on a loan that was not more than 30 days past due as of December 31, 2019; and (3) executed between March 1, 2020, and the earlier of (A) 60 days after the date of termination of the National Emergency or (B) December 31, 2020.

Recent Accounting Pronouncements and Developments

In March 2020, FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848)," which provides optional guidance for a limited time to ease the potential accounting burden associated with transitioning away from reference rates such as LIBOR. The expedients and exceptions provided by this standard will not be available until after December 31, 2022, other than for certain hedging relationships entered into before December 31, 2022. The standard may be applied as of the beginning of the interim period that includes March 12, 2020 through December 21, 2022. The Company is currently evaluating the impact this standard will have on our results of operations and financial position.

In January 2020, FASB issued ASU 2020-01, "Investments - ASU 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. This new guidance addresses accounting for the transition into and out of the equity method and also provides guidance on whether equity method accounting would be applied to certain purchased options and forward contracts upon settlement. This standard is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the impact this standard will have on our results of operations and financial position.

In December 2019, FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes," which removes certain exceptions for: recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. This standard also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. This standard is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2020. Early adoption is permitted. 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," along with several other subsequent codification updates related to accounting for credit losses, which significantly change 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, under this accounting standard, known as the 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. CECL requires use of expected credit losses based on a standard of relevant information about past events, including historical experience, current conditions, and reasonable and supportable economic 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 were originally effective for public business entities that are SEC filers for annual and interim

periods in fiscal years beginning after December 15, 2019. The CARES Act allows the option to delay the adoption of this standard until the date on which the national emergency related to the COVID-19 outbreak is terminated or December 31, 2020, whichever occurs first.

The Company has elected to delay its adoption of ASU 2016-13, commonly referred to as CECL, as provided by the CARES Act. Upon adoption of ASU 2016-13, the Company anticipates recognizing a one-time cumulative effect adjustment of approximately $1.5 million to $2.0 million, net of tax, through retained earnings as of January 1, 2020, for the changes in allowance for credit losses on loans and leases, unfunded commitments and certain debt securities. The allowance for credit losses on loans and leases under CECL would have been approximately $17.5 million to $18.0 million as of March 31, 2020.

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 March 31, 2020, 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 Annual Report on Form 10-K.

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 March 31, 2020. 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 March 31, 2020.

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 March 31, 2020, 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 March 31, 2020, 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, 2019, previously filed with the SEC, except for the risk factor included below:

The novel coronavirus ("COVID-19") and the impact of actions to mitigate it may materially and adversely affect our business, financial condition and results of operations.

COVID-19 has led to federal, state and local governments enacting various restrictions in an attempt to limit the spread of the virus, including the declaration of a national emergency; multiple cities' and states' declarations of states of emergency; school and business closings; limitations on social or public gatherings and other social distancing measures, such as working remotely, travel restrictions, quarantines and shelter in place orders. These measures have contributed to significantly rising unemployment and reductions in consumer and business spending. In response to the economic and financial effects of COVID-19, the Federal Reserve Board has sharply reduced interest rates and instituted quantitative easing measures, as well as domestic and global capital market support programs.

The economic effects of the COVID-19 outbreak have had a destabilizing effect on financial markets, key market indices and overall economic activity. The uncertainty regarding the duration of the pandemic and the resulting economic disruption has caused increased market volatility and is expected to lead to an economic recession and/or a significant decrease in consumer confidence and business generally. We expect the continuation of these conditions caused by the outbreak, including the impacts of the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, and other federal and state measures, specifically with respect to loan forbearances, will have some adverse impacts on our businesses and results of operations and the business and operations of at least some of our borrowers, customers and business partners and that these impacts may be material. In particular, these events can be expected to, among other things:

- impair the ability of borrowers to repay outstanding loans or other obligations, resulting in increases in delinquencies;
- impair the value of collateral securing loans;
- impair the value of our securities portfolio;
- require an increase in our allowance for loan losses;
- adversely affect the stability of our deposit base, or otherwise impair our liquidity;
- reduce our asset management revenues and the demand for our products and services;
- impair the ability of loan guarantors to honor commitments;
- negatively impact our regulatory capital ratios;
- negatively impact the productivity and availability of key personnel and other employees necessary to conduct our business, and of third-party service providers who perform critical services for us, or otherwise cause operational failures due to changes in our normal business practices necessitated by the outbreak and related governmental actions;
- increase cyber and payment fraud risk, given increased online and remote activity; and
- negatively impact revenue and income.

Prolonged measures by health or other governmental authorities encouraging or requiring significant restrictions on travel, assembly or other core business practices could further harm our business and those of our customers, in particular our small to medium sized business customers. Although we have business continuity plans and other safeguards in place, there is no assurance that they will continue to be effective.

The ultimate impact of these factors is highly uncertain at this time and we do not yet know the full extent of the impacts on our business, our operations or the national or global economies. However, the decline in economic conditions generally and a prolonged negative

impact on small to medium sized businesses, in particular, may result in a material adverse effect to our business, financial condition and results of operations.

In addition, to the extent COVID-19 adversely affects our business, financial condition and results of operations, and global economic conditions more generally, it may also have the effect of heightening many of the other risks described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2019.

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 March 31, 2020:

	Total Number of Shares Purchased [1]	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2]
January 1, 2020 - January 31, 2020	62,961	$ 25.16	—	$ 10,428,804
February 1, 2020 - February 29, 2020	30,036	22.65	10,000	10,209,025
March 1, 2020 - March 31, 2020	20,731	15.17	20,000	9,908,986
Total	113,728	$ 22.68	30,000	$ 9,908,986

(1) There were 83,728 shares of treasury stock acquired in connection with the exercise, net settlement, cancellation 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.

(2) On July 15, 2019, the Board approved a 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	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101	The following materials from TriState Capital Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2020, 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: May 11, 2020

EXHIBIT 31.1

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: May 11, 2020

EXHIBIT 31.2

**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: May 11, 2020

EXHIBIT 32

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 March 31, 2020 (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: May 11, 2020

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

Dated: May 11, 2020