

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number: 001-35913

TRISTATE CAPITAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

20-4929029

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

One Oxford Centre

301 Grant Street, Suite 2700

Pittsburgh, Pennsylvania

(Address of principal executive offices)

(412) 304-0304

(Registrant's telephone number, including area code)

15219

(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of October 31, 2021, there were 33,154,343 shares of the registrant’s common stock, no par value, outstanding.

TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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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 about our industry 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;
- risks associated with the acquisition of our Company by Raymond James Financial, Inc. (“Raymond James”), including risks related to the failure of our Company to satisfy conditions of the closing of the acquisition which could result in the acquisition not closing which could have a material adverse impact on the value of our stock;
- our ability to prudently manage our growth and execute our strategy;
- 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 additional loan and lease losses and impairment, changes in the value of collateral securing our loans and leases and the collectability of loans and leases, particularly as a result of the COVID-19 pandemic and the programs implemented by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, including its automatic loan forbearance provisions;
- 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;
- risks related to the phasing out of London Interbank Offered Rate (“LIBOR”) and changes in the manner of calculating reference rates, as well as the impact of the phase out of LIBOR and introduction of alternative reference rates on the value of loans and other financial instruments that are linked to LIBOR;
- changes in accounting policies, accounting standards, or authoritative accounting guidance;
- 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, including economic stimulus programs, 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, regional or national civil unrest, 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

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
ASSETS		
Cash	\$ 341	\$ 341
Interest-earning deposits with other institutions	462,239	429,639
Federal funds sold	7,352	5,462
Cash and cash equivalents	469,932	435,442
Debt securities available-for-sale, at fair value	555,609	617,570
Debt securities held-to-maturity, at amortized cost, net	857,202	211,691
Equity securities, at fair value	5,000	—
Federal Home Loan Bank stock	11,802	13,284
Total investment securities	1,429,613	842,545
Loans and leases held-for-investment	9,869,011	8,237,418
Allowance for credit losses on loans and leases	(32,363)	(34,630)
Loans and leases held-for-investment, net	9,836,648	8,202,788
Accrued interest receivable	21,872	18,783
Investment management fees receivable, net	8,908	7,935
Goodwill	41,660	41,660
Intangible assets, net of accumulated amortization of \$13,814 and \$12,381, respectively	20,818	22,251
Office properties and equipment, net of accumulated depreciation of \$18,681 and \$16,241, respectively	16,293	12,369
Operating lease right-of-use asset	35,109	21,294
Bank owned life insurance	98,308	71,787
Prepaid expenses and other assets	179,707	219,962
Total assets	\$ 12,158,868	\$ 9,896,816
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 10,756,141	\$ 8,489,089
Borrowings, net	355,654	400,493
Accrued interest payable on deposits and borrowings	3,145	3,057
Deferred tax liability, net	6,772	5,676
Operating lease liability	36,694	22,958
Other accrued expenses and other liabilities	186,424	218,398
Total liabilities	11,344,830	9,139,671
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
Series C Shares issued and outstanding - 672 and 650, respectively	64,364	61,064
Common stock voting, no par value; Shares authorized - 51,653,347;		
Shares issued - 35,553,711 and 34,919,572, respectively;		
Shares outstanding - 33,154,343 and 32,620,150, respectively	332,323	331,098
Common stock non-voting, no par value; Shares authorized - 6,653,347;		
Shares issued - none	—	—
Additional paid-in capital	41,295	33,824
Retained earnings	299,817	254,054
Accumulated other comprehensive loss, net	(1,535)	(2,697)
Treasury stock (2,399,368 and 2,299,422 shares, respectively)	(38,305)	(36,277)
Total shareholders' equity	814,038	757,145
Total liabilities and shareholders' equity	\$ 12,158,868	\$ 9,896,816

See accompanying notes to unaudited condensed consolidated financial statements.

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

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest income:				
Loans and leases	\$ 55,071	\$ 46,256	\$ 155,959	\$ 152,551
Investments	4,477	3,687	10,860	11,528
Interest-earning deposits	157	279	433	2,006
Total interest income	59,705	50,222	167,252	166,085
Interest expense:				
Deposits	10,480	13,898	31,340	57,095
Borrowings	2,558	2,850	7,677	7,110
Total interest expense	13,038	16,748	39,017	64,205
Net interest income	46,667	33,474	128,235	101,880
Provision for credit losses	—	7,430	320	16,428
Net interest income after provision for credit losses	46,667	26,044	127,915	85,452
Non-interest income:				
Investment management fees	9,436	8,095	27,887	23,471
Service charges on deposits	377	235	1,018	763
Net gain on the sale and call of debt securities	33	3,744	130	3,815
Swap fees	3,059	3,953	9,683	12,179
Commitment and other loan fees	740	381	1,630	1,262
Bank owned life insurance income	613	441	1,522	1,298
Other income (loss)	(28)	40	855	414
Total non-interest income	14,230	16,889	42,725	43,202
Non-interest expense:				
Compensation and employee benefits	21,701	18,524	62,559	52,539
Premises and equipment expense	1,520	1,488	4,099	4,389
Professional fees	2,310	1,596	5,758	4,175
FDIC insurance expense	1,375	3,030	3,625	7,760
General insurance expense	363	294	1,002	834
State capital shares tax expense	790	366	2,217	1,115
Travel and entertainment expense	755	592	1,835	1,735
Technology and data services	4,274	2,576	11,061	7,294
Intangible amortization expense	477	478	1,433	1,466
Marketing and advertising	984	394	2,566	1,694
Other operating expenses	3,459	2,089	7,556	5,667
Total non-interest expense	38,008	31,427	103,711	88,668
Income before tax	22,889	11,506	66,929	39,986
Income tax expense	2,873	2,177	11,933	7,362
Net income	\$ 20,016	\$ 9,329	\$ 54,996	\$ 32,624
Preferred stock dividends	3,097	1,962	9,233	5,886
Net income available to common shareholders	\$ 16,919	\$ 7,367	\$ 45,763	\$ 26,738
Earnings per common share:				
Basic	\$ 0.46	\$ 0.26	\$ 1.24	\$ 0.95
Diluted	\$ 0.44	\$ 0.26	\$ 1.20	\$ 0.93

See accompanying notes to unaudited condensed consolidated financial statements.

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

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	\$ 20,016	\$ 9,329	\$ 54,996	\$ 32,624
Other comprehensive income (loss):				
Unrealized holding gains (losses) on debt securities, net of tax expense (benefit) of \$(482), \$856, \$(651) and \$651, respectively	(1,528)	3,088	(2,061)	2,041
Reclassification adjustment for gains included in net income on debt securities, net of tax expense of \$(1), \$(904), \$(25) and \$(909), respectively	(4)	(2,835)	(78)	(2,852)
Unrealized holding gains (losses) on derivatives, net of tax expense (benefit) of \$(18), \$5, \$448 and \$(2,218), respectively	(56)	27	1,316	(7,040)
Reclassification adjustment for losses included in net income on derivatives, net of tax benefit of \$218, \$248, \$631 and \$398, respectively	685	780	1,985	1,249
Other comprehensive income (loss), net of tax	(903)	1,060	1,162	(6,602)
Total comprehensive income	\$ 19,113	\$ 10,389	\$ 56,158	\$ 26,022

See accompanying notes to unaudited condensed consolidated financial statements.

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

<i>(Dollars in thousands)</i>	Preferred Stock	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net	Treasury Stock	Total Shareholders' Equity
Balance, June 30, 2020	\$ 116,079	\$ 295,820	\$ 25,088	\$ 237,795	\$ (6,530)	\$ (35,422)	\$ 632,830
Net income	—	—	—	9,329	—	—	9,329
Other comprehensive income	—	—	—	—	1,060	—	1,060
Preferred stock dividends	—	—	—	(1,962)	—	—	(1,962)
Exercise of stock options	—	117	(43)	—	—	—	74
Purchase of treasury stock	—	—	—	—	—	(609)	(609)
Stock-based compensation	—	—	2,478	—	—	—	2,478
Balance, September 30, 2020	\$ 116,079	\$ 295,937	\$ 27,523	\$ 245,162	\$ (5,470)	\$ (36,031)	\$ 643,200
Balance, June 30, 2021	\$ 179,343	\$ 332,307	\$ 38,496	\$ 282,898	\$ (632)	\$ (37,844)	\$ 794,568
Net income	—	—	—	20,016	—	—	20,016
Other comprehensive loss	—	—	—	—	(903)	—	(903)
Preferred stock dividends	1,100	—	—	(3,097)	—	—	(1,997)
Exercise of stock options	—	16	(9)	—	—	—	7
Purchase of treasury stock	—	—	—	—	—	(461)	(461)
Stock-based compensation	—	—	2,808	—	—	—	2,808
Balance, September 30, 2021	\$ 180,443	\$ 332,323	\$ 41,295	\$ 299,817	\$ (1,535)	\$ (38,305)	\$ 814,038
Balance, December 31, 2019	\$ 116,079	\$ 295,349	\$ 23,095	\$ 218,449	\$ 1,132	\$ (32,823)	\$ 621,281
Net income	—	—	—	32,624	—	—	32,624
Other comprehensive loss	—	—	—	—	(6,602)	—	(6,602)
Preferred stock dividends	—	—	—	(5,886)	—	—	(5,886)
Exercise of stock options	—	588	(303)	—	—	—	285
Purchase of treasury stock	—	—	—	—	—	(3,343)	(3,343)
Treasury stock reissuance	—	—	—	(25)	—	135	110
Cancellation of stock options	—	—	(2,484)	—	—	—	(2,484)
Stock-based compensation	—	—	7,215	—	—	—	7,215
Balance, September 30, 2020	\$ 116,079	\$ 295,937	\$ 27,523	\$ 245,162	\$ (5,470)	\$ (36,031)	\$ 643,200
Balance, December 31, 2020	\$ 177,143	\$ 331,098	\$ 33,824	\$ 254,054	\$ (2,697)	\$ (36,277)	\$ 757,145
Net income	—	—	—	54,996	—	—	54,996
Other comprehensive income	—	—	—	—	1,162	—	1,162
Preferred stock dividends	3,300	—	—	(9,233)	—	—	(5,933)
Exercise of stock options	—	1,225	(730)	—	—	—	495
Purchase of treasury stock	—	—	—	—	—	(2,028)	(2,028)
Stock-based compensation	—	—	8,201	—	—	—	8,201
Balance, September 30, 2021	\$ 180,443	\$ 332,323	\$ 41,295	\$ 299,817	\$ (1,535)	\$ (38,305)	\$ 814,038

See accompanying notes to unaudited condensed consolidated financial statements.

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

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 54,996	\$ 32,624
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangible amortization expense	3,873	3,087
Amortization of deferred financing costs	161	90
Impairment on historic tax credit investments	2,830	145
Provision for credit losses	320	16,428
Stock-based compensation expense	8,201	7,215
Net gain on the sale and call of debt securities	(130)	(3,815)
Income from debt securities trading	(105)	(239)
Purchase of debt securities trading	(9,440)	(20,932)
Proceeds from the sale of debt securities trading	9,545	21,171
Net amortization of premiums and discounts on debt securities	9,556	1,555
Increase in investment management fees receivable, net	(973)	(67)
Decrease (increase) in accrued interest receivable	(3,089)	4,044
Increase (decrease) in accrued interest payable	88	(1,178)
Bank owned life insurance income	(1,522)	(1,298)
Increase in income taxes payable	5,716	2,812
Decrease in prepaid income taxes	1,186	3,163
Deferred tax provision	693	724
Increase (decrease) in accounts payable and other accrued expenses	1,923	(1,901)
Cash received for reimbursement of leasehold improvements	—	2,196
Other, net	(2,471)	(1,600)
Net cash provided by operating activities	81,358	64,224
Cash flows from investing activities:		
Purchase of debt securities available-for-sale	(581,985)	(467,245)
Purchase of debt securities held-to-maturity	(481,630)	(436,768)
Purchase of equity securities	(5,000)	—
Proceeds from the sale of debt securities available-for-sale	121,711	120,400
Principal repayments and maturities of debt securities available-for-sale	51,804	44,322
Principal repayments and maturities of debt securities held-to-maturity	308,028	378,367
Purchase of bank owned life insurance	(25,000)	—
Investment in low-income housing and historic tax credits	(8,425)	(8,305)
Investment in small business investment companies	(2,144)	(811)
Net redemption of Federal Home Loan Bank stock	1,482	11,040
Net increase in loans and leases, net	(1,637,222)	(1,076,716)
Proceeds from loan sales	2,939	—
Proceeds from the sale of other real estate owned	351	1,527
Additions to office properties and equipment	(6,363)	(3,719)
Net cash used in investing activities	(2,261,454)	(1,437,908)

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,	
	2021	2020
Cash flows from financing activities:		
Net increase in deposit accounts	2,267,052	1,549,100
Net decrease in Federal Home Loan Bank advances	(50,000)	(55,000)
Net increase in line of credit advances	5,000	—
Net proceeds from issuance of subordinated notes payable	—	95,349
Net proceeds from exercise of stock options	495	285
Cancellation of stock options	—	(2,484)
Purchase of treasury stock, net of reissuance	(2,028)	(3,233)
Dividends paid on preferred stock	(5,933)	(5,886)
Net cash provided by financing activities	2,214,586	1,578,131
Net change in cash and cash equivalents during the period	34,490	204,447
Cash and cash equivalents at beginning of the period	435,442	403,855
Cash and cash equivalents at end of the period	\$ 469,932	\$ 608,302
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest expense	\$ 38,768	\$ 65,424
Income taxes	\$ 4,308	\$ 663
Other non-cash activity:		
Operating lease right-of-use asset	\$ 13,737	\$ —
Unsettled purchase of debt securities available-for-sale	\$ 13,616	\$ —
Transfer of debt securities available-for-sale to held-to-maturity	\$ 480,769	\$ —
Series C dividend distributable	\$ 3,300	\$ —

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 middle-market businesses and financial services providers and focused 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 and supervision by the Federal Deposit Insurance Corporation (“FDIC”), the Pennsylvania Department of Banking and Securities and the Board of Governors of the Federal Reserve System (“Federal Reserve”). In addition, if the Bank’s consolidated total assets exceed \$10 billion for four consecutive quarters, the Company and the Bank will become subject to the regulatory examination and supervision of the Consumer Financial Protection Bureau (“CFPB”) with respect to certain consumer protection laws. The Bank’s quarter-end consolidated assets exceeded \$10 billion for three consecutive quarters as of September 30, 2021. Chartwell is a registered investment adviser regulated by the U.S. 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 credit losses on loans and leases, valuation of goodwill and other intangible assets and their evaluation for impairment, fair value measurements 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, 2020, included in the Company’s Annual Report on Form 10-K filed with the SEC on February 25, 2021.

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. Under agreements with certain of its derivative counterparties, the Company is required to maintain minimum cash collateral posting thresholds with such counterparties. The cash subject to these agreements is considered restricted for these purposes.

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, net of allowance for credit losses; (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. Management evaluates expected credit losses on held-to-maturity debt securities on a collective or pool basis, by investment category and credit rating. The Company measures credit losses by comparing the present value of cash flows expected to be collected to the amortized cost of the security that considers historical credit loss information, adjusted for current conditions and reasonable and supportable economic forecasts. The Company's investment securities can be classified into the following pools based on similar risk characteristics: (1) U.S. government agencies, (2) state and local municipalities, (3) domestic corporations, including trust preferred securities, and (4) non-agency securitizations. The Company's U.S. government agency securities are issued by U.S. government entities and agencies and are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. For the remaining pools of securities, the credit rating of the issuers, the investment's cash flow characteristics and the underlying instruments securitizing certain bonds are the most relevant risk characteristics of the investment portfolio. The Company's investment policy only allows for purchases of investments with investment grade credit ratings and the Company continuously monitors for changes in credit ratings. Probability of default and loss given default rates are based on historical averages for each investment pool, adjusted to reflect the impact of a single, forward-looking forecast of certain macroeconomic variables, such as unemployment rates and interest rate spreads, which management considers to be both reasonable and supportable. The forecast of these macroeconomic variables is applied over a period of three years and reverts to historical averages over a two-year reversion period.

Management evaluates available-for-sale debt securities in an unrealized loss position quarterly for expected credit losses. 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 an available-for-sale 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, the security's amortized cost is written down to fair value through current period earnings. For available-for-sale 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, a provision for credit losses is recorded through current period earnings for the amount of the valuation decline below amortized cost that is attributable to credit losses. Management considers the extent to which fair value is less than amortized cost, credit ratings and other factors related to the security in assessing whether credit loss exists. The Company measures credit loss by comparing the present value of cash flows expected to be collected to the amortized cost of the security. An allowance for credit losses is measured by the difference that the present value of cash flows expected to be collected is less than the amortized cost, limited by the amount that the fair value is less than the amortized cost. 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. Changes in the allowance for credit losses are recorded as provision for credit losses. Losses are charged

against the allowance when management believes the security is uncollectible or management intends to sell or is required to sell the security.

The recognition of interest income on a debt security is discontinued when any principal or interest payment becomes 90 days past due, at which time the debt security is placed on non-accrual status. All accrued and unpaid interest on such debt security is then reversed. Accrued interest receivable is excluded from the estimate of expected credit losses.

FEDERAL HOME LOAN BANK STOCK

The Bank is a member of the Federal Home Loan Bank (“FHLB”) of Pittsburgh. Member institutions are required to invest in FHLB stock. The stock is carried at cost, which approximates its liquidation value, and it is evaluated for impairment based on the ultimate recoverability of the par value. The following matters are considered by management when evaluating the FHLB stock for impairment: the ability of the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB; the impact of legislative and regulatory changes on the institution and its customer base; and the Company’s intent and ability to hold its FHLB stock for the foreseeable future. Management believes the Company’s holdings in the FHLB stock were recoverable at par value as of September 30, 2021 and December 31, 2020. 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 amortized cost. Amortized cost is the unpaid principal balance, 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. The Company evaluates any loan reasonably expected to become a TDR, regardless of whether the loan is on accrual or non-accrual status. 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 (e.g., 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 creditworthiness 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 CREDIT LOSSES ON LOANS AND LEASES

The allowance for credit losses is a valuation account that is deducted from the amortized cost of loans and leases to present management’s best estimate of the net amount expected to be collected. Adjustments to the allowance for credit losses are established through provisions for credit losses that are recorded in the consolidated statements of income. Loans and leases are charged off against the allowance for credit 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 allowance for credit losses. Accrued interest receivable is excluded from the estimate of expected credit losses.

The allowance for credit losses represents estimates of expected credit losses for homogeneous loan pools that share similar risk characteristics such as commercial and industrial (“C&I”) loans and leases, commercial real estate (“CRE”) loans, and private banking loans, which include consumer lines of credit and residential mortgages. The Company periodically reassesses each loan pool to ensure that the loans within the pool continue to share similar risk characteristics. Non-accrual loans and loans designated as TDRs are assessed individually using a discounted cash flow method or, where a loan is collateral dependent, based upon the fair value of the collateral less estimated selling costs.

The collateral on our private banking loans that are secured by cash, marketable securities and/or cash value life insurance is monitored daily and requires borrowers to continually replenish such collateral as a result of changes in its fair value. Therefore, it is expected that the fair value of the collateral securing each loan will exceed the loan’s amortized cost and no allowance for credit losses would be required under Accounting Standard Codification (“ASC”) 326-20-35-6, “Financial Assets Secured by Collateral Maintenance Provisions.”

In estimating the general allowance for credit losses for loans evaluated on a collective or pool basis, management considers past events, current conditions, and reasonable and supportable economic forecasts, 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 and forecasted local and regional economic conditions in the markets that we serve.

Management bases the computation of the general allowance for credit losses 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. Management has developed a methodology that is applied to each of the three primary loan portfolios: C&I loans and leases, CRE loans and private banking loans (other than those secured by cash, marketable securities and/or cash value life insurance).

For each portfolio, management estimates expected credit losses over the life of each loan utilizing lifetime or cumulative loss rate methodology, which identifies macroeconomic factors and asset-specific characteristics that are correlated with credit loss experience, including loan age, loan type, leverage, risk rating, interest rate spread and industry. The lifetime loss rate is applied to the amortized cost of the loan. This methodology builds on default and recovery probabilities by utilizing pool-specific historical loss rates to calculate expected credit losses. These pool-specific historical loss rates may be adjusted for a forecast of certain macroeconomic variables, as further discussed below, and other factors such as differences in underwriting standards, portfolio mix, or when historical asset terms do not reflect the contractual terms of the financial assets being evaluated as of the measurement date. Each time the Company measures expected credit losses, the Company assesses the relevancy of historical loss information and considers any necessary adjustments to address any differences in asset-specific characteristics.

The allowance for credit losses represents management’s current estimate of expected credit losses in the loan and lease portfolio. Expected credit losses are estimated over the contractual term of the loans, which includes extension or renewal options that are not unconditionally cancellable by the Company and are adjusted for expected prepayments when appropriate. Management’s judgment takes into consideration past events, current conditions and reasonable and supportable economic forecasts including 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 in making such determinations, and that the present allowance for credit losses represents management’s best estimate of current expected credit losses, 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.

The lifetime loss rates are estimated by analyzing a combination of internal and external data related to historical performance of each loan pool over a complete economic cycle. Loss rates are based on historical averages for each loan pool, adjusted to reflect the impact of a single, forward-looking forecast of certain macroeconomic variables such as gross domestic product (“GDP”), unemployment rates, corporate bond credit spreads and commercial property values, which management considers to be both reasonable and supportable. The single, forward-looking forecast of these macroeconomic variables is applied over the remaining life of the loan pools. The development of the reasonable and supportable forecast incorporates an assumption that each macroeconomic variable will revert to a long-term expectation starting in years two to four of the forecast and largely completing within the first five years of the forecast.

The secondary factor is intended to capture additional risks related to events and circumstances that management believes have an impact on the performance of the loan portfolio that are not considered as part of the primary factor. 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 an allowance level based on management's judgment as to the expected impact of each risk factor on each loan portfolio and is monitored on a quarterly basis. As the trend in any risk factor changes, management evaluates the need for a corresponding change to occur in the allowance associated with each respective risk factor to provide the most appropriate estimate of allowance for credit losses on loans and leases.

The Company also maintains an allowance for credit losses on off-balance sheet credit exposures for unfunded loan commitments. This allowance is reflected as a component of other liabilities which represents management's current estimate of expected losses in the unfunded loan commitments. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life based on management's consideration of past events, current conditions and reasonable and supportable economic forecasts. 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 credit losses on outstanding loans. Unconditionally cancellable loans are excluded from the calculation of allowance for credit losses on off-balance sheet credit exposures.

Results for the nine months ended September 30, 2021 are presented under the current expected credit loss ("CECL") methodology, in accordance with ASC Topic 326, while prior period amounts continue to be reported in accordance with 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.

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. The Company has not experienced any losses on receivables for investment management fees for the nine months ended September 30, 2021 and 2020. The Company had no allowance for credit losses on investment management fees as of September 30, 2021 and December 31, 2020.

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.

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 assets, 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 of such assets 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 of the assets 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 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. The two-class method is an earnings allocation formula that determines earnings per share for common stock and participating securities, according to dividends and participation rights in undistributed earnings. Under this method, net earnings is reduced by the amount of dividends declared in the current period for common shareholders and participating security holders. The remaining earnings or “undistributed earnings” are allocated between common stock and participating securities to the extent that each security may share in earnings as if all the earnings for the period had been distributed.

The two-class method requires the Company’s Series C perpetual non-cumulative convertible non-voting preferred stock (the “Series C Preferred Stock”) and outstanding warrants to be treated as participating classes of securities in the computation of EPS. In addition, net income is reduced by dividends declared on all series of preferred stock to derive net income available to common

shareholders. Basic EPS is computed by dividing net income allocable to common shareholders by the weighted average number of the Company's common shares outstanding for the period, excluding non-vested restricted stock. Diluted EPS reflects the potential dilution upon the exercise of stock options and warrants, 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 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 is required to have minimum collateral posting thresholds with certain of its derivative counterparties, and this collateral is considered restricted cash.

The Company executes interest rate derivatives with its commercial banking customers to facilitate their respective risk management strategies. The Company generates swap fee income through these transactions. These derivatives are simultaneously and economically hedged by offsetting derivatives that the Company executes with a third party, such that the Company generally eliminates its interest rate exposure resulting from such transactions, and these derivatives 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 mature and as liabilities are extinguished.

TREASURY STOCK

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

RECENT ACCOUNTING DEVELOPMENTS

In July 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2021-5, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments. The amendments are effective for fiscal years beginning after December 15, 2021, for all entities, and for interim periods within those fiscal years for public business entities and interim periods within fiscal years beginning after December 15, 2022, for all other entities. The amendments in this update address stakeholders' concerns by amending the lease classification requirements for lessors to align them with practice under Topic 840. Lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met: (1) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in paragraphs 842-10-25-2 through 25-3; and (2) the lessor would have otherwise recognized a day-one loss. The Company is currently evaluating the impact of adopting ASU 2021-05 on its consolidated financial statements.

In April 2021, the FASB issued ASU 2021-04, which included Topic 260: Earnings Per Share. This guidance clarifies and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options ("warrants") due to a lack of explicit guidance in the FASB Codification. ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2021-04 on its consolidated financial statements.

In January 2021, the FASB issued ASU 2021-01 - Reference Rate Reform (Topic 848): Scope. This ASU clarifies the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. The amendments in this ASU are elective and apply to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. The amendments in this ASU are effective immediately for all entities. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements, but the Company will consider this guidance as contracts are transitioned from LIBOR to another reference rate.

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 as of September 30, 2021:

<i>(Dollars in thousands)</i>	September 30, 2021				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Allowance for Credit Losses ⁽¹⁾	Estimated Fair Value
Debt securities available-for-sale:					
Corporate bonds	\$ 135,711	\$ 1,509	\$ 199	\$ —	\$ 137,021
Non-agency residential mortgage-backed securities	244,744	1	1,057	—	243,688
Trust preferred securities	18,335	445	2	—	18,778
Agency collateralized mortgage obligations	17,495	63	—	—	17,558
Agency mortgage-backed securities	125,982	38	915	—	125,105
Agency debentures	7,600	688	—	—	8,288
Municipal bonds	5,197	—	26	—	5,171
Total debt securities available-for-sale	\$ 555,064	\$ 2,744	\$ 2,199	\$ —	\$ 555,609

⁽¹⁾ Available-for-sale debt securities are recorded on the consolidated statements of financial condition at estimated fair value, which includes allowance for credit losses, if applicable.

<i>(Dollars in thousands)</i>	September 30, 2021				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value	Allowance for Credit Losses ⁽¹⁾
Debt securities held-to-maturity:					
Corporate bonds	\$ 28,168	\$ 925	\$ 23	\$ 29,070	\$ 46
Agency debentures	37,199	659	228	37,630	—
Municipal bonds	1,270	2	—	1,272	—
Non-agency residential mortgage-backed securities	205,661	52	1,781	203,932	—
Agency mortgage-backed securities	545,877	638	7,108	539,407	—
U.S. treasury notes	39,073	—	564	38,509	—
Total debt securities held-to-maturity	\$ 857,248	\$ 2,276	\$ 9,704	\$ 849,820	\$ 46

⁽¹⁾ Held-to-maturity debt securities are recorded on the consolidated statements of financial condition at amortized cost, net of allowance for credit losses.

During the first quarter of 2021, the Company transferred \$480.8 million fair value of previously designated available-for-sale agency mortgage-backed securities to held-to-maturity.

Debt securities available-for-sale and held-to-maturity were comprised of the following as of December 31, 2020:

<i>(Dollars in thousands)</i>	December 31, 2020				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Allowance for Credit Losses ⁽¹⁾	Estimated Fair Value
Debt securities available-for-sale:					
Corporate bonds	\$ 157,452	\$ 1,538	\$ 526	\$ —	\$ 158,464
Trust preferred securities	18,228	57	198	—	18,087
Agency collateralized mortgage obligations	22,058	36	5	—	22,089
Agency mortgage-backed securities	406,741	3,595	209	—	410,127
Agency debentures	8,013	790	—	—	8,803
Total debt securities available-for-sale	\$ 612,492	\$ 6,016	\$ 938	\$ —	\$ 617,570

⁽¹⁾ Available-for-sale debt securities are recorded on the consolidated statements of financial condition at estimated fair value, which includes allowance for credit losses, if applicable.

<i>(Dollars in thousands)</i>	December 31, 2020				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value	Allowance for Credit Losses ⁽¹⁾
Debt securities held-to-maturity:					
Corporate bonds	\$ 28,672	\$ 566	\$ 1	\$ 29,237	\$ 79
Agency debentures	48,130	1,051	—	49,181	—
Municipal bonds	6,577	45	—	6,622	—
Non-agency residential mortgage-backed securities	124,152	237	217	124,172	70
Agency mortgage-backed securities	4,309	778	—	5,087	—
Total debt securities held-to-maturity	\$ 211,840	\$ 2,677	\$ 218	\$ 214,299	\$ 149

⁽¹⁾ Held-to-maturity debt securities are recorded on the consolidated statements of financial condition at amortized cost, net of allowance for credit losses.

Interest income on investment securities was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Taxable interest income	\$ 4,305	\$ 3,436	\$ 10,295	\$ 10,437
Non-taxable interest income	35	55	92	192
Dividend income	137	196	473	899
Total interest income on investment securities	\$ 4,477	\$ 3,687	\$ 10,860	\$ 11,528

As of September 30, 2021, the contractual maturities of the debt securities were:

<i>(Dollars in thousands)</i>	September 30, 2021			
	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in less than one year	\$ 27,500	\$ 27,584	\$ 860	\$ 861
Due from one to five years	60,246	61,285	15,578	16,075
Due from five to ten years	57,461	57,911	98,522	98,665
Due after ten years	409,857	408,829	742,288	734,219
Total debt securities	\$ 555,064	\$ 555,609	\$ 857,248	\$ 849,820

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

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

<i>(Dollars in thousands)</i>	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Three Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020	2021	2020	2021	2020
Proceeds from sales	\$ 47,001	\$ 64,363	\$ —	\$ —	\$ 121,711	\$ 120,400	\$ —	\$ —
Proceeds from calls	—	—	101,202	118,745	13,000	3,580	144,757	366,503
Total proceeds	\$ 47,001	\$ 64,363	\$ 101,202	\$ 118,745	\$ 134,711	\$ 123,980	\$ 144,757	\$ 366,503
Gross realized gains	\$ 25	\$ 3,740	\$ 27	\$ 4	\$ 123	\$ 3,762	\$ 27	\$ 53
Gross realized losses	—	—	19	—	1	—	19	—
Net realized gains	\$ 25	\$ 3,740	\$ 8	\$ 4	\$ 122	\$ 3,762	\$ 8	\$ 53

There were \$38.5 million of debt securities held-to-maturity that were pledged as collateral for certain deposit relationships as of September 30, 2021.

Changes in the allowance for credit losses on held-to-maturity securities were as follows for the three and nine months ended September 30, 2021:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021					
	Corporate Bonds	Non-agency Securitizations	Municipal Bonds	Agency Debentures and Securitizations	U.S. Treasury Notes	Total
Balance, beginning of period	\$ 47	\$ 23	\$ —	\$ —	\$ —	\$ 70
Provision (credit) for credit losses	(1)	(23)	—	—	—	(24)
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Balance, end of period	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ 46

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021					
	Corporate Bonds	Non-agency Securitizations	Municipal Bonds	Agency Debentures and Securitizations	U.S. Treasury Notes	Total
Balance, beginning of period	\$ 79	\$ 70	\$ —	\$ —	\$ —	\$ 149
Provision (credit) for credit losses	(33)	(70)	—	—	—	(103)
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Balance, end of period	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ 46

The following tables show the fair value and gross unrealized losses on debt securities available-for-sale, by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	September 30, 2021					
	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities available-for-sale:						
Corporate bonds	\$ 9,518	\$ 84	\$ 9,886	\$ 115	\$ 19,404	\$ 199
Non-agency residential mortgage-backed securities	170,302	1,057	—	—	170,302	1,057
Trust preferred securities	—	—	2,373	2	2,373	2
Agency mortgage-backed securities	123,874	915	—	—	123,874	915
Municipal bonds	5,171	26	—	—	5,171	26
Temporarily impaired debt securities available-for-sale ⁽¹⁾	\$ 308,865	\$ 2,082	\$ 12,259	\$ 117	\$ 321,124	\$ 2,199

⁽¹⁾ The number of investment positions with unrealized losses totaled 22 for available-for-sale securities.

<i>(Dollars in thousands)</i>	December 31, 2020					
	Less than 12 Months		12 Months or More		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Debt securities available-for-sale:						
Corporate bonds	\$ 28,796	\$ 277	\$ 9,751	\$ 249	\$ 38,547	\$ 526
Trust preferred securities	13,313	198	—	—	13,313	198
Agency collateralized mortgage obligations	—	—	9,863	5	9,863	5
Agency mortgage-backed securities	89,931	209	—	—	89,931	209
Temporarily impaired debt securities available-for-sale ⁽¹⁾	\$ 132,040	\$ 684	\$ 19,614	\$ 254	\$ 151,654	\$ 938

⁽¹⁾ The number of investment positions with unrealized losses totaled 33 for available-for-sale securities.

The changes in the fair values of our agency collateralized mortgage obligations and agency mortgage-backed securities are primarily the result of interest rate fluctuations. These agency securities are either explicitly or implicitly guaranteed by the U.S. government, highly rated, and have a long history of no credit losses. To assess for credit losses on debt securities available-for-sale in unrealized loss position, 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 losses 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, no allowance for credit losses has been recognized on debt securities available-for-sale in an unrealized loss position.

The Company monitors the credit quality of debt securities held-to-maturity including credit ratings quarterly. The following tables present the amortized costs basis of debt securities held-to-maturity by Moody's bond credit rating.

(Dollars in thousands)	September 30, 2021					
	Aaa	Aa	A	Baa	Ba	Total
Debt securities held-to-maturity:						
Corporate bonds	\$ —	\$ —	\$ —	\$ 28,168	\$ —	\$ 28,168
Agency debentures	37,199	—	—	—	—	37,199
Municipal bonds	—	480	790	—	—	1,270
Non-agency residential mortgage-backed securities	205,661	—	—	—	—	205,661
Agency mortgage-backed securities	545,877	—	—	—	—	545,877
U.S. treasury notes	39,073	—	—	—	—	39,073
Total debt securities held-to-maturity	\$ 827,810	\$ 480	\$ 790	\$ 28,168	\$ —	\$ 857,248

Accrued interest receivable of \$1.6 million and \$697,000 on debt securities held-to-maturity as of September 30, 2021 and December 31, 2020, respectively, was excluded from the amortized cost used in the calculation of allowance for credit losses. The Company had no debt securities held-to-maturity that were past due as of September 30, 2021.

There were no outstanding debt securities classified as trading as of September 30, 2021 and December 31, 2020.

Equity securities consisted of mutual funds investing in short-duration, investment grade corporate bonds. The investments in these securities were \$5.0 million and \$0 as of September 30, 2021 and December 31, 2020, respectively.

There was \$11.8 million and \$13.3 million in FHLB stock outstanding as of September 30, 2021 and December 31, 2020, 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 the Company's C&I loan and lease portfolio and CRE loan portfolio, which serve middle-market businesses and real estate developers in our primary markets.

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

(Dollars in thousands)	September 30, 2021			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Loans and leases held-for-investment, before deferred fees and costs	\$ 6,190,874	\$ 1,336,331	\$ 2,329,762	\$ 9,856,967
Net deferred loan costs (fees)	13,135	4,486	(5,577)	12,044
Loans and leases held-for-investment, net of deferred fees and costs	6,204,009	1,340,817	2,324,185	9,869,011
Allowance for credit losses on loans and leases	(2,156)	(10,796)	(19,411)	(32,363)
Loans and leases held-for-investment, net	\$ 6,201,853	\$ 1,330,021	\$ 2,304,774	\$ 9,836,648

	December 31, 2020			
<i>(Dollars in thousands)</i>	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Loans and leases held-for-investment, before deferred fees and costs	\$ 4,797,881	\$ 1,269,248	\$ 2,160,784	\$ 8,227,913
Net deferred loan costs (fees)	9,919	4,904	(5,318)	9,505
Loans and leases held-for-investment, net of deferred fees and costs	4,807,800	1,274,152	2,155,466	8,237,418
Allowance for credit losses on loans and leases	(2,047)	(5,254)	(27,329)	(34,630)
Loans and leases held-for-investment, net	\$ 4,805,753	\$ 1,268,898	\$ 2,128,137	\$ 8,202,788

The Company's customers have unused loan commitments based on the availability of eligible collateral or other terms and conditions under their loan agreements. Included in unused loan commitments are unused availability under demand loans for our private banking lines secured by cash, marketable securities and/or cash value life insurance, as well as commitments to fund loans secured by residential properties, 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. The amount of unfunded commitments, including standby letters of credit, as of September 30, 2021 and December 31, 2020, was \$9.45 billion and \$6.73 billion, respectively. The interest rate for each commitment is based on the prevailing market conditions at the time of funding. The total unfunded commitments above included loans in the process of origination totaling approximately \$93.8 million and \$39.6 million as of September 30, 2021 and December 31, 2020, respectively, which extend over varying periods of time.

The Company issues standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. The Company would be required to perform under a standby letter of credit when drawn upon by the guaranteed party in the case of non-performance by the Company's customer. Collateral may be obtained based on management's credit assessment of the customer. The amount of unfunded commitments related to standby letters of credit as of September 30, 2021 and December 31, 2020, included in the total unfunded commitments above, was \$63.1 million and \$82.0 million, respectively. Should the Company be obligated to perform under any standby letters of credit, the Company will seek repayment from the customer for amounts paid. During the nine months ended September 30, 2021 and 2020, there were draws on letters of credit totaling \$3.5 million and \$49,000, 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 allowance for credit losses on off-balance-sheet credit exposures was \$3.1 million and \$3.4 million as of September 30, 2021 and December 31, 2020, respectively, which includes allowance for credit losses on unfunded loan commitments and standby letters of credit. The Company recorded a credit to provision on off-balance sheet exposures as liabilities of \$303,000 and provision expense of \$765,000 for the nine months ended September 30, 2021 and 2020, respectively.

[4] ALLOWANCE FOR CREDIT LOSSES ON LOANS AND LEASES

Our allowance for credit losses represents our current estimate of expected credit losses in the portfolio at a specific point in time. This estimate includes credit losses associated with loans and leases evaluated on a collective or pool basis, as well as expected credit losses of the individually evaluated loans and leases that do not share similar risk characteristics. Management evaluates the adequacy of the allowance at least 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, and economic forecasts over a reasonable and supportable period of time. This evaluation is subjective and requires material estimates that may change over time. The calculation of the allowance for credit losses on loans and leases takes into consideration the inherent risk identified within each of the Company's three primary loan portfolios. The lifetime loss rates are estimated by analyzing a combination of internal and external data related to historical performance of each loan pool over a complete economic cycle. Results for the nine months ended September 30, 2021, are presented under CECL methodology while prior period amounts continue to be reported in accordance with previously applicable GAAP. Refer to Note 1, Summary of Significant Accounting Policies, to our unaudited condensed consolidated financial statements for more details on the Company's policy on allowance for credit losses on loans and leases.

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

Private Banking Loans

Our private banking lending business is 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 marketable securities, cash, and/or cash value life

insurance. The Company actively monitors the value of the collateral securing these loans on a daily basis and requires borrowers to continually replenish such collateral as a result of changes in its fair value. Therefore, it is expected that the fair value of the collateral value securing each loan will exceed the loan's amortized cost and no allowance for credit loss would be required under ASC 326-20-35-6, "Financial Assets Secured by Collateral Maintenance Provisions."

This portfolio also has some loans that are secured by residential real estate or other financial assets 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 98.7% and 98.6% of total private banking loans as of September 30, 2021 and December 31, 2020, respectively.

Commercial Banking: Commercial and Industrial Loans and Leases

This loan portfolio primarily includes loans and leases made to financial services and other service and/or manufacturing companies generally for the purposes of financing production, operating capacity, accounts receivable, inventory, equipment, acquisitions and/or recapitalizations. Cash flow from the borrower's operations is the primary source of repayment for these loans and leases; however, most loans are collateralized by commercial assets.

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 calculation of the allowance for credit losses on loans and leases.

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 in this portfolio 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 and applicable regulatory guidance. 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. 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 – A pass 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 table presents the amortized cost of loans by portfolio, risk rating and year of origination:

(Dollars in thousands)	As of September 30, 2021							
	2021	2020	2019	2018	2017	Prior	Revolving Loans ⁽¹⁾	Total
Private Banking:								
Pass	\$ 23,269	\$ 58,664	\$ 31,480	\$ 54,348	\$ 7,195	\$ 52,441	\$ 5,976,612	\$ 6,204,009
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total private banking loans	23,269	58,664	31,480	54,348	7,195	52,441	5,976,612	6,204,009
Commercial and Industrial:								
Pass	129,138	185,460	177,496	47,837	40,650	26,281	709,469	1,316,331
Special mention	—	2,088	1,780	—	—	193	11,800	15,861
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	750	—	7,875	—	—	—	8,625
Total commercial and industrial loans	129,138	188,298	179,276	55,712	40,650	26,474	721,269	1,340,817
Commercial Real Estate:								
Pass	359,655	537,743	511,049	363,399	198,938	275,371	59,056	2,305,211
Special mention	—	526	—	628	—	5,303	—	6,457
Substandard	—	262	5,395	—	—	6,860	—	12,517
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate loans	359,655	538,531	516,444	364,027	198,938	287,534	59,056	2,324,185
Loans and leases held-for-investment	\$ 512,062	\$ 785,493	\$ 727,200	\$ 474,087	\$ 246,783	\$ 366,449	\$ 6,756,937	\$ 9,869,011

⁽¹⁾ The Company had no revolving loans which were converted to term loans included in loans and leases held-for-investment as of September 30, 2021.

As of December 31, 2020

<i>(Dollars in thousands)</i>	2020	2019	2018	2017	2016	Prior	Revolving Loans ⁽¹⁾	Total
Private Banking:								
Pass	\$ 64,829	\$ 44,210	\$ 57,081	\$ 7,736	\$ 12,040	\$ 55,092	\$ 4,566,296	\$ 4,807,284
Special mention	—	—	—	—	—	—	—	—
Substandard	—	516	—	—	—	—	—	516
Doubtful	—	—	—	—	—	—	—	—
Total private banking loans	64,829	44,726	57,081	7,736	12,040	55,092	4,566,296	4,807,800
Commercial and Industrial:								
Pass	216,459	223,189	88,212	44,575	9,383	20,709	651,900	1,254,427
Special mention	1,795	—	5,416	—	—	—	3,431	10,642
Substandard	750	—	7,875	—	—	—	458	9,083
Doubtful	—	—	—	—	—	—	—	—
Total commercial and industrial loans	219,004	223,189	101,503	44,575	9,383	20,709	655,789	1,274,152
Commercial Real Estate:								
Pass	514,920	617,120	435,708	202,001	181,108	134,700	38,802	2,124,359
Special mention	446	5,395	4,308	—	1,186	145	—	11,480
Substandard	91	—	6,296	2,926	7,054	3,260	—	19,627
Doubtful	—	—	—	—	—	—	—	—
Total commercial real estate loans	515,457	622,515	446,312	204,927	189,348	138,105	38,802	2,155,466
Loans and leases held-for-investment	\$ 799,290	\$ 890,430	\$ 604,896	\$ 257,238	\$ 210,771	\$ 213,906	\$ 5,260,887	\$ 8,237,418

⁽¹⁾ The Company had no revolving loans which were converted to term loans included in loans and leases held-for-investment as of December 31, 2020.

Accrued interest receivable of \$18.4 million and \$16.4 million on loans and leases as of September 30, 2021 and December 31, 2020, respectively, was excluded from the amortized cost used in the calculation of allowance for credit losses.

Changes in the allowance for credit losses on loans and leases were as follows for the three and nine months ended September 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 2,107	\$ 8,969	\$ 21,501	\$ 32,577
Provision (credit) for credit losses	49	1,949	(1,974)	24
Charge-offs	—	(122)	(116)	(238)
Recoveries	—	—	—	—
Balance, end of period	\$ 2,156	\$ 10,796	\$ 19,411	\$ 32,363

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2020			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 2,151	\$ 7,546	\$ 13,579	\$ 23,276
Provision for credit losses	59	226	7,145	7,430
Charge-offs	—	—	—	—
Recoveries	—	—	—	—
Balance, end of period	\$ 2,210	\$ 7,772	\$ 20,724	\$ 30,706

	Nine Months Ended September 30, 2021			
<i>(Dollars in thousands)</i>	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 2,047	\$ 5,254	\$ 27,329	\$ 34,630
Provision (credit) for credit losses	109	5,750	(5,436)	423
Charge-offs	—	(321)	(2,482)	(2,803)
Recoveries	—	113	—	113
Balance, end of period	\$ 2,156	\$ 10,796	\$ 19,411	\$ 32,363

	Nine Months Ended September 30, 2020			
<i>(Dollars in thousands)</i>	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Balance, beginning of period	\$ 1,973	\$ 5,262	\$ 6,873	\$ 14,108
Provision for credit losses	408	2,169	13,851	16,428
Charge-offs	(171)	—	—	(171)
Recoveries	—	341	—	341
Balance, end of period	\$ 2,210	\$ 7,772	\$ 20,724	\$ 30,706

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

	September 30, 2021					
<i>(Dollars in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	\$ 299	\$ 2,398	\$ —	\$ 2,697	\$ 6,201,312	\$ 6,204,009
Commercial and industrial	—	—	8,625	8,625	1,332,192	1,340,817
Commercial real estate	—	—	—	—	2,324,185	2,324,185
Loans and leases held-for-investment	\$ 299	\$ 2,398	\$ 8,625	\$ 11,322	\$ 9,857,689	\$ 9,869,011

	December 31, 2020					
<i>(Dollars in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total
Private banking	\$ 250	\$ —	\$ —	\$ 250	\$ 4,807,550	\$ 4,807,800
Commercial and industrial	—	—	458	458	1,273,694	1,274,152
Commercial real estate	2,926	—	6,296	9,222	2,146,244	2,155,466
Loans and leases held-for-investment	\$ 3,176	\$ —	\$ 6,754	\$ 9,930	\$ 8,227,488	\$ 8,237,418

Individually Evaluated 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.

The following tables present the Company's amortized cost of individually evaluated loans and related information on those loans as of and for the nine months ended September 30, 2021 and as of and for the twelve months ended December 31, 2020:

<i>(Dollars in thousands)</i>	As of and for the Nine Months Ended September 30, 2021				
	Amortized Cost	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Private banking	\$ —	\$ —	\$ —	\$ —	—
Commercial and industrial	8,625	8,625	6,900	8,625	—
Commercial real estate	—	—	—	—	—
Total with a related allowance recorded	8,625	8,625	6,900	8,625	—
Without a related allowance recorded:					
Private banking	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total without a related allowance recorded	—	—	—	—	—
Total:					
Private banking	—	—	—	—	—
Commercial and industrial	8,625	8,625	6,900	8,625	—
Commercial real estate	—	—	—	—	—
Total	\$ 8,625	\$ 8,625	\$ 6,900	\$ 8,625	—

<i>(Dollars in thousands)</i>	As of and for the Twelve Months Ended December 31, 2020				
	Amortized Cost	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Private banking	\$ —	\$ —	\$ —	\$ —	—
Commercial and industrial	458	457	103	458	—
Commercial real estate	9,222	9,251	1,885	9,222	—
Total with a related allowance recorded	9,680	9,708	1,988	9,680	—
Without a related allowance recorded:					
Private banking	—	—	—	—	—
Commercial and industrial	—	—	—	—	—
Commercial real estate	—	—	—	—	—
Total without a related allowance recorded	—	—	—	—	—
Total:					
Private banking	—	—	—	—	—
Commercial and industrial	458	457	103	458	—
Commercial real estate	9,222	9,251	1,885	9,222	—
Total	\$ 9,680	\$ 9,708	\$ 1,988	\$ 9,680	—

Individually evaluated loans were \$8.6 million and \$9.7 million as of September 30, 2021 and December 31, 2020, respectively. There was no interest income recognized on individually evaluated loans that were also on non-accrual status for the nine months ended September 30, 2021, and the twelve months ended December 31, 2020. As of September 30, 2021 and December 31, 2020, there were no loans 90 days or more past due and still accruing interest income.

The Company estimates allowance for credit losses individually for loans that do not share similar risk characteristics, including non-accrual loans and loans designated as TDRs, 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 \$6.9 million and \$2.0 million as of September 30, 2021 and December 31, 2020, respectively. 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 expected credit losses and interest income.

The following tables present the allowance for credit losses on loans and leases and amortized costs of individually evaluated loans:

<i>(Dollars in thousands)</i>	September 30, 2021			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Allowance for credit losses on loans and leases:				
Individually evaluated for impairment	\$ —	\$ 6,900	\$ —	\$ 6,900
Collectively evaluated for impairment	2,156	3,896	19,411	25,463
Total allowance for credit losses on loans and leases	\$ 2,156	\$ 10,796	\$ 19,411	\$ 32,363
Loans and leases held-for-investment:				
Individually evaluated for impairment	\$ —	\$ 8,625	\$ —	\$ 8,625
Collectively evaluated for impairment	6,204,009	1,332,192	2,324,185	9,860,386
Loans and leases held-for-investment	\$ 6,204,009	\$ 1,340,817	\$ 2,324,185	\$ 9,869,011

<i>(Dollars in thousands)</i>	December 31, 2020			
	Private Banking	Commercial and Industrial	Commercial Real Estate	Total
Allowance for credit losses on loans and leases:				
Individually evaluated for impairment	\$ —	\$ 103	\$ 1,885	\$ 1,988
Collectively evaluated for impairment	2,047	5,151	25,444	32,642
Total allowance for credit losses on loans and leases	\$ 2,047	\$ 5,254	\$ 27,329	\$ 34,630
Loans and leases held-for-investment:				
Individually evaluated for impairment	\$ —	\$ 458	\$ 9,222	\$ 9,680
Collectively evaluated for impairment	4,807,800	1,273,694	2,146,244	8,227,738
Loans and leases held-for-investment	\$ 4,807,800	\$ 1,274,152	\$ 2,155,466	\$ 8,237,418

Troubled Debt Restructuring

The aggregate recorded investment of impaired loans with terms modified through a troubled debt restructuring was \$0 and \$2.9 million as of September 30, 2021 and December 31, 2020, respectively, which were also on non-accrual status. There were no unused commitments on loans designated as TDRs as of September 30, 2021 and December 31, 2020, respectively.

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 payment defaults during the nine months ended September 30, 2021 and 2020.

There were no loans newly designated as TDRs during the three months ended September 30, 2021. The financial effects of our modifications made to loans newly designated as TDRs during the nine months ended September 30, 2021, were as follows:

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021				
	Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Credit Losses on Loans and Leases at the time of Modification	Current Allowance for Credit Losses on Loans and Leases
Commercial Real Estate:					
Extended term, deferred principal	2	\$ 4,454	\$ —	\$ 445	\$ —
Total	2	\$ 4,454	\$ —	\$ 445	\$ —

There were no loans newly designated as TDRs during the three and nine months ended September 30, 2020.

Other Real Estate Owned

As of September 30, 2021 and December 31, 2020, the balance of OREO was \$2.2 million and \$2.7 million, respectively. The change in the OREO balance from December 31, 2020 was attributable to a \$155,000 write-down on an OREO property and \$351,000 in

proceeds from the sale of an OREO property. The net loss from the sale of OREO was \$39,000 during the nine months ended September 30, 2021. There were no residential mortgage loans that were in the process of foreclosure as of September 30, 2021.

[5] DEPOSITS

As of September 30, 2021 and December 31, 2020, deposits were comprised of the following:

<i>(Dollars in thousands)</i>	Interest Rate Range	Weighted Average Interest Rate		Balance	
	September 30, 2021	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Demand and savings accounts:					
Noninterest-bearing checking accounts	—	—	—	\$ 593,342	\$ 456,426
Interest-bearing checking accounts	0.05 to 1.70%	0.38%	0.38%	4,057,005	3,068,834
Money market deposit accounts	0.08 to 3.25%	0.41%	0.56%	5,220,946	3,927,797
Total demand and savings accounts				9,871,293	7,453,057
Certificates of deposit	0.02 to 3.15%	0.41%	1.08%	884,848	1,036,032
Total deposits				\$ 10,756,141	\$ 8,489,089
Weighted average rate on interest-bearing accounts		0.40%	0.56%		

As of September 30, 2021 and December 31, 2020, the Bank had total brokered deposits of \$1.07 billion and \$753.3 million, respectively. Reciprocal deposits through Certificate of Deposit Account Registry Service® (“CDARS®”) and Insured Cash Sweep® (“ICS®”) totaled \$2.09 billion and \$1.72 billion as of September 30, 2021 and December 31, 2020, respectively, and were not considered brokered deposits.

As of September 30, 2021 and December 31, 2020, certificates of deposit with balances of \$100,000 or more, excluding brokered and reciprocal deposits, totaled \$529.5 million and \$534.3 million, respectively. As of September 30, 2021 and December 31, 2020, certificates of deposit with balances of \$250,000 or more, excluding brokered and reciprocal deposits, totaled \$152.9 million and \$159.6 million.

The contractual maturity of certificates of deposit was as follows:

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
12 months or less	\$ 756,573	\$ 892,427
12 months to 24 months	112,316	132,443
24 months to 36 months	15,959	11,162
Total	\$ 884,848	\$ 1,036,032

Interest expense on deposits was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest-bearing checking accounts	\$ 3,682	\$ 3,280	\$ 9,689	\$ 11,213
Money market deposit accounts	5,794	6,944	17,395	28,975
Certificates of deposit	1,004	3,674	4,256	16,907
Total interest expense on deposits	\$ 10,480	\$ 13,898	\$ 31,340	\$ 57,095

[6] BORROWINGS

As of September 30, 2021 and December 31, 2020, borrowings were comprised of the following:

<i>(Dollars in thousands)</i>	September 30, 2021			December 31, 2020		
	Interest Rate	Ending Balance	Maturity Date	Interest Rate	Ending Balance	Maturity Date
FHLB borrowings:						
Issued 9/20/2021	0.26%	\$ 50,000	12/20/2021	—%	\$ —	
Issued 9/2/2021	0.34%	50,000	12/2/2021	—%	—	
Issued 9/1/2021	0.31%	150,000	12/1/2021	—%	—	
Issued 12/21/2020	—%	—		0.39%	50,000	3/22/2021
Issued 12/2/2020	—%	—		0.33%	50,000	3/2/2021
Issued 12/1/2020	—%	—		0.33%	150,000	3/1/2021
Issued 10/8/2020	—%	—		0.39%	50,000	1/8/2021
Line of credit borrowings	4.00%	10,000	2/18/2022	4.25%	5,000	10/17/2021
Subordinated notes payable (net of debt issuance costs of \$1,846 and \$2,007, respectively)	5.75%	95,654	5/15/2030	5.75%	95,493	5/15/2030
Total borrowings, net		\$ 355,654			\$ 400,493	

In 2020, the Company completed underwritten public offerings of subordinated notes due 2030, raising aggregate proceeds of \$97.5 million. The subordinated notes have a term of 10 years at a fixed-to-floating rate of 5.75%. The subordinated notes constitute Tier 2 capital for the Company under federal regulatory capital rules.

The Bank's FHLB borrowing capacity is based on the collateral value of certain securities held in safekeeping at the FHLB, if applicable, and loans pledged to the FHLB. The Bank submits a quarterly Qualifying Collateral Report ("QCR") to the FHLB to update the value of the loans pledged. As of September 30, 2021, the Bank's borrowing capacity is based on the information provided in its June 30, 2021 QCR filing. As of September 30, 2021, the Bank had pledged loans of \$1.46 billion with the FHLB, for a gross borrowing capacity of \$1.04 billion, of which \$250.0 million was outstanding in advances. As of December 31, 2020, there was \$300.0 million outstanding in advances from the FHLB. When the Bank borrows from the FHLB, interest is charged at the FHLB's posted rates at the time of the borrowing.

The Bank maintains an unsecured line of credit of \$10.0 million with M&T Bank and an unsecured line of credit of \$20.0 million with Texas Capital Bank. As of September 30, 2021 and December 31, 2020, 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 \$3.3 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 its customer as part of the existing credit facility of that customer. On August 16, 2021, the Bank entered into a standby letter of credit with PNC Bank for \$643,000, which expires on August 16, 2022, for benefit of the lessor of our New York office space in lieu of a security deposit.

The Company maintains an unsecured line of credit of \$75.0 million with The Huntington National Bank. As of September 30, 2021, there was \$10.0 million in outstanding borrowings under this line of credit. As of December 31, 2020, the Company held an unsecured line of credit of \$75.0 million with Texas Capital Bank and had \$5.0 million in outstanding borrowings under this line of credit. The Company repaid these borrowings at Texas Capital Bank and subsequently terminated this line of credit on February 18, 2021.

Interest expense on borrowings was as follows:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
FHLB borrowings	\$ 1,102	\$ 1,392	\$ 3,256	\$ 4,711
Line of credit borrowings	—	—	55	261
Subordinated notes payable	1,456	1,458	4,366	2,138
Total interest expense on borrowings	\$ 2,558	\$ 2,850	\$ 7,677	\$ 7,110

[7] STOCK TRANSACTIONS

On December 30, 2020, the Company completed the private placement of securities pursuant to an Investment Agreement, dated October 10, 2020 and amended December 9, 2020, with T-VIII PubOpps LP (“T-VIII PubOpps”), an affiliate of investment funds managed by Stone Point Capital LLC. Pursuant to the Investment Agreement, the Company sold to T-VIII PubOpps (i) 2,770,083 shares of voting common stock for \$40.0 million, (ii) 650 shares of Series C Preferred Stock for \$65.0 million, and (iii) warrants to purchase up to 922,438 shares of voting common stock, or non-voting common stock at an exercise price of \$17.50 per share. After two years, the Series C Preferred Stock is convertible into shares of non-voting common stock or, when transferred under certain limited circumstances to a holder other than an affiliate of Stone Point Capital LLC, voting common stock, at a price of 13.75 per share. The Series C Preferred Stock has a liquidation preference of \$100,000 per share, and pays a quarterly dividend at an annualized rate of 6.75%. The Company received gross proceeds of \$105.0 million at closing, and may receive up to an additional \$16.1 million if the warrants are exercised in full. The net proceeds were recorded to shareholders’ equity at December 31, 2020, and allocated to the three equity instruments issued using the relative fair value method applied to common stock, preferred stock and the warrants issued, which were recorded to additional paid-in capital. The net proceeds constitute Tier 1 capital for the Company under federal regulatory capital rules.

During the nine months ended September 30, 2021 and 2020, the Company paid dividends of \$5.9 million on its 6.75% Fixed-to-Floating Rate Series A Non-Cumulative Perpetual Preferred Stock, no par value (the “Series A Preferred Stock”) and its 6.375% Fixed-to-Floating Rate Series B Non-Cumulative Perpetual Preferred Stock, no par value (the “Series B Preferred Stock”). During the nine months ended September 30, 2021, a stock dividend of 22 shares of the Company’s Series C Preferred Stock was paid in kind, as well as cash paid in lieu of a fractional share.

Under authorization by the Board of Directors of the Company (“Board”), the Company is permitted to repurchase its common stock up to prescribed amounts, of which \$7.3 million remained available as of September 30, 2021. The Board also authorized the Company to utilize some of the share repurchase program authorizations to cancel certain options to purchase shares of its common stock granted by the Company.

During the nine months ended September 30, 2021, treasury shares increased 99,946, or approximately \$2.0 million, in connection with the net settlement of equity awards exercised or vested. During the nine months ended September 30, 2020, the Company repurchased 40,000 shares of common stock for approximately \$670,000, at an average cost of \$16.76 per share, which shares are held as treasury stock. In addition to the shares purchased in the market, treasury shares increased 126,148, or approximately \$2.7 million, in connection with the net settlement of equity awards exercised or vested during the nine months ended September 30, 2020.

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 nine months ended September 30, 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	Number of Treasury Shares
Balance, December 31, 2019	120,750	29,355,986	2,126,422
Issuance of restricted common stock	—	607,323	—
Forfeitures of restricted common stock	—	(11,018)	—
Exercise of stock options	—	33,500	—
Purchase of treasury stock	—	(40,000)	40,000
Increase in treasury stock related to equity awards	—	(126,148)	126,148
Reissuance of treasury stock	—	8,500	(8,500)
Balance, September 30, 2020	120,750	29,828,143	2,284,070
Balance, December 31, 2020	121,400	32,620,150	2,299,422
Issuance of restricted common stock	—	595,886	—
Forfeitures of restricted common stock	—	(12,047)	—
Preferred stock dividend	22	—	—
Exercise of stock options	—	50,300	—
Increase in treasury stock related to equity awards	—	(99,946)	99,946
Balance, September 30, 2021	121,422	33,154,343	2,399,368

[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") capital, Tier 1 capital and Total capital (each as defined in the regulations) to risk-weighted assets (as defined in the regulations), and of Tier 1 capital to average assets (as defined in the regulations). As of September 30, 2021 and December 31, 2020, TriState Capital Holdings, Inc. and TriState Capital Bank exceeded all capital adequacy requirements to which they were subject.

Insured 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 for the period ending September 30, 2021 that management believes have materially changed the Bank's capital, as presented in the tables below.

A banking organization is also subject to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization does not maintain the necessary capital conservation buffer of CET 1 capital to risk-weighted assets ratio of 2.5% or more, in addition to the minimum risk-based capital adequacy levels shown in the tables below. Both the Company and the Bank were above the levels required to avoid limitations on capital distributions and discretionary bonus payments.

In 2020, U.S. federal regulatory authorities issued a final rule that provides banking organizations that adopt CECL during the 2020 calendar year with the option to delay the impact of CECL on regulatory capital for up to two years, beginning January 1, 2020, followed by a three-year transition period. As the Company adopted CECL on December 31, 2020, the Company elected to utilize the remainder of the two-year delay of CECL's impact on its regulatory capital, from December 31, 2020 through December 31, 2021, followed by the three-year transition period of CECL impact on regulatory capital, from January 1, 2022 through December 31, 2024.

The following tables set forth certain information concerning the Company's and the Bank's regulatory capital as of September 30, 2021 and December 31, 2020:

September 30, 2021						
<i>(Dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 889,197	13.71 %	\$ 518,882	8.00 %	N/A	N/A
Bank	\$ 864,503	13.38 %	\$ 516,720	8.00 %	\$ 645,900	10.00 %
Tier 1 risk-based capital ratio						
Company	\$ 764,932	11.79 %	\$ 389,162	6.00 %	N/A	N/A
Bank	\$ 835,892	12.94 %	\$ 387,540	6.00 %	\$ 516,720	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	\$ 584,489	9.01 %	\$ 291,871	4.50 %	N/A	N/A
Bank	\$ 835,892	12.94 %	\$ 290,655	4.50 %	\$ 419,835	6.50 %
Tier 1 leverage ratio						
Company	\$ 764,932	6.61 %	\$ 462,757	4.00 %	N/A	N/A
Bank	\$ 835,892	7.24 %	\$ 461,884	4.00 %	\$ 577,355	5.00 %
December 31, 2020						
<i>(Dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 833,819	14.12 %	\$ 472,267	8.00 %	N/A	N/A
Bank	\$ 789,273	13.41 %	\$ 470,820	8.00 %	\$ 588,525	10.00 %
Tier 1 risk-based capital ratio						
Company	\$ 707,711	11.99 %	\$ 354,200	6.00 %	N/A	N/A
Bank	\$ 758,658	12.89 %	\$ 353,115	6.00 %	\$ 470,820	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	\$ 530,568	8.99 %	\$ 265,650	4.50 %	N/A	N/A
Bank	\$ 758,658	12.89 %	\$ 264,836	4.50 %	\$ 382,542	6.50 %
Tier 1 leverage ratio						
Company	\$ 707,711	7.29 %	\$ 388,408	4.00 %	N/A	N/A
Bank	\$ 758,658	7.83 %	\$ 387,626	4.00 %	\$ 484,533	5.00 %

[9] EARNINGS PER COMMON SHARE

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

<i>(Dollars in thousands, except per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Basic earnings per common share:				
Net income	\$ 20,016	\$ 9,329	\$ 54,996	\$ 32,624
Less: Preferred dividends on Series A and Series B	1,963	1,962	5,887	5,886
Less: Preferred dividends on Series C	1,134	—	3,346	—
Net income available to common shareholders	\$ 16,919	\$ 7,367	\$ 45,763	\$ 26,738
Allocation of net income available:				
Common shareholders	\$ 14,274	\$ 7,367	\$ 38,679	\$ 26,738
Series C convertible preferred shareholders	2,225	—	5,944	—
Warrant shareholders	420	—	1,140	—
Total	\$ 16,919	\$ 7,367	\$ 45,763	\$ 26,738
Basic weighted average common shares outstanding:				
Basic common shares	31,357,356	28,286,250	31,287,924	28,230,180
Series C convertible preferred stock, as-if converted	4,887,272	—	4,807,858	—
Warrants, as-if exercised	922,438	—	922,438	—
Basic earnings per common share	\$ 0.46	\$ 0.26	\$ 1.24	\$ 0.95
Diluted earnings per common share:				
Income available to common shareholders after allocation	\$ 14,274	\$ 7,367	\$ 38,679	\$ 26,738
Diluted weighted average common shares outstanding:				
Basic common shares	31,357,356	28,286,250	31,287,924	28,230,180
Restricted stock - dilutive	664,729	303,138	884,714	313,726
Stock options - dilutive	124,137	85,055	144,229	135,377
Diluted common shares	32,146,222	28,674,443	32,316,867	28,679,283
Diluted earnings per common share	\$ 0.44	\$ 0.26	\$ 1.20	\$ 0.93
Anti-dilutive shares:				
Restricted stock	10,750	785,762	11,500	566,498
Stock options	—	5,500	—	—
Series C convertible preferred stock, as-if converted	4,887,272	—	4,887,272	—
Warrants, as-if exercised	922,438	—	922,438	—
Total anti-dilutive shares	5,820,460	791,262	5,821,210	566,498

The Series C convertible preferred stock and warrants are anti-dilutive under the treasury stock method compared to the basic EPS calculation under the two-class method.

[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.

When providing this service, the Company generally enters into an offsetting derivative transaction in order to eliminate its interest rate risk exposure resulting from such transactions.

FAIR VALUES OF DERIVATIVE INSTRUMENTS ON THE STATEMENTS OF FINANCIAL CONDITION

The tables below present the fair value of the Company's derivative financial instruments as well as their classification on the unaudited condensed consolidated statements of financial condition as of September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	Asset Derivatives as of September 30, 2021		Liability Derivatives as of September 30, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	\$ 276	Other liabilities	\$ 4,786
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	100,718	Other liabilities	100,727
Total	Other assets	\$ 100,994	Other liabilities	\$ 105,513

<i>(Dollars in thousands)</i>	Asset Derivatives as of December 31, 2020		Liability Derivatives as of December 31, 2020	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	\$ —	Other liabilities	\$ 9,082
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	144,333	Other liabilities	144,351
Total	Other assets	\$ 144,333	Other liabilities	\$ 153,433

The following tables show the impact legally enforceable master netting agreements had on the Company's derivative financial instruments as of September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	Offsetting of Derivative Assets					
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Received	
September 30, 2021	\$ 100,994	\$ —	\$ 100,994	\$ (10,560)	\$ —	\$ 90,434
December 31, 2020	\$ 144,333	\$ —	\$ 144,333	\$ (94)	\$ —	\$ 144,239

<i>(Dollars in thousands)</i>	Offsetting of Derivative Liabilities					
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		Net Amount
				Financial Instruments	Cash Collateral Posted	
September 30, 2021	\$ 105,513	\$ —	\$ 105,513	\$ (10,560)	\$ (80,719)	\$ 14,234
December 31, 2020	\$ 153,433	\$ —	\$ 153,433	\$ (94)	\$ (150,238)	\$ 3,101

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 these objectives, the Company primarily uses interest rate swaps as part of its

interest rate risk management strategy. The Company has entered into derivative contracts to hedge the variable cash flows associated with certain FHLB borrowings. These interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company effectively making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company's cash flow hedge derivatives did not have any hedge ineffectiveness recognized in earnings during the nine months ended September 30, 2021.

Characteristics of the Company's interest rate derivative transactions designated as cash flow hedges of interest rate risk as of September 30, 2021, were as follows:

<i>(Dollars in thousands)</i>	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 5/30/2019	\$ 50,000	2.05%	\$ 641	6/1/2022	8
Issued 5/30/2019	50,000	2.03%	942	6/1/2023	20
Issued 5/30/2019	50,000	2.04%	948	6/1/2024	32
Issued 3/2/2020	50,000	0.98%	410	3/2/2025	41
Issued 3/20/2020	50,000	0.60%	219	3/20/2025	42
Total	\$ 250,000		\$ 3,160		

⁽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):

<i>(Dollars in thousands)</i>		Three Months Ended September 30,		Three Months Ended September 30,	
		2021	2020	2021	2020
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	\$ (903)	\$ (1,028)	\$ (74)	\$ 32

<i>(Dollars in thousands)</i>		Nine Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
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	\$ (2,616)	\$ (1,647)	\$ 1,733	\$ (9,258)

NON-DESIGNATED HEDGES

The Company does not use derivatives for trading or speculative purposes. Derivatives not designated as hedges are not speculative and result from a service the Company provides to certain customers. The Company executes interest rate derivatives with its commercial and private 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 generally eliminates its interest rate exposure resulting from such transactions. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. As of September 30, 2021, the Company had interest rate derivative transactions with an aggregate notional amount of \$4.55 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:

<i>(Dollars in thousands)</i>		Three Months Ended September 30,		Nine Months Ended September 30,	
		2021	2020	2021	2020
Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives		Amount of Gain (Loss) Recognized in Income on Derivatives	
Interest rate products	Non-interest income	\$	10	\$	33
			\$	14	\$
					(51)

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-capitalized or adequately capitalized institution, then the Company or the counterparty could be required to terminate any outstanding derivative positions and settle its obligations under the agreement.

As of September 30, 2021, the termination value of derivatives for which the Company had master netting arrangements with the counterparty and in a net liability position was \$81.2 million, including accrued interest. As of September 30, 2021, the Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of \$88.5 million which is considered restricted cash. If the Company had breached any of these provisions as of September 30, 2021, 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 September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	September 30, 2021			Total Assets / Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Financial assets:				
Debt securities available-for-sale:				
Corporate bonds	\$ —	\$ 137,021	\$ —	\$ 137,021
Non-agency residential mortgage-backed securities	—	243,688	—	243,688
Trust preferred securities	—	18,778	—	18,778
Agency collateralized mortgage obligations	—	17,558	—	17,558
Agency mortgage-backed securities	—	125,105	—	125,105
Agency debentures	—	8,288	—	8,288
Municipal bonds	—	5,171	—	5,171
Equity securities	5,000	—	—	5,000
Interest rate swaps	—	100,994	—	100,994
Total financial assets	5,000	656,603	—	661,603
Financial liabilities:				
Interest rate swaps	—	105,513	—	105,513
Total financial liabilities	\$ —	\$ 105,513	\$ —	\$ 105,513

<i>(Dollars in thousands)</i>	December 31, 2020			Total Assets / Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Financial assets:				
Debt securities available-for-sale:				
Corporate bonds	\$ —	\$ 158,464	\$ —	\$ 158,464
Trust preferred securities	—	18,087	—	18,087
Agency collateralized mortgage obligations	—	22,089	—	22,089
Agency mortgage-backed securities	—	410,127	—	410,127
Agency debentures	—	8,803	—	8,803
Interest rate swaps	—	144,333	—	144,333
Total financial assets	—	761,903	—	761,903
Financial liabilities:				
Interest rate swaps	—	153,433	—	153,433
Total financial liabilities	\$ —	\$ 153,433	\$ —	\$ 153,433

INVESTMENT SECURITIES

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

INTEREST RATE SWAPS

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

NON-RECURRING FAIR VALUE MEASUREMENTS

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

The following tables represent the balances of assets measured at fair value on a non-recurring basis as of September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	September 30, 2021			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Loans measured for impairment, net	\$ —	\$ —	\$ 1,725	\$ 1,725
Other real estate owned	—	—	2,178	2,178
Total assets	\$ —	\$ —	\$ 3,903	\$ 3,903

<i>(Dollars in thousands)</i>	December 31, 2020			Total Assets at Fair Value
	Level 1	Level 2	Level 3	
Loans measured for impairment, net	\$ —	\$ —	\$ 7,692	\$ 7,692
Other real estate owned	—	—	2,724	2,724
Total assets	\$ —	\$ —	\$ 10,416	\$ 10,416

As of September 30, 2021 and December 31, 2020, the Company recorded \$6.9 million and \$2.0 million, respectively, of specific reserves to allowance for credit losses on loans and leases as a result of adjusting the fair value of impaired loans.

INDIVIDUALLY EVALUATED LOANS

The Company evaluates individually loans that do not share similar risk characteristics, including non-accrual loans and loans designated as TDRs. Specific allowance for credit losses is measured based on a market approach, 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 individually evaluated 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, individually evaluated loans are classified as Level 3.

OTHER REAL ESTATE OWNED

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

LEVEL 3 VALUATION

The following tables present additional quantitative information about assets measured at fair value on a recurring and non-recurring basis and for which we have utilized Level 3 inputs to determine fair value as of September 30, 2021 and December 31, 2020:

<i>(Dollars in thousands)</i>	September 30, 2021			
	Fair Value	Valuation Techniques ⁽¹⁾⁽²⁾	Significant Unobservable Inputs	Weighted Average Discount Rate
Loans measured for impairment, net	\$ 1,725	Collateral	Liquidation value and discount due to salability conditions	80%
Other real estate owned	\$ 2,178	Collateral	Appraisal value and discount due to salability conditions	15%

⁽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.

⁽²⁾ The collateral which is used in the valuation of these loans is commercial real estate.

<i>(Dollars in thousands)</i>	December 31, 2020			
	Fair Value	Valuation Techniques ⁽¹⁾⁽²⁾	Significant Unobservable Inputs	Weighted Average Discount Rate
Loans measured for impairment, net	\$ 7,692	Collateral	Appraisal value and discount due to salability conditions	23%
Other real estate owned	\$ 2,724	Collateral	Appraisal value and discount due to salability conditions	12%

⁽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.

⁽²⁾ The collateral which is used in the valuation of these loans is commercial real estate.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

<i>(Dollars in thousands)</i>	Fair Value Level	September 30, 2021		December 31, 2020	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	\$ 469,932	\$ 469,932	\$ 435,442	\$ 435,442
Debt securities available-for-sale	2	555,609	555,609	617,570	617,570
Debt securities held-to-maturity, net	2	857,202	849,820	211,691	214,299
Equity securities	1	5,000	5,000	—	—
Federal Home Loan Bank stock	2	11,802	11,802	13,284	13,284
Loans and leases held-for-investment, net	3	9,836,648	9,815,390	8,202,788	8,199,922
Accrued interest receivable	2	21,872	21,872	18,783	18,783
Investment management fees receivable, net	2	8,908	8,908	7,935	7,935
Bank owned life insurance	2	98,308	98,308	71,787	71,787
Other real estate owned	3	2,178	2,178	2,724	2,724
Interest rate swaps	2	100,994	100,994	144,333	144,333
Financial liabilities:					
Deposits	2	\$ 10,756,141	\$ 10,767,182	\$ 8,489,089	\$ 8,510,799
Borrowings, net	2	355,654	364,201	400,493	402,714
Interest rate swaps	2	105,513	105,513	153,433	153,433

During the nine months ended September 30, 2021 and 2020, there were no transfers between fair value Levels 1, 2 or 3.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of September 30, 2021 and December 31, 2020:

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

OTHER REAL ESTATE OWNED

OREO is carried at fair value less estimated selling costs.

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:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,					
	2021			2020		
	Debt Securities	Derivatives	Total	Debt Securities	Derivatives	Total
Balance, beginning of period	\$ 3,227	\$ (3,859)	\$ (632)	\$ 1,692	\$ (8,222)	\$ (6,530)
Change in unrealized holding gains (losses)	(1,528)	(56)	(1,584)	3,088	27	3,115
Losses (gains) reclassified from other comprehensive income	(4)	685	681	(2,835)	780	(2,055)
Net other comprehensive income (loss)	(1,532)	629	(903)	253	807	1,060
Balance, end of period	\$ 1,695	\$ (3,230)	\$ (1,535)	\$ 1,945	\$ (7,415)	\$ (5,470)

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,					
	2021			2020		
	Debt Securities	Derivatives	Total	Debt Securities	Derivatives	Total
Balance, beginning of period	\$ 3,834	\$ (6,531)	\$ (2,697)	\$ 2,756	\$ (1,624)	\$ 1,132
Change in unrealized holding gains (losses)	(2,061)	1,316	(745)	2,041	(7,040)	(4,999)
Losses (gains) reclassified from other comprehensive income	(78)	1,985	1,907	(2,852)	1,249	(1,603)
Net other comprehensive income (loss)	(2,139)	3,301	1,162	(811)	(5,791)	(6,602)
Balance, end of period	\$ 1,695	\$ (3,230)	\$ (1,535)	\$ 1,945	\$ (7,415)	\$ (5,470)

[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.
- The Investment Management segment provides advisory and sub-advisory investment management services primarily to institutional investors, mutual funds and individual investors through the Chartwell subsidiary. It also supports marketing efforts for Chartwell's proprietary investment products through the CTSC Securities subsidiary.

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

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
Assets:		
Bank	\$ 12,074,984	\$ 9,819,719
Investment management	84,822	86,150
Parent and other	(938)	(9,053)
Total assets	\$ 12,158,868	\$ 9,896,816

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Income statement data:								
Interest income	\$ 59,705	\$ —	\$ —	\$ 59,705	\$ 50,222	\$ —	\$ —	\$ 50,222
Interest expense	11,591	—	1,447	13,038	15,297	—	1,451	16,748
Net interest income (loss)	48,114	—	(1,447)	46,667	34,925	—	(1,451)	33,474
Provision for credit losses	—	—	—	—	7,430	—	—	7,430
Net interest income (loss) after provision for credit losses	48,114	—	(1,447)	46,667	27,495	—	(1,451)	26,044
Non-interest income:								
Investment management fees	—	9,780	(344)	9,436	—	8,293	(198)	8,095
Net gain on the sale and call of debt securities	33	—	—	33	3,744	—	—	3,744
Other non-interest income (loss)	4,768	(7)	—	4,761	5,027	23	—	5,050
Total non-interest income (loss)	4,801	9,773	(344)	14,230	8,771	8,316	(198)	16,889
Non-interest expense:								
Intangible amortization expense	—	477	—	477	—	478	—	478
Other non-interest expense	28,975	8,031	525	37,531	23,462	6,868	619	30,949
Total non-interest expense	28,975	8,508	525	38,008	23,462	7,346	619	31,427
Income (loss) before tax	23,940	1,265	(2,316)	22,889	12,804	970	(2,268)	11,506
Income tax expense (benefit)	2,719	(412)	566	2,873	2,357	251	(431)	2,177
Net income (loss)	\$ 21,221	\$ 1,677	\$ (2,882)	\$ 20,016	\$ 10,447	\$ 719	\$ (1,837)	\$ 9,329

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Income statement data:								
Interest income	\$ 167,252	\$ —	\$ —	\$ 167,252	\$ 166,085	\$ —	\$ —	\$ 166,085
Interest expense	34,629	—	4,388	39,017	61,844	—	2,361	64,205
Net interest income (loss)	132,623	—	(4,388)	128,235	104,241	—	(2,361)	101,880
Provision for credit losses	320	—	—	320	16,428	—	—	16,428
Net interest income (loss) after provision for credit losses	132,303	—	(4,388)	127,915	87,813	—	(2,361)	85,452
Non-interest income:								
Investment management fees	—	28,789	(902)	27,887	—	23,955	(484)	23,471
Net gain on the sale and call of debt securities	130	—	—	130	3,815	—	—	3,815
Other non-interest income	14,683	25	—	14,708	15,893	23	—	15,916
Total non-interest income (loss)	14,813	28,814	(902)	42,725	19,708	23,978	(484)	43,202
Non-interest expense:								
Intangible amortization expense	—	1,433	—	1,433	—	1,466	—	1,466
Other non-interest expense	77,201	23,300	1,777	102,278	64,462	20,498	2,242	87,202
Total non-interest expense	77,201	24,733	1,777	103,711	64,462	21,964	2,242	88,668
Income (loss) before tax	69,915	4,081	(7,067)	66,929	43,059	2,014	(5,087)	39,986
Income tax expense (benefit)	12,013	183	(263)	11,933	7,878	381	(897)	7,362
Net income (loss)	\$ 57,902	\$ 3,898	\$ (6,804)	\$ 54,996	\$ 35,181	\$ 1,633	\$ (4,190)	\$ 32,624

[15] SUBSEQUENT EVENTS

On October 1, 2021, a stock dividend of 11 shares of the Company's Series C Preferred Stock was paid in kind, as well as cash paid in lieu of a fractional share, which was declared by the Board in July 2021 and fully accrued for as of September 30, 2021.

On October 11, 2021, the Board declared a dividend payable of approximately \$679,000, or \$0.42 per depositary share, on the Company's Series A Preferred Stock and a dividend payable of approximately \$1.3 million, or \$0.40 per depositary share, on the Company's Series B Preferred Stock, each of which is payable on January 1, 2022, to preferred shareholders of record as of the close of business on December 15, 2021. The Board also declared a dividend payable of 11 shares of the Company's Series C Preferred Stock per share, and cash paid in lieu of a fractional share, which is payable on January 1, 2022, to preferred shareholders of record of the Series C Preferred Stock as of the close of business on December 15, 2021.

On October 20, 2021, the Company announced that it entered into a definitive agreement under which Raymond James Financial, Inc. ("Raymond James") will acquire the outstanding shares of stock of the Company for consideration that is a combination of cash and Raymond James stock at a fixed exchange rate, valued in aggregate at approximately \$1.1 billion based on the trading value of Raymond James' stock on the announcement date. The acquisition is subject to customary closing conditions, including regulatory approvals and approval by the Company's shareholders, and is expected to close in 2022.

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

This section presents management's perspective on our financial condition and results of operations and highlights material changes to our financial condition and results of operations as of and for the three and nine months ended September 30, 2021. 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 on Form 10-Q 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, 2020, included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission (the "SEC") on February 25, 2021.

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

TriState Capital Holdings, Inc. ("we," "us," "our," the "holding company," the "parent company," or the "Company") is 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 and financial services 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 (which is a non-GAAP financial measure). Other salient metrics include the ratio of allowance for credit losses on loans and leases to loans and leases; net interest margin; the efficiency ratio of the Bank segment (which is a non-GAAP financial measure); return on average assets; return on average common equity; regulatory leverage and risk-based capital ratios; and assets under management and EBITDA of the Investment Management segment (which is a non-GAAP financial measure).

Executive Overview

We are 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 and financial services 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. The Bank's total assets were \$12.07 billion as of September 30, 2021. 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 \$11.45 billion as of September 30, 2021. CTSC Securities, our broker-dealer subsidiary, supports marketing efforts for Chartwell's proprietary investment products and is regulated by the SEC and the Financial Industry Regulatory Authority, Inc. ("FINRA").

On October 20, 2021, the Company announced that it entered into a definitive agreement under which Raymond James will acquire the outstanding shares of stock of the Company for consideration that is a combination of cash and Raymond James stock at a fixed exchange rate, valued in aggregate at approximately \$1.1 billion based on the trading value of Raymond James' stock on the announcement date. Raymond James is a leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. Subsequent to closing,

TriState Capital Bank will continue operating as a separately branded stand-alone, independently chartered bank subsidiary of Raymond James and Chartwell will continue to operate as a separately branded stand-alone investment adviser. The acquisition is subject to customary closing conditions, including regulatory approvals and approval by the Company's shareholders, and is expected to close in 2022.

Performance

For the three months ended September 30, 2021, our net income available to common shareholders was \$16.9 million compared to \$7.4 million for the same period in 2020, an increase of \$9.6 million, or 129.7%. This increase in net income available to common shareholders from the same period in 2020 was due to an increase in net interest income of \$13.2 million, or 39.4%, driven by loan growth and reduced deposit cost and lower provision for credit losses of \$7.4 million driven by an improving economic outlook, which were partially offset by a decrease in non-interest income of \$2.7 million, or 15.7%, an increase of \$6.6 million, or 20.9%, in non-interest expense as the Company continues to invest in people, processes and technology, an increase of \$696,000 in income tax expense, and an increase in preferred stock dividends of \$1.1 million.

For the nine months ended September 30, 2021, our net income available to common shareholders was \$45.8 million compared to \$26.7 million for the same period in 2020, an increase of \$19.0 million, or 71.2%. The increase in net income available to common shareholders from the same period in 2020 was due to an increase in net interest income of \$26.4 million, or 25.9%, driven by loan growth and reduced deposit costs and lower provision for credit losses of \$16.1 million driven by an improving economic outlook, which were partially offset by a decrease in non-interest income of \$477,000, or 1.1%, an increase of \$15.0 million, or 17.0%, in non-interest expense, an increase of \$4.6 million in income tax expense, and an increase in preferred stock dividends of \$3.3 million.

Our diluted EPS was \$0.44 for the three months ended September 30, 2021, compared to \$0.26 for the same period in 2020, an increase of \$0.18 per share, or 69.2%. Our diluted EPS was \$1.20 for the nine months ended September 30, 2021, compared to \$0.93 for the same period in 2020, an increase of \$0.27 per share, or 29.0%. Results for the three and nine months ended September 30, 2021, included higher net income available to common shareholders, as well as a higher number of diluted shares outstanding and an increase in preferred dividends compared to 2020 due to the effect of our December 30, 2020 private placement of \$105 million of common stock, convertible preferred stock and warrants. EPS is computed using the two-class method, which is an earnings allocation formula that determines EPS for each class of common stock and participating security according to dividends accumulated or declared and participation rights in undistributed earnings. For more information on the Company's calculation of EPS, refer to Note 1, Summary of Significant Accounting Policies and Note 9, Earnings per Common Share, to our unaudited condensed consolidated financial statements.

Net interest income and non-interest income, excluding net gains and losses on the sale of securities, combined to generate total revenue of \$60.9 million for the three months ended September 30, 2021, an increase of 30.6% from \$46.6 million for the same period in 2020. For the nine months ended September 30, 2021, total revenue increased \$29.6 million, or 20.9%, to \$170.8 million from \$141.3 million for the same period in 2020. The increase in total revenue for the three and nine months ended September 30, 2021, was driven largely by higher net interest income due to decreased funding costs and loan growth, as well as increased investment management fees from Chartwell for both periods.

Our annualized net interest margin was 1.65% and 1.46% for the three months ended September 30, 2021 and 2020, respectively, and 1.63% and 1.60% for the nine months ended September 30, 2021 and 2020, respectively. The increase in net interest margin for the three months ended September 30, 2021, was driven primarily by a decrease of 30 basis points in the cost of interest-bearing liabilities, partially offset by a decrease of 17 basis points in the yield on loans. The increase in net interest margin for the nine months ended September 30, 2021, was driven primarily by a decrease of 57 basis points in the cost of interest-bearing liabilities, partially offset by a decrease of 53 basis points in the yield on loans.

The significant reduction in interest rates by the Federal Reserve in response to the COVID-19 pandemic has continued to impact our interest-earning assets and interest-bearing liabilities. Our loans are predominantly variable rate loans, of which many are indexed to one-month LIBOR. At the end of the first quarter 2020, we placed interest rate floors on the majority of our floating rate loans, particularly our private banking loans, and we have continued to implement floors on newly originated loans. As a result, approximately 50% of our total loans have floors that are currently benefiting the Bank compared to their contractual index. While we continue our strategy to implement floors on most recently originated loans, we have modified our pricing strategy to balance wider spreads with lower floor rates to manage our interest rate sensitivity while managing overall yield. Our deposits include fixed-rate time deposits but are primarily comprised of variable rate deposits, many of which are linked to an index such as the effective federal funds rate and others that are priced at the Bank's discretion. While our deposit rates have declined during 2021 and 2020, the majority of the impact from repricing of floating rate deposits was achieved with the initial repricing in March 2020, in line with the Federal Reserve rate reduction.

Our non-interest income is largely comprised of investment management fees for Chartwell, which totaled \$9.4 million for the three months ended September 30, 2021, as compared to \$8.1 million for the same period in 2020, and \$27.9 million for the nine months

ended September 30, 2021, as compared to \$23.5 million for the same period in 2020. Assets under management were \$11.45 billion as of September 30, 2021, an increase of \$1.80 billion from September 30, 2020, driven by net inflows of \$362.0 million and market appreciation of \$1.44 billion. Chartwell's annual run-rate revenue increased to \$39.0 million as of September 30, 2021, compared to \$33.6 million as of September 30, 2020. For the three months ended September 30, 2021, investment fees grew \$1.5 million, or 17.9%, while expenses grew \$1.2 million, or 15.8%. For the nine months ended September 30, 2021, investment fees grew \$4.8 million, or 20.2%, while expenses grew \$2.8 million, or 12.6%. Importantly, EBITDA improved 19% for the three months ended September 30, 2021 from \$1.6 million to \$1.8 million and 53% for the nine months ended September 30, 2021 from \$3.8 million to \$5.8 million.

Another large component of our non-interest income is swap fees for the Bank, which totaled \$3.1 million for the three months ended September 30, 2021, and \$4.0 million for the same period in 2020. Swap fees totaled \$9.7 million for the nine months ended September 30, 2021, as compared to \$12.2 million for the same period in 2020. The difference in swap fees for the nine months ended September 30, 2021, was due in part to the extremely low interest rate environment and very flat or negative term structure for interest rates that persisted for most of 2020 and to the opportunity for originating long duration loans that sought to lock in interest rates. This created strong demand and pricing structures from borrowers seeking fixed rates in 2020 that were not replicated in 2021. While swap fees decreased for the nine months ended September 30, 2021 from the year-ago period, we have continued to enhance our distribution and product strategies to drive consistent opportunities for interest rate protection through swaps in both our commercial banking and private banking clients. The number of swaps executed as well as the notional amount and term of each swap transaction impact the fee income from period to period.

Our annualized ratio of non-interest expense to average assets was 1.30% and 1.31% for the three months ended September 30, 2021 and 2020, respectively, and 1.27% and 1.33% for the nine months ended September 30, 2021 and 2020, respectively. The Bank's efficiency ratio was 54.79% and 58.73% for the three months ended September 30, 2021 and 2020, respectively, and 52.41% and 53.66% for the nine months ended September 30, 2021 and 2020, respectively. The Bank's efficiency ratio reflects improvement in operating leverage through growth in the Bank's total revenue of 22.6%, partially offset by the growth in the Bank's non-interest expense of 19.8% for the nine months ended September 30, 2021. The Bank's efficiency ratio improved for the nine months ended September 30, 2021, despite the increase in non-interest expense of 19.8%, demonstrating that we are making worthwhile investments in the technology and people necessary to drive responsible growth.

Our annualized return on average assets (net income to average total assets) was 0.68% and 0.39% for the three months ended September 30, 2021 and 2020, respectively, and 0.67% and 0.49% for the nine months ended September 30, 2021 and 2020, respectively. This change in the return on assets reflects our increased net interest margin while still reflecting the outpaced rate of growth in our lower-risk, lower-yielding marketable-securities-backed private banking loans and increase in our investment portfolio as a portion of our assets over prior periods. Our annualized return on average common equity (net income available to common shareholders to average common equity) was 10.67% and 5.56% for the three months ended September 30, 2021 and 2020, respectively, and 10.06% and 6.90% for the nine months ended September 30, 2021 and 2020, respectively. The increase in the annualized return on common equity is a return to a more normalized ratio as we are deploying the common equity raised in December 2020 and growing average asset levels.

Our total assets were \$12.16 billion as of September 30, 2021, an increase of \$2.26 billion, or 30.6% on an annualized basis, from December 31, 2020, primarily due to growth in our loan and lease portfolio, an increase in cash and cash equivalents, and growth in our investment portfolio. Loans and leases held-for-investment grew by \$1.63 billion to \$9.87 billion as of September 30, 2021, an annualized increase of 26.5% from December 31, 2020, as a result of growth in our commercial and private banking loan portfolios. Cash and cash equivalents increased \$34.5 million, or 10.6% on an annualized basis, to \$469.9 million as of September 30, 2021, from December 31, 2020. Total investment securities increased \$587.1 million, or 93.2% on an annualized basis, to \$1.43 billion as of September 30, 2021, from December 31, 2020. Total deposits increased \$2.27 billion, or 35.7% on an annualized basis, to \$10.76 billion as of September 30, 2021, from December 31, 2020. We focus on high quality loan growth and we aim to increase our assets through adding to our investment portfolio as part of our strategy to build greater on-balance sheet liquidity, funded by our deposits.

Our ratio of adverse rated credits to total loans declined to 0.44% at September 30, 2021, from 0.62% at December 31, 2020, primarily due to the reduction in criticized assets of \$7.9 million. Our ratio of allowance for credit losses on loans and leases to loans and leases was 0.33% and 0.42% as of September 30, 2021 and December 31, 2020, respectively. We recorded provision for credit losses of \$320,000 for the nine months ended September 30, 2021, compared to \$16.4 million for the nine months ended September 30, 2020 primarily driven by an improving economic outlook.

Our book value per common share increased \$1.33 to \$19.11 as of September 30, 2021, from \$17.78 as of December 31, 2020, largely as a result of higher levels of retained earnings as of September 30, 2021, which was partially offset by increased common shares outstanding as of September 30, 2021.

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 associated with prior acquisitions.

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

“Pre-tax, pre-provision net revenue” is defined as net interest income and non-interest income, excluding gains and losses on the sale and call of debt securities and total non-interest expense. 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 credit losses and changes in our tax rates and other items that are unrelated to our core business.

“Efficiency ratio” is defined as total non-interest expense divided by our 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.

TRISTATE CAPITAL HOLDINGS, INC.

<i>(Dollars in thousands, except per share data)</i>	September 30, 2021	December 31, 2020
Tangible common equity and tangible book value per common share:		
Common shareholders’ equity	\$ 633,595	\$ 580,002
Less: goodwill and intangible assets	62,478	63,911
Tangible common equity (numerator)	\$ 571,117	\$ 516,091
Common shares outstanding (denominator)	33,154,343	32,620,150
Tangible book value per common share	\$ 17.23	\$ 15.82

TRISTATE CAPITAL HOLDINGS, INC.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenue and pre-tax, pre-provision net revenue:				
Net interest income	\$ 46,667	\$ 33,474	\$ 128,235	\$ 101,880
Total non-interest income	14,230	16,889	42,725	43,202
Less: net gain on the sale and call of debt securities	33	3,744	130	3,815
Total revenue	\$ 60,864	\$ 46,619	\$ 170,830	\$ 141,267
Less: total non-interest expense	38,008	31,427	103,711	88,668
Pre-tax, pre-provision net revenue	\$ 22,856	\$ 15,192	\$ 67,119	\$ 52,599

BANK SEGMENT

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Bank total revenue:				
Net interest income	\$ 48,114	\$ 34,925	\$ 132,623	\$ 104,241
Total non-interest income	4,801	8,771	14,813	19,708
Less: net gain on the sale and call of debt securities	33	3,744	130	3,815
Bank total revenue	\$ 52,882	\$ 39,952	\$ 147,306	\$ 120,134
Bank efficiency ratio:				
Total non-interest expense (numerator)	\$ 28,975	\$ 23,462	\$ 77,201	\$ 64,462
Total revenue (denominator)	\$ 52,882	\$ 39,952	\$ 147,306	\$ 120,134
Bank efficiency ratio	54.79 %	58.73 %	52.41 %	53.66 %

INVESTMENT MANAGEMENT SEGMENT

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Investment Management EBITDA:				
Net income	\$ 1,677	\$ 719	\$ 3,898	\$ 1,633
Interest expense	—	—	—	—
Income tax expense	(412)	251	183	381
Depreciation expense	105	103	312	319
Intangible amortization expense	477	478	1,433	1,466
EBITDA	\$ 1,847	\$ 1,551	\$ 5,826	\$ 3,799

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 75.1% and 72.1% of total revenue for the nine months ended September 30, 2021 and 2020, 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 2021 and 2020.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest income	\$ 59,705	\$ 50,222	\$ 167,252	\$ 166,085
Fully taxable equivalent adjustment	10	15	25	51
Interest income adjusted	59,715	50,237	167,277	166,136
Less: interest expense	13,038	16,748	39,017	64,205
Net interest income adjusted	\$ 46,677	\$ 33,489	\$ 128,260	\$ 101,931
Yield on earning assets ⁽¹⁾⁽²⁾	2.11 %	2.20 %	2.12 %	2.60 %
Cost of interest-bearing liabilities ⁽¹⁾	0.51 %	0.81 %	0.55 %	1.12 %
Net interest spread ⁽¹⁾⁽²⁾	1.60 %	1.39 %	1.57 %	1.48 %
Net interest margin ⁽¹⁾⁽²⁾	1.65 %	1.46 %	1.63 %	1.60 %

⁽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 September 30, 2021 and 2020. Non-accrual loans are included in the calculation of average loan balances, while interest collected on non-accrual loans is recorded as a reduction to principal. Where applicable, interest income and yield are reflected on a fully taxable equivalent basis and have been adjusted based on the statutory federal income tax rate of 21% for 2021 and 2020.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,					
	2021			2020		
	Average Balance	Interest Income ^{(1)/} Expense	Average Yield/ Rate ⁽²⁾	Average Balance	Interest Income ^{(1)/} Expense	Average Yield/ Rate ⁽²⁾
Assets						
Interest-earning deposits	\$ 429,806	\$ 155	0.14 %	\$ 866,502	\$ 278	0.13 %
Federal funds sold	12,629	2	0.06 %	9,071	2	0.09 %
Debt securities available-for-sale	415,855	1,664	1.59 %	561,378	1,804	1.28 %
Debt securities held-to-maturity	943,733	2,686	1.13 %	262,128	1,701	2.58 %
Equity securities	163	—	— %	—	—	— %
FHLB stock	11,932	137	4.56 %	13,284	196	5.87 %
Total loans and leases	9,427,370	55,071	2.32 %	7,386,265	46,256	2.49 %
Total interest-earning assets	11,241,488	59,715	2.11 %	9,098,628	50,237	2.20 %
Other assets	382,763			420,887		
Total assets	\$ 11,624,251			\$ 9,519,515		
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Interest-bearing checking accounts	\$ 3,946,028	\$ 3,682	0.37 %	\$ 2,866,303	\$ 3,280	0.46 %
Money market deposit accounts	4,879,971	5,794	0.47 %	3,811,100	6,944	0.72 %
Certificates of deposit	899,855	1,004	0.44 %	1,121,824	3,674	1.30 %
Borrowings:						
FHLB borrowings	250,815	1,102	1.74 %	300,000	1,392	1.85 %
Line of credit borrowings	761	—	— %	—	—	— %
Subordinated notes payable, net	95,619	1,456	6.04 %	95,601	1,458	6.07 %
Total interest-bearing liabilities	10,073,049	13,038	0.51 %	8,194,828	16,748	0.81 %
Noninterest-bearing deposits	528,897			407,079		
Other liabilities	213,552			274,480		
Shareholders' equity	808,753			643,128		
Total liabilities and shareholders' equity	\$ 11,624,251			\$ 9,519,515		
Net interest income ⁽¹⁾		\$ 46,677			\$ 33,489	
Net interest spread ⁽¹⁾			1.60 %			1.39 %
Net interest margin ⁽¹⁾			1.65 %			1.46 %

⁽¹⁾ Calculated on a fully taxable equivalent basis.

⁽²⁾ Annualized.

Net Interest Income for the Three Months Ended September 30, 2021 and 2020. Net interest income, calculated on a fully taxable equivalent basis, increased \$13.2 million, or 39.4%, to \$46.7 million for the three months ended September 30, 2021, from \$33.5 million for the same period in 2020. The increase in net interest income for the three months ended September 30, 2021, was comprised of an increase of \$9.5 million, or 18.9%, in interest income and a decrease of \$3.7 million, or 22.2%, in interest expense. Net interest margin increased to 1.65% for the three months ended September 30, 2021, as compared to 1.46% for the same period in 2020, driven primarily by lower cost of funds, partially offset by the higher average balances of lower-earning assets.

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 \$2.04 billion, or 27.6%, partially offset by a decrease of 17 basis points in yield on our loans, for the three months ended September 30, 2021, compared to the same period in 2020. The change in yield is attributable to an increased portion of our portfolio being comprised of our lower-risk, lower-yielding marketable-securities-backed private banking loans. The overall yield

on interest-earning assets declined 9 basis points to 2.11% for the three months ended September 30, 2021, as compared to 2.20% for the same period in 2020, primarily due to the lower yield on loans.

The decrease in interest expense on interest-bearing liabilities was primarily the result of a decrease of 30 basis points in the average rate paid on our interest-bearing liabilities, partially offset by an increase of \$1.88 billion, or 22.9%, in average interest-bearing liabilities for the three months ended September 30, 2021, compared to the same period in 2020. The decrease in the average rate paid on our interest-bearing liabilities reflected decreases in rates paid in all deposit categories, which was largely driven by the repricing of our deposits as a result of the current interest rate environment. The increase in average interest-bearing liabilities was driven primarily by an increase of \$1.08 billion in average interest-bearing checking accounts and an increase of \$1.07 billion in average money market deposit accounts, partially offset by a decrease of \$222.0 million in average certificates of deposit. The ongoing success of our treasury management business contributed to the growth in our checking account deposit categories.

The following table analyzes the dollar amount of the changes in interest income and interest expense with respect to the primary components of interest-earning assets and interest-bearing liabilities. The table shows the amount of the change in interest income or interest expense caused by either changes in outstanding balances or changes in interest rates for the three months ended September 30, 2021, compared to the same period in 2020. The effect of a change in balances is measured by applying the average rate during the first period to the balance (“volume”) change between the two periods. The effect of changes in interest rate is measured by applying the change in rate between the two periods to the average volume during the first period.

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021 over 2020		
	Yield/Rate	Volume	Change ⁽¹⁾
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	\$ 31	\$ (154)	\$ (123)
Federal funds sold	(1)	1	—
Debt securities available-for-sale	387	(527)	(140)
Debt securities held-to-maturity	(1,396)	2,381	985
Equity securities	—	—	—
FHLB stock	(40)	(19)	(59)
Total loans	(3,276)	12,091	8,815
Total increase (decrease) in interest income	(4,295)	13,773	9,478
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	(680)	1,082	402
Money market deposit accounts	(2,795)	1,645	(1,150)
Certificates of deposit	(2,054)	(616)	(2,670)
Borrowings:			
FHLB borrowings	(71)	(219)	(290)
Line of credit borrowings	—	—	—
Subordinated notes payable, net	(2)	—	(2)
Total increase (decrease) in interest expense	(5,602)	1,892	(3,710)
Total increase in net interest income	\$ 1,307	\$ 11,881	\$ 13,188

⁽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.

The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the nine months ended September 30, 2021 and 2020. 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 2021 and 2020.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,					
	2021			2020		
	Average Balance	Interest Income ^{(1)/} Expense	Average Yield/ Rate ⁽²⁾	Average Balance	Interest Income ^{(1)/} Expense	Average Yield/ Rate ⁽²⁾
Assets						
Interest-earning deposits	\$ 463,827	\$ 427	0.12 %	\$ 809,978	\$ 1,983	0.33 %
Federal funds sold	11,570	6	0.07 %	8,022	23	0.38 %
Debt securities available-for-sale	343,897	3,120	1.21 %	391,377	5,874	2.00 %
Debt securities held-to-maturity	875,157	7,291	1.11 %	252,296	4,805	2.54 %
Debt securities trading	104	1	1.29 %	76	1	1.76 %
Equity securities	55	—	— %	—	—	— %
FHLB stock	11,754	473	5.38 %	15,569	899	7.71 %
Total loans and leases	8,841,619	155,959	2.36 %	7,052,457	152,551	2.89 %
Total interest-earning assets	10,547,983	167,277	2.12 %	8,529,775	166,136	2.60 %
Other assets	368,728			380,908		
Total assets	\$ 10,916,711			\$ 8,910,683		
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Interest-bearing checking accounts	\$ 3,624,587	\$ 9,689	0.36 %	\$ 2,224,827	\$ 11,213	0.67 %
Money market deposit accounts	4,516,081	17,395	0.51 %	3,740,968	28,975	1.03 %
Certificates of deposit	947,127	4,256	0.60 %	1,297,637	16,907	1.74 %
Borrowings:						
FHLB borrowings	251,557	3,256	1.73 %	340,493	4,711	1.85 %
Line of credit borrowings	1,769	55	4.16 %	8,047	261	4.33 %
Subordinated notes payable, net	95,565	4,366	6.11 %	46,851	2,138	6.10 %
Total interest-bearing liabilities	9,436,686	39,017	0.55 %	7,658,823	64,205	1.12 %
Noninterest-bearing deposits	471,727			391,689		
Other liabilities	221,290			226,838		
Shareholders' equity	787,008			633,333		
Total liabilities and shareholders' equity	\$ 10,916,711			\$ 8,910,683		
Net interest income ⁽¹⁾		\$ 128,260			\$ 101,931	
Net interest spread ⁽¹⁾			1.57 %			1.48 %
Net interest margin ⁽¹⁾			1.63 %			1.60 %

⁽¹⁾ Calculated on a fully taxable equivalent basis.

⁽²⁾ Annualized.

Net Interest Income for the Nine Months Ended September 30, 2021 and 2020. Net interest income, calculated on a fully taxable equivalent basis, increased \$26.3 million, or 25.8%, to \$128.3 million for the nine months ended September 30, 2021, from \$101.9 million for the same period in 2020. This increase in net interest income for the nine months ended September 30, 2021 was comprised of an increase of \$1.1 million, or 0.7%, in interest income and a decrease of \$25.2 million, or 39.2%, in interest expense. Net interest margin was 1.63% for the nine months ended September 30, 2021, compared to 1.60% for the same period in 2020, driven primarily by a lower cost of funds, largely offset by the higher average balances of lower-earning assets.

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 \$1.79 billion, or 25.4%, mostly offset by a decrease of 53 basis points in yield on our loans, for the nine months ended September 30, 2021, compared to the same period in 2020. The change in yield is attributable to an increased portion of our portfolio being comprised of our lower-risk, lower-yielding marketable-securities-backed private banking loans. The overall yield

on interest-earning assets declined 48 basis points to 2.12% for the nine months ended September 30, 2021, as compared to 2.60% for the same period in 2020, primarily due to the lower loan yields. Our loans are predominantly variable rate loans indexed to one-month LIBOR.

The decrease in interest expense on interest-bearing liabilities was primarily the result of a decrease of 57 basis points in the average rate paid on our interest-bearing liabilities, partially offset by an increase of \$1.78 billion, or 23.2%, in average interest-bearing liabilities for the nine months ended September 30, 2021, compared to the same period in 2020. The decrease in average rate paid on our interest-bearing liabilities reflected decreases in rates paid in all deposit categories, which was largely driven by the repricing of our deposits as a result of the current interest rate environment. The increase in average interest-bearing liabilities was driven primarily by an increase of \$1.40 billion in average interest-bearing checking accounts and an increase of \$775.1 million in average money market deposit accounts, partially offset by a decrease of \$350.5 million in average certificates of deposit.

The following table analyzes the dollar amount of the changes in interest income and interest expense with respect to the primary components of interest-earning assets and interest-bearing liabilities. The table shows the amount of the change in interest income or interest expense caused by either changes in outstanding balances or changes in interest rates for the nine months ended September 30, 2021, compared to the same period in 2020. The effect of a change in balances is measured by applying the average rate during the first period to the balance (“volume”) change between the two periods. The effect of changes in interest rate is measured by applying the change in rate between the two periods to the average volume during the first period.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021 over 2020		
	Yield/Rate	Volume	Change ⁽¹⁾
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	\$ (923)	\$ (633)	\$ (1,556)
Federal funds sold	(24)	7	(17)
Debt securities available-for-sale	(2,105)	(649)	(2,754)
Debt securities held-to-maturity	(3,916)	6,402	2,486
Debt securities trading	—	—	—
Equity securities	—	—	—
FHLB stock	(235)	(191)	(426)
Total loans	(30,747)	34,155	3,408
Total increase (decrease) in interest income	(37,950)	39,091	1,141
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	(6,644)	5,120	(1,524)
Money market deposit accounts	(16,654)	5,074	(11,580)
Certificates of deposit	(8,953)	(3,698)	(12,651)
Borrowings:			
FHLB borrowings	(276)	(1,179)	(1,455)
Line of credit borrowings	(9)	(197)	(206)
Subordinated notes payable, net	10	2,218	2,228
Total increase (decrease) in interest expense	(32,526)	7,338	(25,188)
Total increase (decrease) in net interest income	\$ (5,424)	\$ 31,753	\$ 26,329

⁽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 Credit Losses on Loans and Leases

The provision for credit losses on loans and leases represents our determination of the amount necessary to be recorded against the current period’s earnings to maintain the allowance for credit losses at a level that is consistent with management’s assessment of credit losses in the loan and lease portfolio at a specific point in time under the methodology required by CECL. Results for the three and nine months ended September 30, 2021, are presented under CECL methodology while prior period amounts continue to be reported in accordance with previously applicable GAAP. For additional information regarding our allowance for credit losses on loans and leases, see “Allowance for Credit Losses on Loans and Leases.”

Provision for Loan and Lease Losses for the Three Months Ended September 30, 2021 and 2020. We recorded provision expense for loan and lease losses of \$24,000 for the three months ended September 30, 2021, compared to provision expense of \$7.4 million for the three months ended September 30, 2020. The provision expense for loan and lease losses for the three months ended September 30, 2021, was comprised of a decrease in general reserves of \$1.5 million largely due to adjustments to the qualitative factors related to forecasted economic improvement, more than offset by an increase in specific reserves on non-performing loans of \$1.3 million and charge-offs of \$238,000. The provision expense for loan and lease losses for the three months ended September 30, 2020, was comprised of a net increase in general reserves of \$6.9 million largely due to adjustments to the qualitative factors in response to economic uncertainty around the COVID-19 pandemic and a net increase of \$504,000 in specific reserves that was primarily attributable to a non-performing loan in our commercial loan portfolio.

Provision for Credit Losses on Loans and Leases for the Nine Months Ended September 30, 2021 and 2020. We recorded provision expense for loan and lease losses of \$423,000 for the nine months ended September 30, 2021, compared to \$16.4 million for the nine months ended September 30, 2020. The provision expense for credit losses on loans and leases for the nine months ended September 30, 2021, was comprised of a decrease in general reserves of \$7.3 million largely due to improvement in the economic forecasts utilized in the qualitative factors, more than offset by an increase in specific reserves on non-performing loans of \$4.9 million and charge-offs of \$2.8 million. The provision expense for loan and lease losses for the nine months ended September 30, 2020, was comprised of an increase in general reserves of \$15.3 million largely due to adjustments to the qualitative factors in response to economic uncertainty around the COVID-19 pandemic and a net increase of \$1.5 million in specific reserves on nonperforming loans, largely driven by a new non-accrual loan in our commercial loan portfolio, partially offset by recoveries of \$342,000 in our commercial loan portfolio.

Non-Interest Income

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

The following table presents the components of our non-interest income by operating segment for the three months ended September 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	\$ —	\$ 9,780	\$ (344)	\$ 9,436	\$ —	\$ 8,293	\$ (198)	\$ 8,095
Service charges on deposits	377	—	—	377	235	—	—	235
Net gain on the sale and call of debt securities	33	—	—	33	3,744	—	—	3,744
Swap fees	3,059	—	—	3,059	3,953	—	—	3,953
Commitment and other loan fees	740	—	—	740	381	—	—	381
Bank owned life insurance income	613	—	—	613	441	—	—	441
Other income (loss) ⁽¹⁾	(21)	(7)	—	(28)	17	23	—	40
Total non-interest income	\$ 4,801	\$ 9,773	\$ (344)	\$ 14,230	\$ 8,771	\$ 8,316	\$ (198)	\$ 16,889

⁽¹⁾ Other income is largely comprised of items such as change in fair value on swaps, losses on the sale of loans or OREO, and other general operating income.

Non-Interest Income for the Three Months Ended September 30, 2021 and 2020. Our non-interest income was \$14.2 million for the three months ended September 30, 2021, a decrease of \$2.7 million, or 15.7%, from \$16.9 million for the same period in 2020. This decrease was primarily related to decreases in net gain on the sale and call of debt securities and swap fees, partially offset by increases in investment management fees, commitment and other loan fees and bank owned life insurance income, as follows:

Bank Segment:

- Net gain on the sale and call of debt securities decreased \$3.7 million for three months ended September 30, 2021, compared to the same period in 2020, due to the repositioning of a portion of the corporate bond portfolio into government agency securities that took place during the three months ended September 30, 2020.

- Swap fees decreased \$894,000 for the three months ended September 30, 2021, compared to the same period in 2020 due to changing demand from customers for interest rate protection through swaps given recent movement in the yield curve. The number of swaps executed as well as the notional amount and term of each swap transaction impact the fee income from period to period.
- Commitment and other loan fees for the three months ended September 30, 2021, increased \$359,000 compared to the same period in 2020, primarily due to an increase in letter of credit fee income.
- Bank owned life insurance income for the three months ended September 30, 2021, increased \$172,000 compared to the same period in 2020, primarily due to increased level of investments in bank owned life insurance during the second quarter of 2021.

Investment Management Segment:

- Investment management fees increased \$1.5 million for the three months ended September 30, 2021, compared to the same period in 2020, due to higher assets under management of \$11.45 billion as of September 30, 2021, an increase of \$1.80 billion from September 30, 2020. The weighted average fee rate was 0.34% and 0.35% as of September 30, 2021 and 2020, respectively.

The following table presents the components of our non-interest income by operating segment for the nine months ended September 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	\$ —	\$ 28,789	\$ (902)	\$ 27,887	\$ —	\$ 23,955	\$ (484)	\$ 23,471
Service charges on deposits	1,018	—	—	1,018	763	—	—	763
Net gain on the sale and call of debt securities	130	—	—	130	3,815	—	—	3,815
Swap fees	9,683	—	—	9,683	12,179	—	—	12,179
Commitment and other loan fees	1,630	—	—	1,630	1,262	—	—	1,262
Bank owned life insurance income	1,522	—	—	1,522	1,298	—	—	1,298
Other income ⁽¹⁾	830	25	—	855	391	23	—	414
Total non-interest income	\$ 14,813	\$ 28,814	\$ (902)	\$ 42,725	\$ 19,708	\$ 23,978	\$ (484)	\$ 43,202

⁽¹⁾ Other income is largely comprised of items such as change in fair value on swaps, trading securities income, gains/losses on the sale of loans, leases or OREO, and other general operating income.

Non-Interest Income for the Nine Months Ended September 30, 2021 and 2020. Our non-interest income was \$42.7 million for the nine months ended September 30, 2021, a decrease of \$477,000, or 1.1%, from \$43.2 million for the same period in 2020. This decrease was primarily related to decreases in net gain on the sale and call of debt securities and swap fees, partially offset by increases in investment management fees, commitment and other loan fees and other income, as follow:

Bank Segment:

- Net gain on the sale and call of debt securities decreased \$3.7 million for nine months ended September 30, 2021, compared to the same period in 2020, due to the repositioning of a portion of the corporate bond portfolio into government agency securities that took place during the nine months ended September 30, 2020.
- Swap fees decreased \$2.5 million for the nine months ended September 30, 2021, compared to the same period in 2020, due to changing demand from customers for interest rate protection through swaps given recent movement in the yield curve. The number of swaps executed as well as the notional amount and term of each swap transaction impact the fee income from period to period.
- Commitment and other loan fees for the nine months ended September 30, 2021, increased \$368,000 compared to the same period in 2020, primarily due to an increase in letter of credit fee income.

- Other income increased \$439,000 for the nine months ended September 30, 2021, compared to the same period in 2020, primarily due to an early payoff of a customer's equipment lease resulting in a gain, which was partially offset by lower income from debt securities and lower gains on sale of OREO.

Investment Management Segment:

- Investment management fees increased \$4.8 million for the nine months ended September 30, 2021, compared to the same period in 2020, due to higher assets under management. Assets under management were \$11.45 billion as of September 30, 2021, an increase of \$1.80 billion from September 30, 2020. The weighted average fee rate was 0.34% and 0.35% as of September 30, 2021 and 2020, respectively.

Non-Interest Expense

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

The following table presents the components of our non-interest expense by operating segment for the three months ended September 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	\$ 15,565	\$ 5,812	\$ 324	\$ 21,701	\$ 13,246	\$ 5,014	\$ 264	\$ 18,524
Premises and equipment expense	1,141	379	—	1,520	1,095	393	—	1,488
Professional fees	2,097	241	(28)	2,310	1,367	160	69	1,596
FDIC insurance expense	1,375	—	—	1,375	3,030	—	—	3,030
General insurance expense	288	75	—	363	225	69	—	294
State capital shares tax	790	—	—	790	366	—	—	366
Travel and entertainment expense	618	137	—	755	524	30	38	592
Technology and data services	3,508	766	—	4,274	1,847	729	—	2,576
Intangible amortization expense	—	477	—	477	—	478	—	478
Marketing and advertising	645	339	—	984	84	310	—	394
Other operating expenses ⁽¹⁾	2,948	282	229	3,459	1,678	163	248	2,089
Total non-interest expense	\$ 28,975	\$ 8,508	\$ 525	\$ 38,008	\$ 23,462	\$ 7,346	\$ 619	\$ 31,427
Full-time equivalent employees ⁽²⁾	288	53	—	341	243	55	—	298

⁽¹⁾ Other operating expenses include items such as impairment on historic tax credit investments, charitable contributions, investor relations fees, platform distribution expenses, provision for credit losses on unfunded commitments 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 September 30, 2021 and 2020. Our non-interest expense for the three months ended September 30, 2021, increased \$6.6 million, or 20.9%, as compared to the same period in 2020, which included a \$5.5 million increase in expenses of the Bank segment and an \$1.2 million increase in expenses of the Investment Management segment. Notable changes in each segment's expenses are as follows:

Bank Segment:

- The Bank's compensation and employee benefits costs for the three months ended September 30, 2021, increased by \$2.3 million, or 17.5%, compared to the same period in 2020, primarily due to an increase in the number of full-time equivalent employees by 45, or 18.5%, from 243 at September 30, 2020 to 288 at September 30, 2021, increases in the overall annual wage and benefits costs of our existing employees, and increases in incentive and stock-based compensation expenses. Due to the uncertainty regarding the impact of the pandemic in 2020, we temporarily minimized hiring efforts beginning in the

second quarter of 2020. The increases in the number of employees and related expenses are a result of our investment in talent to support our risk management, scalable growth and client experience.

- Professional fees increased \$730,000 for the three months ended September 30, 2021, compared to the same period in 2020 primarily due to higher consulting fees related to the workout of non-performing loans and higher audit, accounting and legal fees related to routine accounting and regulatory compliance.
- FDIC insurance expense decreased \$1.7 million for the three months ended September 30, 2021, compared to the same period in 2020, as the Bank qualified for the lower assessment rates included in the FDIC's large bank assessment methodology beginning in the fourth quarter of 2020.
- Technology and data services for the three months ended September 30, 2021, increased by \$1.7 million compared to the same period in 2020, primarily due to increased software depreciation expense, maintenance costs and software licensing fees all as a result of our continued enhancements in technology and product innovation to support our risk management, scalable growth and client experience.
- Other operating expenses increased by \$1.3 million for the three months ended September 30, 2021, compared to the same period in 2020 primarily due to higher impairment of historic tax credit investments.

Investment Management Segment:

- Chartwell's compensation and employee benefits costs for the three months ended September 30, 2021, increased by \$798,000 compared to the same period in 2020, primarily due to an increase in variable incentive compensation expense as a result of increased revenue.
- Travel and entertainment expense for the three months ended September 30, 2021, increased by \$107,000 compared to the same period in 2020, primarily due to less pandemic related travel restrictions in the 2021 period.
- Other operating expenses for the three months ended September 30, 2021, increased by \$119,000 compared to the same period in 2020, primarily due to higher mutual fund platform distribution expenses and increased registration fee related expenses.

The following table presents the components of our non-interest expense by operating segment for the nine months ended September 30, 2021 and 2020:

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021				Nine Months Ended September 30, 2020			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	\$ 44,472	\$ 17,168	\$ 919	\$ 62,559	\$ 37,007	\$ 14,659	\$ 873	\$ 52,539
Premises and equipment expense	3,179	920	—	4,099	3,219	1,170	—	4,389
Professional fees	5,185	629	(56)	5,758	3,012	599	564	4,175
FDIC insurance expense	3,625	—	—	3,625	7,760	—	—	7,760
General insurance expense	783	219	—	1,002	627	207	—	834
State capital shares tax	2,217	—	—	2,217	1,115	—	—	1,115
Travel and entertainment expense	1,609	226	—	1,835	1,443	253	39	1,735
Technology and data services	8,713	2,348	—	11,061	5,166	2,128	—	7,294
Intangible amortization expense	—	1,433	—	1,433	—	1,466	—	1,466
Marketing and advertising	1,565	1,001	—	2,566	777	917	—	1,694
Other operating expenses ⁽¹⁾	5,853	789	914	7,556	4,336	565	766	5,667
Total non-interest expense	\$ 77,201	\$ 24,733	\$ 1,777	\$ 103,711	\$ 64,462	\$ 21,964	\$ 2,242	\$ 88,668

⁽¹⁾ Other operating expenses include items such as impairment on historic tax credit investments, charitable contributions, investor relations fees, platform distribution expenses, provision for credit losses on unfunded commitments and other general operating expenses.

Non-Interest Expense for the Nine Months Ended September 30, 2021 and 2020. Our non-interest expense for the nine months ended September 30, 2021, increased \$15.0 million, or 17.0%, as compared to the same period in 2020, which included a \$12.7 million

increase in expenses of the Bank segment and a \$2.8 million increase in expenses of the Investment Management segment. Notable changes in each segment's expenses are as follows:

Bank Segment:

- The Bank's compensation and employee benefits costs for the nine months ended September 30, 2021, increased by \$7.5 million compared to the same period in 2020, 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. Due to the uncertainty regarding the impact of the pandemic in 2020, we temporarily minimized hiring efforts beginning in the second quarter of 2020. The increases in the number of employees and related expenses are a result of our investment in talent to support our risk management, scalable growth and client experience.
- Professional fees for the nine months ended September 30, 2021, increased \$2.2 million compared to the same period in 2020, primarily due to higher audit, accounting and legal fees related to routine accounting and regulatory compliance, higher investment advisory fees and increases in other professional fees including consulting fees related to the workout of non-performing loans.
- FDIC insurance expense for the nine months ended September 30, 2021, decreased \$4.1 million compared to the same period in 2020, as the Bank qualified for the lower assessment rates included in the FDIC's large bank assessment methodology beginning in the fourth quarter of 2020.
- Technology and data services for the nine months ended September 30, 2021, increased \$3.5 million compared to the same period in 2020, primarily due to increased software depreciation expense, maintenance costs, and software licensing fees all as a result of our continued enhancements in technology and product innovation to support our risk management, scalable growth and client experience.
- Other operating expenses increased by \$1.5 million for the nine months ended September 30, 2021, compared to the same period in 2020 primarily due to higher impairment of historic tax credit investments.

Investment Management Segment:

- Chartwell's compensation and employee benefits costs for the nine months ended September 30, 2021, increased by \$2.5 million compared to the same period in 2020, primarily due to an increase in variable incentive compensation expense as a result of increased revenue.
- Premises and equipment expense for nine months ended September 30, 2021, decreased by \$250,000 compared to the same period in 2020, primarily due to lower rent expense as a result of a new lease amendment effective April 1, 2021.
- Technology and data services for the nine months ended September 30, 2021, increased by \$220,000 compared to the same period in 2020, primarily driven by higher investment research services and costs relating to updating Chartwell's external website.
- Other operating expenses for the nine months ended September 30, 2021, increased by \$224,000 compared to the same period in 2020, primarily due to higher mutual fund platform distribution expenses and increased registration fee related expenses.

Income Taxes

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

Income Taxes for the Three Months Ended September 30, 2021 and 2020. For the three months ended September 30, 2021, we recognized income tax expense of \$2.9 million, or 12.6% of income before tax, as compared to income tax expense of \$2.2 million, or 18.9% of income before tax, for the same period in 2020. Our effective tax rate of 12.6% for the three months ended September 30,

2021, decreased compared to the same period in the prior year primarily due to the amount and timing of tax credits recognized in 2021 compared to 2020.

Income Taxes for the Nine Months Ended September 30, 2021 and 2020. For the nine months ended September 30, 2021, we recognized income tax expense of \$11.9 million, or 17.8% of income before tax, as compared to income tax expense of \$7.4 million, or 18.4% of income before tax, for the same period in 2020. Our effective tax rate of 17.8% for the nine months ended September 30, 2021, decreased compared to the same period in the prior year primarily due to the amount and timing of tax credits recognized in 2021 compared to 2020.

Financial Condition

Our total assets as of September 30, 2021, were \$12.16 billion, an increase of \$2.26 billion, or 30.6% on an annualized basis, from December 31, 2020, driven primarily by growth in our loan and investment portfolio. As of September 30, 2021, our loan portfolio totaled \$9.87 billion, an increase of \$1.63 billion, or 26.5% on an annualized basis, from December 31, 2020. Total investment securities increased \$587.1 million, or 93.2% on an annualized basis, to \$1.43 billion as of September 30, 2021, from December 31, 2020. We focus on high quality loan growth and we aim to increase our assets through adding to our investment portfolio as part of our strategy to build greater on-balance sheet liquidity, funded by our deposits.

As of September 30, 2021, our total deposits were \$10.76 billion, an increase of \$2.27 billion, or 35.7% annualized, from December 31, 2020. Net borrowings decreased \$44.8 million to \$355.7 million as of September 30, 2021, from December 31, 2020. Our shareholders' equity increased \$56.9 million to \$814.0 million as of September 30, 2021, from December 31, 2020, primarily due to net income of \$55.0 million, \$8.2 million in stock-based compensation and an increase of \$1.2 million in accumulated other comprehensive income, partially offset by preferred stock dividends paid of \$5.9 million, and an increase of \$2.0 million in treasury stock related to the net settlement of equity awards exercised or vested.

Loans and Leases

Our loan and lease portfolio, which represents our largest earning asset, primarily consists of loans to our private banking clients, commercial and industrial loans and leases, and real estate loans secured by commercial properties. As of September 30, 2021, 94.8% of our loans had a floating interest rate.

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

<i>(Dollars in thousands)</i>	September 30, 2021		December 31, 2020	
	Outstanding	Percent of Loans	Outstanding	Percent of Loans
Private banking loans	\$ 6,204,009	62.9 %	\$ 4,807,800	58.4 %
Middle-market banking loans:				
Commercial and industrial	1,340,817	13.6 %	1,274,152	15.5 %
Commercial real estate	2,324,185	23.5 %	2,155,466	26.1 %
Total middle-market banking loans	3,665,002	37.1 %	3,429,618	41.6 %
Loans and leases held-for-investment	\$ 9,869,011	100.0 %	\$ 8,237,418	100.0 %

Loans and Leases Held-for-Investment. Loans and leases held-for-investment increased by \$1.63 billion, or 26.5% on an annualized basis, to \$9.87 billion as of September 30, 2021, from December 31, 2020. Our growth for the nine months ended September 30, 2021, was comprised of an increase in private banking loans of \$1.40 billion, an increase in commercial real estate loans of \$168.7 million, and an increase in commercial and industrial loans and leases of \$66.7 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 lesser 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 September 30, 2021, \$6.12 billion, or 98.7%, of our private banking loans were secured by cash, marketable securities and/or cash value life insurance as compared to \$4.74 billion, or 98.6%, as of December 31, 2020. 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 banking business. We believe we have strong competitive advantages in this line of business given our robust distribution channel relationships and proprietary technology. 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.

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
Private banking loans:		
Secured by cash, marketable securities and/or cash value life insurance	\$ 6,123,908	\$ 4,738,594
Secured by real estate	42,033	45,014
Other	38,068	24,192
Total private banking loans	\$ 6,204,009	\$ 4,807,800

As of September 30, 2021, there were \$6.12 billion of total private banking loans with a floating interest rate and \$80.7 million with a fixed interest rate, compared to \$4.73 billion and \$77.1 million, respectively, as of December 31, 2020.

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

As of September 30, 2021, there were \$1.01 billion of total commercial and industrial loans with a floating interest rate and \$330.7 million with a fixed interest rate, compared to \$966.6 million and \$307.6 million, respectively, as of December 31, 2020.

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 \$216.7 million and \$220.8 million of owner-occupied commercial real estate loans as of September 30, 2021 and December 31, 2020, respectively.

As of September 30, 2021, there were \$2.22 billion of total commercial real estate loans with a floating interest rate and \$100.0 million with a fixed interest rate, as compared to \$2.03 billion and \$123.3 million, respectively, as of December 31, 2020.

Loan and Lease Maturities and Interest Rate Sensitivity

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

<i>(Dollars in thousands)</i>	September 30, 2021				
	Due on Demand	One Year or Less	One to Five Years	Greater Than Five Years	Total
Maturity:					
Private banking	\$ 5,945,944	\$ 55,636	\$ 106,143	\$ 96,286	\$ 6,204,009
Commercial and industrial	6,439	414,469	714,806	205,103	1,340,817
Commercial real estate	—	385,398	941,230	997,557	2,324,185
Loans and leases held-for-investment	\$ 5,952,383	\$ 855,503	\$ 1,762,179	\$ 1,298,946	\$ 9,869,011
Interest rate sensitivity:					
Fixed interest rates	\$ 57,963	\$ 36,879	\$ 232,307	\$ 184,269	\$ 511,418
Floating or adjustable interest rates	5,894,420	818,624	1,529,872	1,114,677	9,357,593
Loans and leases held-for-investment	\$ 5,952,383	\$ 855,503	\$ 1,762,179	\$ 1,298,946	\$ 9,869,011

Interest Reserve Loans

As of September 30, 2021, loans with interest reserves totaled \$427.3 million, which represented 4.3% of loans and leases held-for-investment, compared to \$389.1 million, or 4.7%, as of December 31, 2020. 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 Credit Losses on Loans and Leases

Our allowance for credit losses on loans and leases represent our current estimate of expected credit losses in the loan and lease portfolio at a specific point in time. This estimate includes credit losses associated with individually evaluated loans and leases that do not share similar risk characteristics. 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 current estimate of expected credit losses in of any of the three loan portfolios decreases. Results for the three and nine months ended September 30, 2021, are presented under CECL methodology while prior period amounts continue to be reported in accordance with previously applicable GAAP. Refer to Note 1, Summary of Significant Accounting Policies and Note 4, Allowance for Credit Losses on Loans and Leases, to our unaudited condensed consolidated financial statements for more details on the Company's allowance for credit losses on loans and leases.

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

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
General reserves	\$ 25,463	\$ 32,642
Specific reserves	6,900	1,988
Total allowance for credit losses on loans and leases	\$ 32,363	\$ 34,630
Allowance for credit losses on loans and leases to loans and leases	0.33 %	0.42 %

As of September 30, 2021, we had specific reserves totaling \$6.9 million related to individually evaluated loans with an aggregated total outstanding balance of \$8.6 million. As of December 31, 2020, we had specific reserves totaling \$2.0 million related to individually evaluated loans with an aggregated total outstanding balance of \$9.7 million. These loans were on non-accrual status as of September 30, 2021 and December 31, 2020, respectively.

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

<i>(Dollars in thousands)</i>	September 30, 2021		December 31, 2020	
	Reserve	Percent of Loans and Leases	Reserve	Percent of Loans and Leases
Private banking	\$ 2,156	62.9 %	\$ 2,047	58.4 %
Commercial and industrial	10,796	13.6 %	5,254	15.5 %
Commercial real estate	19,411	23.5 %	27,329	26.1 %
Total allowance for credit losses on loans and leases	\$ 32,363	100.0 %	\$ 34,630	100.0 %

Allowance for Credit Losses on Loans and Leases as of September 30, 2021 and December 31, 2020. Our allowance for credit losses on loans and leases was \$32.4 million, or 0.33% of loans as of September 30, 2021, compared to \$34.6 million, or 0.42% of loans, as of December 31, 2020. Our allowance for credit losses on commercial loans decreased to 0.82% of total commercial loans (excluding private banking loans primarily collateralized by liquid, marketable securities that do not require a reserve) as of September 30, 2021, compared to 0.95% of commercial loans as of December 31, 2020. Our allowance for credit losses decreased \$2.3 million from December 31, 2020, driven by a decrease of \$7.2 million in general reserves, partially offset by an increase of \$4.9 million in specific reserves. Our allowance for credit losses related to private banking loans increased \$109,000 from December 31, 2020 to September 30, 2021. Our allowance for credit losses related to commercial and industrial loans increased \$5.5 million from December 31, 2020 to September 30, 2021, which was attributable to higher specific reserves due to the addition of non-accrual loans, partially offset by a decrease in general reserves. Our allowance for credit losses related to commercial real estate loans decreased by \$7.9 million from December 31, 2020 to September 30, 2021, due to decreased general reserves. The decrease in general reserves in our commercial loan portfolio was primarily driven by improvement in economic forecasts related to assumptions utilized in the qualitative factors. We applied a management overlay to our allowance for credit loss model to provide a reserve level that supports management's best estimate of current expected credit losses within the loan portfolio. The management overlay includes scenarios with near-term economic stress and other factors based upon management judgement. The consensus forecast within our model provided for a greater reserve release based on optimism around the economic environment and loss forecasts, which we believe may be an overreaction to the early onset of historically high level and rate of changes in the forecast and transactional values within commercial asset types. We would release reserves to the extent suggested by our model if we believe that there is a sustained trend in the economic recovery data and continued progress overcoming the COVID-19 pandemic and associated supply chain issues.

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 credit losses on loans and leases, charge-offs, recoveries and provision for credit losses on loans and leases for the periods indicated:

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning balance	\$ 32,577	\$ 23,276	\$ 34,630	\$ 14,108
Charge-offs:				
Private banking	—	—	—	(171)
Commercial and industrial	(122)	—	(321)	—
Commercial real estate	(116)	—	(2,482)	—
Total charge-offs	(238)	—	(2,803)	(171)
Recoveries:				
Private banking	—	—	—	—
Commercial and industrial	—	—	113	341
Commercial real estate	—	—	—	—
Total recoveries	—	—	113	341
Net recoveries (charge-offs)	(238)	—	(2,690)	170
Provision for credit losses on loans and leases	24	7,430	423	16,428
Ending balance	\$ 32,363	\$ 30,706	\$ 32,363	\$ 30,706
Net loan charge-offs to average total loans and leases, annualized	0.01 %	— %	0.04 %	— %
Provision for credit losses on loans and leases to average total loans and leases, annualized	— %	0.40 %	0.01 %	0.31 %

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 was no interest income recognized on loans while on non-accrual status for the nine months ended September 30, 2021 and 2020. As of September 30, 2021 and December 31, 2020, there were no loans 90 days or more past due and still accruing income. As of September 30, 2021, non-performing loans were \$8.6 million, or 0.09% of total loans, compared to \$9.7 million, or 0.12% of total loans, as of December 31, 2020. We had specific reserves of \$6.9 million and \$2.0 million as of September 30, 2021 and December 31, 2020, respectively, on these non-performing loans. The net loan balance of our non-performing loans was 20.0% and 79.2% of the customer's outstanding balance after payments, charge-offs and specific reserves as of September 30, 2021 and December 31, 2020, respectively.

For additional information on our non-performing loans as of September 30, 2021 and December 31, 2020, refer to Note 4, Allowance for Credit Losses on Loans and Leases, 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 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 and applicable regulatory guidance to provide temporary payment relief to those borrowers directly impacted by COVID-19. As of September 30, 2021, only two loans representing \$18.8 million, or 0.2% of loans, were still in deferral status. Under the applicable guidance, these loan modifications were not considered TDRs. These loans that are still in deferral status are in our commercial real estate loan portfolio.

We had non-performing assets of \$10.8 million, or 0.09% of total assets, as of September 30, 2021, as compared to \$12.4 million, or 0.13% of total assets, as of December 31, 2020. The decrease in non-performing assets was the result of \$13.1 million in new non-performing assets, more than offset by \$14.7 million in reductions to non-performing assets. As of September 30, 2021 and December 31, 2020, we had OREO properties totaling \$2.2 million and \$2.7 million, respectively. The change in the OREO balance

from December 31, 2020 was attributable to a \$155,000 write-down on an OREO property and \$351,000 in proceeds from the sale of an OREO property. The net loss from the sale of OREO was \$39,000 during the nine months ended September 30, 2021.

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

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
Non-performing loans:		
Private banking	\$ —	\$ —
Commercial and industrial	8,625	458
Commercial real estate	—	9,222
Total non-performing loans	\$ 8,625	\$ 9,680
Other real estate owned	2,178	2,724
Total non-performing assets	\$ 10,803	\$ 12,404
Non-performing troubled debt restructured loans	\$ —	\$ 2,926
Non-performing loans to total loans	0.09 %	0.12 %
Allowance for credit losses on loans and leases to non-performing loans	375.22 %	357.75 %
Non-performing assets to total assets	0.09 %	0.13 %

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 in the future. Among other factors, we monitor 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 individually as we would with other problem loans and consider the effect of any potential loss in determining any additional provision for credit losses on loans and leases. We also assess alternatives to maximize collection of any past due loans, including and without limitation, restructuring loan terms, requiring additional loan guarantee(s) or collateral, or other planned action.

For additional information on the age analysis of past due loans segregated by class of loan for September 30, 2021 and December 31, 2020, refer to Note 4, Allowance for Credit Losses on Loans and Leases, 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 amortized cost of loans by credit quality indicator for September 30, 2021 and December 31, 2020, refer to Note 4, Allowance for Credit Losses on Loans and Leases, to our unaudited condensed consolidated financial statements.

Investment Securities

We utilize investment activities to enhance net interest income while supporting liquidity management and interest rate risk management. Our securities portfolio consists of available-for-sale debt securities, held-to-maturity debt securities, equity securities and, from time to time, debt securities held for trading purposes. Also included in our investment securities are FHLB stock. For additional information on FHLB stock, refer to Note 2, Investment Securities, to our unaudited condensed consolidated financial statements. Debt securities purchased with the intent to sell under trading activity and equity securities are recorded at fair value and changes to fair value are recognized in the consolidated statements of income. Debt securities categorized as available-for-sale are

recorded at fair value and changes in the fair value of these securities are recognized as a component of total shareholders' equity, within accumulated other comprehensive income (loss), net of deferred taxes. Debt securities categorized as held-to-maturity are securities that the Company intends to hold until maturity and are recorded at amortized cost, net of allowance for credit losses.

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

As of September 30, 2021 and December 31, 2020, we reported debt securities in available-for-sale and held-to-maturity categories as well as equity securities. In general, fair value is based on quoted market prices of identical assets, when available. Where sufficient data is not available to produce a fair valuation, fair value is based on broker quotes for similar assets. We validate the prices received from these third parties on a quarterly basis by comparing them to prices provided by a different independent pricing service. We have also reviewed the valuation methodologies provided to us by our pricing services. Broker quotes may be adjusted to ensure that financial instruments are recorded at fair value. Adjustments may include unobservable parameters, among other things. Securities, like loans, are subject to interest rate risk and credit risk. In addition, by their nature, debt securities classified as available-for-sale, and trading securities and equity securities are also subject to fair value risks that could negatively affect the level of liquidity available to us, as well as shareholders' equity.

Our available-for-sale debt securities portfolio consists of U.S. government agency obligations, mortgage-backed securities, collateralized mortgage obligations, corporate bonds, single-issuer trust preferred securities, and certain municipal bonds, all with varying contractual maturities. Our held-to-maturity debt securities consists of certain municipal bonds, agency obligations, mortgage-backed securities, U.S. treasury notes and corporate bonds while our trading portfolio, when active, typically consists of U.S. treasury notes, also with varying contractual maturities. However, these maturities do not necessarily represent the expected life of certain securities as the securities may be called or paid down without penalty prior to their stated maturities. The effective duration of our debt securities portfolio as of September 30, 2021, was approximately 4.8, 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 Asset and Liability Committee ("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 \$555.6 million and \$617.6 million in debt securities available-for-sale as of September 30, 2021 and December 31, 2020, respectively. The decrease of \$62.0 million was primarily attributable to the transfer of \$480.8 million fair value of agency mortgage-backed securities to held-to-maturity, sales of \$121.7 million, and prepayments, calls and maturities of \$51.8 million, net of purchases of \$595.6 million during the nine months ended September 30, 2021.

On a fair value basis, 23.8% of our available-for-sale debt securities as of September 30, 2021, were floating-rate securities, for which yields increase or decrease based on changes in market interest rates. As of December 31, 2020, floating-rate securities comprised 23.8% of our available-for-sale debt securities.

On a fair value basis, 27.2% of our available-for-sale debt securities as of September 30, 2021, were U.S. government and agency securities, which tend to have a lower risk profile than certain corporate bonds, single-issuer trust preferred securities, non-agency residential mortgage-backed securities, and municipal bonds, which comprised the remainder of the portfolio. As of December 31, 2020, agency securities comprised 71.4% of our available-for-sale debt securities. The decrease was due to the transfer of the agency mortgage-backed securities to held-to-maturity.

Held-to-Maturity Debt Securities. We held \$857.2 million and \$211.8 million in debt securities held-to-maturity as of September 30, 2021 and December 31, 2020, respectively. The increase of \$645.4 million was primarily attributable to the transfer of \$480.8 million of previously designated available-for-sale agency mortgage-backed securities to held-to-maturity designation and purchases of \$481.6 million, net of calls and maturities of \$308.0 million, during the nine months ended September 30, 2021. 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, net of allowance for credit losses, as of September 30, 2021 and December 31, 2020.

Trading Debt Securities. We held no trading debt securities as of September 30, 2021 and December 31, 2020.

Equity Securities. Chartwell launched a new mutual fund during the three months ended September 30, 2021. The Chartwell Short Duration Bond Fund is a short duration, fixed income fund that invests at least 75% of its net assets in investment grade short duration bonds and can allocate up to 25% of the fund to short duration high yield bonds. The fund is managed by a team of seven investment professionals that brings an average of 18 years of investment experience to the fund. TriState Capital Holdings, Inc. was one of the initial investors at the inception of the fund in the amount of \$5 million. As of September 30, 2021, equity securities, which are recorded at fair value, included only the investment in the Chartwell fund which was valued at \$5.0 million. The Company held no equity securities as of December 31, 2020.

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

<i>(Dollars in thousands)</i>	September 30, 2021				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Allowance for Credit Losses ⁽¹⁾	Estimated Fair Value
Debt securities available-for-sale:					
Corporate bonds	135,711	1,509	199	—	137,021
Non-agency residential mortgage-backed securities	244,744	1	1,057	—	243,688
Trust preferred securities	18,335	445	2	—	18,778
Agency collateralized mortgage obligations	17,495	63	—	—	17,558
Agency mortgage-backed securities	125,982	38	915	—	125,105
Agency debentures	7,600	688	—	—	8,288
Municipal bonds	5,197	—	26	—	5,171
Total debt securities available-for-sale	\$ 555,064	\$ 2,744	\$ 2,199	\$ —	\$ 555,609

⁽¹⁾ Available-for-sale debt securities are recorded on the consolidated statements of financial condition at estimated fair value, which includes allowance for credit losses, if applicable.

<i>(Dollars in thousands)</i>	September 30, 2021				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value	Allowance for Credit Losses ⁽¹⁾
Debt securities held-to-maturity:					
Corporate bonds	\$ 28,168	\$ 925	\$ 23	\$ 29,070	\$ 46
Agency debentures	37,199	659	228	37,630	—
Municipal bonds	1,270	2	—	1,272	—
Non-agency residential mortgage-backed securities	205,661	52	1,781	203,932	—
Agency mortgage-backed securities	545,877	638	7,108	539,407	—
U.S. treasury notes	39,073	—	564	38,509	—
Total debt securities held-to-maturity	\$ 857,248	\$ 2,276	\$ 9,704	\$ 849,820	\$ 46

⁽¹⁾ Held-to-maturity debt securities are recorded on the consolidated statements of financial condition at amortized cost, net of allowance for credit losses.

<i>(Dollars in thousands)</i>	December 31, 2020				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Allowance for Credit Losses ⁽¹⁾	Estimated Fair Value
Debt securities available-for-sale:					
Corporate bonds	\$ 157,452	\$ 1,538	\$ 526	\$ —	\$ 158,464
Trust preferred securities	18,228	57	198	—	18,087
Agency collateralized mortgage obligations	22,058	36	5	—	22,089
Agency mortgage-backed securities	406,741	3,595	209	—	410,127
Agency debentures	8,013	790	—	—	8,803
Total debt securities available-for-sale	612,492	6,016	938	—	617,570

⁽¹⁾ Available-for-sale debt securities are recorded on the consolidated statements of financial condition at estimated fair value, which includes allowance for credit losses, if applicable.

<i>(Dollars in thousands)</i>	December 31, 2020				
	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value	Allowance for Credit Losses ⁽¹⁾
Debt securities held-to-maturity:					
Corporate bonds	28,672	566	1	29,237	79
Agency debentures	48,130	1,051	—	49,181	—
Municipal bonds	6,577	45	—	6,622	—
Non-agency residential mortgage-backed securities	124,152	237	217	124,172	70
Agency mortgage-backed securities	4,309	778	—	5,087	—
Total debt securities held-to-maturity	211,840	2,677	218	214,299	149

⁽¹⁾ Held-to-maturity debt securities are recorded on the consolidated statements of financial condition at amortized cost, net of allowance for credit losses.

The changes in the fair values of our municipal bonds, agency debentures, agency collateralized mortgage obligations, agency mortgage-backed securities, and U.S. treasury notes are primarily the result of interest rate fluctuations. To assess for credit impairment on debt securities available-for-sale, 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, no allowance for credit losses has been recognized on debt securities available-for-sale in an unrealized loss position.

There were \$38.5 million of debt securities held-to-maturity that were pledged as collateral for certain deposit relationships as of September 30, 2021.

The following table sets forth the fair value, contractual maturities and approximated weighted average yield, calculated on a fully taxable equivalent basis, of our available-for-sale and held-to-maturity debt securities portfolios as of September 30, 2021, based on estimated annual income divided by the average amortized cost of these securities. Contractual maturities may differ from expected maturities because issuers and/or borrowers may have the right to call or prepay obligations with or without penalties, which would also impact the corresponding yield.

<i>(Dollars in thousands)</i>	September 30, 2021									
	Less Than One Year		One to Five Years		Five to 10 Years		Greater Than 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Debt securities available-for-sale:										
Corporate bonds	\$ 27,584	0.70 %	\$ 61,285	1.17 %	\$ 48,152	1.51 %	\$ —	— %	\$ 137,021	1.19 %
Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	243,688	2.19 %	243,688	2.19 %
Trust preferred securities	—	— %	—	— %	9,759	1.93 %	9,019	1.88 %	18,778	1.91 %
Agency collateralized mortgage obligations	—	— %	—	— %	—	— %	17,558	0.51 %	17,558	0.51 %
Agency mortgage-backed securities	—	— %	—	— %	—	— %	125,105	2.00 %	125,105	2.00 %
Agency debentures	—	— %	—	— %	—	— %	8,288	3.01 %	8,288	3.01 %
Municipal bonds	—	— %	—	— %	—	— %	5,171	1.71 %	5,171	1.71 %
Total debt securities available-for-sale	27,584		61,285		57,911		408,829		555,609	
Weighted average yield		0.70 %		1.17 %		1.58 %		2.06 %		1.85 %
Debt securities held-to-maturity:										
Corporate bonds	—	— %	15,664	5.37 %	13,406	4.96 %	—	— %	29,070	5.18 %
Agency debentures	—	— %	—	— %	29,772	1.25 %	7,858	3.09 %	37,630	1.61 %
Municipal bonds	861	2.59 %	411	2.66 %	—	— %	—	— %	1,272	2.61 %
Non-agency residential mortgage-backed securities	—	— %	—	— %	—	— %	203,932	2.00 %	203,932	2.00 %
Agency mortgage-backed securities	—	— %	—	— %	16,978	1.85 %	522,429	1.61 %	539,407	1.62 %
U.S. treasury notes	—	— %	—	— %	38,509	1.33 %	—	— %	38,509	1.33 %
Total debt securities held-to-maturity	861		16,075		98,665		734,219		849,820	
Weighted average yield		2.59 %		5.30 %		1.87 %		1.73 %		1.81 %
Total debt securities	\$ 28,445		\$ 77,360		\$ 156,576		\$ 1,143,048		\$ 1,405,429	
Weighted average yield		0.76 %		2.02 %		1.76 %		1.85 %		1.83 %

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

Assets Under Management

Chartwell's total assets under management of \$11.45 billion increased \$1.19 billion, or 11.6%, as of September 30, 2021, from \$10.26 billion as of December 31, 2020.

The following table shows the changes of our assets under management by investment style for the nine months ended September 30, 2021.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30, 2021				
	Beginning Balance	Inflows ⁽¹⁾	Outflows ⁽²⁾	Market Appreciation (Depreciation)	Ending Balance
Equity investment styles	\$ 4,042,000	\$ 363,000	\$ (811,000)	\$ 587,000	\$ 4,181,000
Fixed income investment styles	5,663,000	1,389,000	(379,000)	75,000	6,748,000
Balanced investment styles	558,000	38,000	(98,000)	27,000	525,000
Total assets under management	\$ 10,263,000	\$ 1,790,000	\$ (1,288,000)	\$ 689,000	\$ 11,454,000

⁽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 their fee structures and returns for their total cash position while enhancing our ability to obtain their full liquidity relationship and still meeting our cost of funds expectations, rather than the more traditional combination of separate non-interest bearing and interest-bearing accounts, which have reduced transparency and increased client burden.

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 \$2.45 billion as of September 30, 2021, an increase of \$994.4 million, or 68.2%, from December 31, 2020. Treasury management deposit accounts contributed to almost 45% of our total deposit growth for the nine months ended September 30, 2021. As of September 30, 2021, we had approximately 480 treasury management clients, the majority of which were payment processors, lending client-operating accounts, bankruptcy, and real estate accounts.

The table below depicts average balances of, and rates paid on, our deposit portfolio by major deposit category for the three months ended September 30, 2021 and 2020.

<i>(Dollars in thousands)</i>	Three Months Ended September 30,			
	2021		2020	
	Average Amount	Average Rate Paid ⁽¹⁾	Average Amount	Average Rate Paid ⁽¹⁾
Interest-bearing checking accounts	\$ 3,946,028	0.37 %	\$ 2,866,303	0.46 %
Money market deposit accounts	4,879,971	0.47 %	3,811,100	0.72 %
Certificates of deposit	899,855	0.44 %	1,121,824	1.30 %
Total average interest-bearing deposits	9,725,854	0.43 %	7,799,227	0.71 %
Noninterest-bearing deposits	528,897	—	407,079	—
Total average deposits	\$ 10,254,751	0.41 %	\$ 8,206,306	0.67 %

⁽¹⁾Annualized

Average Deposits for the Three Months Ended September 30, 2021 and 2020. For the three months ended September 30, 2021, our average total deposits were \$10.25 billion, representing an increase of \$2.05 billion, or 25.0%, from the same period in 2020. The average deposit growth was driven by increases in our interest-bearing checking account, money market deposit account and noninterest-bearing deposit account categories as we continue to attract clients to our treasury management business and grow our deposit product offerings. Our average cost of interest-bearing deposits decreased 28 basis points to 0.43% for the three months ended September 30, 2021, from 0.71% for the same period in 2020, as average rates paid were lower in all interest-bearing deposit categories, which was largely driven by the repricing of our deposits as a result of the continued low interest rate environment. Another driver of the combination of higher average deposits and lower rates is our continued addition of meaningful and long-term

client relationships that support our efforts to manage deposit costs through variable rate and discretionary pricing in the economic environment. Average interest-bearing checking accounts increased to 40.6% of total average interest-bearing deposits for the three months ended September 30, 2021, compared to 36.8% for the same period in 2020. Average money market deposits increased to 50.1% of total average interest-bearing deposits for the three months ended September 30, 2021, from 48.8% for the same period in 2020. Average certificates of deposit decreased to 9.3% of total average interest-bearing deposits for the three months ended September 30, 2021, compared to 14.4% for the same period in 2020. Average noninterest-bearing deposits increased \$121.8 million, or 29.9%, in the three months ended September 30, 2021, from the three months ended September 30, 2020, and the average cost of total deposits decreased 26 basis points to 0.41% for the three months ended September 30, 2021, from 0.67% for the same period in 2020.

The table below depicts average balances of, and rates paid on, our deposit portfolio by deposit type for the nine months ended September 30, 2021 and 2020.

<i>(Dollars in thousands)</i>	Nine Months Ended September 30,			
	2021		2020	
	Average Amount	Average Rate Paid ⁽¹⁾	Average Amount	Average Rate Paid ⁽¹⁾
Interest-bearing checking accounts	\$ 3,624,587	0.36 %	\$ 2,224,827	0.67 %
Money market deposit accounts	4,516,081	0.51 %	3,740,968	1.03 %
Certificates of deposit	947,127	0.60 %	1,297,637	1.74 %
Total average interest-bearing deposits	9,087,795	0.46 %	7,263,432	1.05 %
Noninterest-bearing deposits	471,727	—	391,689	—
Total average deposits	\$ 9,559,522	0.44 %	\$ 7,655,121	1.00 %

⁽¹⁾ Annualized

Average Deposits for the Nine Months Ended September 30, 2021 and 2020. For the nine months ended September 30, 2021, our average total deposits were \$9.56 billion, representing an increase of \$1.90 billion, or 24.9%, from the same period in 2020. The average deposit growth was driven by increases in our interest-bearing checking account, money market deposit account and noninterest-bearing deposit account categories as we continue to attract clients to our treasury management business and grow our deposit product offerings. Our average cost of interest-bearing deposits decreased 59 basis points to 0.46% for the nine months ended September 30, 2021, from 1.05% for the same period in 2020, as average rates paid were lower in all interest-bearing deposit categories, which was largely driven by the repricing of our deposits as a result of the continued low interest rate environment. Another driver of the combination of higher average deposits and lower rates is our continued addition of meaningful and long-term client relationships that support our efforts to manage deposit costs through variable rate and discretionary pricing in the economic environment. Average interest-bearing checking accounts increased to 39.9% of total average interest-bearing deposits for the nine months ended September 30, 2021, compared to 30.6% for the same period in 2020. Average money market deposits decreased to 49.7% of total average interest-bearing deposits for the nine months ended September 30, 2021, from 51.5% for the same period in 2020. Average certificates of deposit decreased to 10.4% of total average interest-bearing deposits for the nine months ended September 30, 2021, compared to 17.9% for the same period in 2020. Average noninterest-bearing deposits increased \$80.0 million, or 20.4%, in the nine months ended September 30, 2021, from the nine months ended September 30, 2020, and the average cost of total deposits decreased 56 basis points to 0.44% for the nine months ended September 30, 2021, from 1.00% for the same period in 2020.

Certificates of Deposit

Maturities of certificates of deposit of \$100,000 or more outstanding are summarized below, as of September 30, 2021.

<i>(Dollars in thousands)</i>	September 30, 2021
Months to maturity:	
Three months or less	\$ 261,107
Over three to six months	191,501
Over six to 12 months	243,577
Over 12 months	111,822
Total	\$ 808,007

Reciprocal and Brokered Deposits

As of September 30, 2021, we consider approximately 90% of our total deposits to be relationship-based deposits, which include reciprocal certificates of deposit placed through CDARS® and reciprocal demand deposits placed through ICS®. As of September 30, 2021, the Bank had CDARS® and ICS® reciprocal deposits totaling \$2.09 billion, which were not classified as brokered deposits. We continue to utilize brokered deposits as a tool for us to manage our cost of funds and to efficiently match changes in our liquidity needs based on our loan growth with our deposit balances. As of September 30, 2021, brokered deposits were approximately 10% 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 for the Bank, we may obtain advances from the FHLB of Pittsburgh, sell investment securities subject to our obligation to repurchase them, purchase federal funds or engage in overnight borrowings from the FHLB or our correspondent banks.

The following table presents certain information with respect to our outstanding borrowings, as of September 30, 2021 and December 31, 2020.

(Dollars in thousands)	September 30, 2021					December 31, 2020				
	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	\$ 250,000	0.30%	\$ 250,000	\$ 251,557	3 months	\$ 300,000	0.35%	\$ 480,000	\$ 330,314	3 months
Line of credit borrowings	10,000	4.00%	10,000	1,769	12 months	5,000	4.25%	30,000	6,243	12 months
Subordinated notes payable	97,500	5.75%	97,500	97,500	10 years	97,500	5.75%	97,500	60,246	10 years
Total borrowings outstanding	\$ 357,500	1.89%	\$ 357,500	\$ 350,826		\$ 402,500	1.71%	\$ 607,500	\$ 396,803	

In 2020, the Company completed underwritten public offerings of subordinated notes due 2030, raising aggregate proceeds of \$97.5 million. The subordinated notes have a term of 10 years at a fixed-to-floating rate of 5.75%. The subordinated notes constitute Tier 2 capital for the Company under federal regulatory capital rules.

The Company previously entered into cash flow hedge transactions to establish the interest rate paid on \$250.0 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 September 30, 2021, 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 Chartwell, availability on our line of credit, and the net proceeds from the issuance of our debt and/or equity securities. As of September 30, 2021, our primary liquidity needs at the parent company level were the quarterly dividends on our preferred stock, interest payments on our subordinated debt and other borrowings, and share repurchase programs. All other liquidity needs were minimal and related to reimbursing the Bank for management, accounting and financial reporting services provided by Bank personnel. During the nine months ended September 30, 2021, the parent company paid \$5.9 million related to our preferred stock dividends and \$2.9 million related to interest payments on our subordinated notes payable and other borrowings. During the nine months ended September 30, 2020, the parent company paid \$3.2 million related to our share repurchase and stock option cancellation program, \$5.9 million related to our preferred stock dividends and \$261,000 related to interest payments on our other borrowings. We believe that our cash on hand at the parent company level, coupled with the dividend paying capacity of the Bank and Chartwell, were adequate to fund any foreseeable parent company obligations as of September 30, 2021. In addition, we maintain an unsecured line of credit with Huntington National Bank. As of September 30, 2021, the unsecured line was \$75.0 million, of which \$65.0 million was available for borrowing.

Our primary 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 stress 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.

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 88.5% and 85.8% as of September 30, 2021 and December 31, 2020, respectively. Our ratio of average deposits to average assets increased to 87.6% for the nine months ended September 30, 2021, from 85.9% for the same period in 2020. As of September 30, 2021, we had available liquidity of \$2.59 billion, or 21.3% of total assets. These sources consisted of available cash totaling \$370.2 million, unpledged investment securities totaling \$1.34 billion, or 11.0% of total assets, and the ability to borrow from the FHLB and correspondent bank lines totaling \$882.2 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:

<i>(Dollars in thousands)</i>	September 30, 2021	December 31, 2020
Available cash	\$ 370,206	\$ 271,090
Certain unpledged debt and equity securities	1,341,578	793,658
Net borrowing capacity	882,176	704,082
Total liquidity	\$ 2,593,960	\$ 1,768,830

Investing activities resulted in a net cash outflow of \$2.26 billion for the nine months ended September 30, 2021, as compared to a net cash outflow of \$1.44 billion for the same period in 2020. The outflows for the nine months ended September 30, 2021, were primarily due to net loan growth of \$1.64 billion and purchases of investment securities totaling \$1.07 billion, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling \$481.5 million. The outflows for the nine months ended September 30, 2020, included net loan growth of \$1.08 billion and purchases of investment securities totaling \$904.0 million, partially offset by the proceeds from the sale, principal repayments and maturities from investment securities totaling \$543.1 million.

Financing activities resulted in a net inflow of \$2.21 billion for the nine months ended September 30, 2021, compared to a net inflow of \$1.58 billion for the same period in 2020. The inflows for the nine months ended September 30, 2021, were primarily a result of a net increase in deposits of \$2.27 billion, partially offset by a net decrease in FHLB borrowings of \$50.0 million. The inflows for the nine months ended September 30, 2020, included a net increase in deposits of \$1.55 billion and net proceeds of \$95.3 million from the issuance of subordinated notes payable, partially offset by a net decrease in FHLB borrowings of \$55.0 million.

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 assessment of capital adequacy depends on a number of factors, including loan composition, 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 \$814.0 million as of September 30, 2021, compared to \$757.1 million as of December 31, 2020. The \$56.9 million increase during the nine months ended September 30, 2021, was primarily attributable to net income of \$55.0 million, \$8.2 million in stock-based compensation and \$1.2 million in other comprehensive income, partially offset by preferred stock dividends of \$5.9 million and an increase of \$2.0 million in treasury stock related to the net settlement of equity awards exercised or vested.

On December 30, 2020, the Company completed the private placement of securities pursuant to an Investment Agreement, dated October 10, 2020 and amended December 9, 2020, with T-VIII PubOpps LP ("T-VIII PubOpps"), an affiliate of investment funds managed by Stone Point Capital LLC. Pursuant to the Investment Agreement, the Company sold to T-VIII PubOpps (i) 2,770,083 shares of voting common stock for \$40.0 million, (ii) 650 shares of Series C Preferred Stock for \$65.0 million, and (iii) warrants to purchase up to 922,438 shares of voting common stock or non-voting common stock at an exercise price of \$17.50 per share. After two years, the Series C Preferred Stock is convertible into shares of non-voting common stock or, when transferred under certain limited circumstances to a holder other than an affiliate of Stone Point Capital LLC, voting common stock, at a price of \$13.75 per share. The Series C Preferred Stock has a liquidation preference of \$100,000 per share, and is entitled to receive, when, as and if declared by the Board of Directors of the Company ("Board"), dividends at a rate of 6.75% per annum for each quarterly dividend period, payable in arrears in cash or additional shares of Series C Preferred Stock. The Company does not have redemption rights with respect to the Series C Preferred Stock.

The Company received gross proceeds of \$105.0 million at the closing of the private placement, and may receive up to an additional \$16.1 million if the warrants are exercised in full. The net proceeds were recorded to shareholders' equity at December 31, 2020, and allocated to the three equity instruments issued using the relative fair value method applied to the common stock, preferred stock, and the warrants issued, which were recorded to additional paid-in capital. The net proceeds constitute Tier 1 capital for the Company under federal regulatory capital rules.

Regulatory Capital. As of September 30, 2021 and December 31, 2020, 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 capital conservation buffer requirement is a CET 1 capital to risk-weighted assets ratio of 2.5% or more, in addition to the minimum risk-based capital adequacy levels shown in the tables below. As of September 30, 2021 and December 31, 2020, both the Company and the Bank were above the capital conservation buffer levels required to avoid limitations on capital distributions and discretionary bonus payments.

In 2020, U.S. federal regulatory authorities issued a final rule that provides banking organizations that adopt CECL during the 2020 calendar year with the option to delay the impact of CECL on regulatory capital for up to two years, beginning January 1, 2020, followed by a three-year transition period. As the Company adopted CECL on December 31, 2020, the Company elected to utilize the remainder of the two-year delay of CECL's impact on its regulatory capital, from December 31, 2020 through December 31, 2021, followed by the three-year transition period of CECL impact on regulatory capital, from January 1, 2022 through December 31, 2024.

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

September 30, 2021						
<i>(Dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 889,197	13.71 %	\$ 518,882	8.00 %	N/A	N/A
Bank	\$ 864,503	13.38 %	\$ 516,720	8.00 %	\$ 645,900	10.00 %
Tier 1 risk-based capital ratio						
Company	\$ 764,932	11.79 %	\$ 389,162	6.00 %	N/A	N/A
Bank	\$ 835,892	12.94 %	\$ 387,540	6.00 %	\$ 516,720	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	\$ 584,489	9.01 %	\$ 291,871	4.50 %	N/A	N/A
Bank	\$ 835,892	12.94 %	\$ 290,655	4.50 %	\$ 419,835	6.50 %
Tier 1 leverage ratio						
Company	\$ 764,932	6.61 %	\$ 462,757	4.00 %	N/A	N/A
Bank	\$ 835,892	7.24 %	\$ 461,884	4.00 %	\$ 577,355	5.00 %

December 31, 2020						
<i>(Dollars in thousands)</i>	Actual		For Capital Adequacy Purposes		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total risk-based capital ratio						
Company	\$ 833,819	14.12 %	\$ 472,267	8.00 %	N/A	N/A
Bank	\$ 789,273	13.41 %	\$ 470,820	8.00 %	\$ 588,525	10.00 %
Tier 1 risk-based capital ratio						
Company	\$ 707,711	11.99 %	\$ 354,200	6.00 %	N/A	N/A
Bank	\$ 758,658	12.89 %	\$ 353,115	6.00 %	\$ 470,820	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	\$ 530,568	8.99 %	\$ 265,650	4.50 %	N/A	N/A
Bank	\$ 758,658	12.89 %	\$ 264,836	4.50 %	\$ 382,542	6.50 %
Tier 1 leverage ratio						
Company	\$ 707,711	7.29 %	\$ 388,408	4.00 %	N/A	N/A
Bank	\$ 758,658	7.83 %	\$ 387,626	4.00 %	\$ 484,533	5.00 %

Contractual Obligations and Commitments

There were no material changes to contractual obligations during the nine months ended September 30, 2021, that were outside the ordinary course of business. During the three months ended September 30, 2021, the Company entered into two new operating leases in the ordinary course of business: one for additional office space in Pittsburgh and the other to replace its office space in New York City.

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.

Unfunded loan commitments and demand line of credit availability, 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. Our measure of unfunded loan commitments and demand line of credit availability include unused availability under demand loans for our private banking lines secured by cash, marketable securities and/or cash value life insurance,

as well as commitments to fund loans secured by residential properties, 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 and we continuously monitor utilization of our unfunded lines of credit and on both commercial and private banking loans. We believe that we maintain sufficient liquidity or otherwise have the ability to generate the liquidity necessary to fund anticipated draws under unused loan commitments and demand lines of credit.

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 and unfunded demand lines 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 under certain contractual agreements, 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 demand lines of credit availability as well as standby letters of credit commitments, based on the values of eligible collateral or other terms under the loan agreement, by contractual maturities outstanding as of the date indicated.

<i>(Dollars in thousands)</i>	September 30, 2021					
	Due on Demand	One Year or Less	One to Three Years	Three to Five Years	Greater Than Five Years	Total
Unused loan commitments and demand lines of credit	\$ 8,026,145	\$ 642,833	\$ 554,433	\$ 133,458	\$ 31,181	\$ 9,388,050
Standby letters of credit	700	41,062	18,740	2,585	48	63,135
Total off-balance sheet arrangements	\$ 8,026,845	\$ 683,895	\$ 573,173	\$ 136,043	\$ 31,229	\$ 9,451,185

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.

<i>(Dollars in thousands)</i>	September 30, 2021		December 31, 2020	
	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	\$ 12,913	6.29 %	\$ 31,178	18.47 %
+200	\$ (661)	(0.32)%	\$ 13,176	7.81 %
+100	\$ (14,044)	(6.84)%	\$ (4,648)	(2.75)%
-100	\$ (3,451)	(1.68)%	\$ (3,041)	(1.80)%
Economic value of equity:				
+300	\$ (193,487)	(25.17)%	\$ (56,573)	(7.66)%
+200	\$ (134,259)	(17.47)%	\$ (42,325)	(5.73)%
+100	\$ (79,725)	(10.37)%	\$ (31,120)	(4.22)%
-100	\$ 80,760	10.51 %	\$ 14,471	1.96 %

Our means of managing interest rate risk over the longer term include our focus on growing the low-cost deposit balances associated with our treasury management services, controlled adjustments within our discretionary priced accounts to respond to rising rates, and our future ability to extend duration in liabilities, especially with rates at historically low levels across the yield curve. Additionally, while we will continue to implement floors on most new loan originations, our pricing strategy has transitioned to emphasizing loan spread as the primary tool to achieve yield and implementing lower levels of floors, which will reduce our liability sensitivity over time. 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. Beginning with the September 30, 2021, period shown above, we have begun to incorporate the impact of a pricing lag to certain components of our deposit portfolio as interest rates rise. This methodology revision was replicated in and applied to our December 31, 2020, interest rate risk analysis to provide a consistent comparison between the two periods. In past periods, we had incorporated no lag to deposit pricing in rising rate scenarios. The liability sensitivity demonstrated in our NII scenarios extends from the inclusion of floors in our loans and from the extension of duration in our securities portfolio. We have pursued this strategy because of the material benefit provided by those floors and that duration extension in the base case.

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

(Dollars in thousands)	September 30, 2021								Total Balance
	Less Than 90 Days	91 to 180 Days	181 to 365 Days	One to Three Years	Three to Five Years	Greater Than Five Years	Non-Sensitive		
Assets:									
Interest-earning deposits	\$ 462,239	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 462,239
Federal funds sold	7,352	—	—	—	—	—	—	—	7,352
Total investment securities	234,728	63,068	85,770	298,365	214,418	531,071	2,193		1,429,613
Total loans and leases	9,408,351	46,898	91,059	217,426	59,920	21,750	23,607		9,869,011
Other assets	—	—	—	—	—	—	390,653		390,653
Total assets	\$ 10,112,670	\$ 109,966	\$ 176,829	\$ 515,791	\$ 274,338	\$ 552,821	\$ 416,453		\$ 12,158,868
Liabilities:									
Transaction deposits	\$ 8,735,770	\$ 156,204	\$ 60,977	\$ 325,000	\$ —	\$ —	\$ 593,342		\$ 9,871,293
Certificates of deposit	306,587	204,024	245,962	128,275	—	—	—		884,848
Borrowings, net	10,000	—	50,000	100,000	195,654	—	—		355,654
Other liabilities	—	—	—	—	—	—	233,035		233,035
Total liabilities	9,052,357	360,228	356,939	553,275	195,654	—	826,377		11,344,830
Equity	—	—	—	—	—	—	814,038		814,038
Total liabilities and equity	\$ 9,052,357	\$ 360,228	\$ 356,939	\$ 553,275	\$ 195,654	\$ —	\$ 1,640,415		\$ 12,158,868
Interest rate sensitivity gap	\$ 1,060,313	\$ (250,262)	\$ (180,110)	\$ (37,484)	\$ 78,684	\$ 552,821	\$ (1,223,962)		
Cumulative interest rate sensitivity gap	\$ 1,060,313	\$ 810,051	\$ 629,941	\$ 592,457	\$ 671,141	\$ 1,223,962			
Cumulative interest rate sensitive assets to rate sensitive liabilities	111.7 %	108.6 %	106.4 %	105.7 %	106.4 %	111.6 %	107.2 %		
Cumulative gap to total assets	8.7 %	6.7 %	5.2 %	4.9 %	5.5 %	10.1 %			

The cumulative 12-month ratio of interest rate sensitive assets to interest rate sensitive liabilities decreased to 106.4% as of September 30, 2021, from 116.9% as of December 31, 2020.

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. During the life of these transactions, they have the effect on our gap analysis of moving \$250.0 million of borrowings from the less than 90 days re-pricing category to the 181 to 365 days and longer re-pricing categories. Of the \$250.0 million, \$50.0 million was moved to the 181 to 365 days re-pricing category, \$100.0 million was moved to the one to three years re-pricing category and \$100.0 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. 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.

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, 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.

LIBOR Transition

On March 5, 2021, the United Kingdom’s Financial Conduct Authority (the “FCA”), which regulates the London Interbank Offered Rate (“LIBOR”), confirmed that the publication of most LIBOR term rates will end on June 30, 2023, (excluding 1-week U.S. LIBOR and 2-month U.S. LIBOR, the publication of which will end on December 31, 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 the Company. The Company’s commercial and consumer businesses issue, trade and hold various products that are currently indexed to LIBOR. As of September 30, 2021, the Company had a material amount of loans, investment securities, 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 and compliance risks to financial markets and institutions, including 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, although the ARRC has not proposed that SOFR be required. The selection of SOFR as the alternative reference rate currently presents certain market concerns because it is a risk-free rate, while LIBOR incorporates credit risk, and because the methodology for the proposed term structure for SOFR differs from the LIBOR framework. The federal banking agencies are not requiring SOFR as the replacement rate. On April 6, 2021, New York Governor Cuomo signed into law legislation that provides for the substitution of SOFR as an alternative reference rate in any LIBOR-based contract governed by New York state law that does not include clear fallback language, once LIBOR is discontinued.

The ARRC has released final recommended fallback contract language for new issuances of LIBOR-indexed bilateral business loans, syndicated loans, floating rate notes, securitizations and adjustable-rate mortgage loans, and it continues to develop other LIBOR transition guidance. The International Swaps and Derivatives Association, Inc. (“ISDA”) has announced protocol for the transition of derivative instruments away from LIBOR. The process for modification of legacy contracts that do not provide for a permanent transition from LIBOR remains a work in progress.

Due to the uncertainty surrounding the future of LIBOR, it is expected that the transition will span several reporting periods through the end of LIBOR publication in June 2023. The federal banking agencies have continued to encourage banks to transition away from LIBOR as soon as practicable but no later than December 31, 2021 and have stated that an institution’s LIBOR transition plans are an examination priority. One of the major identified risks is inadequate fallback language in various instruments’ 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: (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; (3) implemented more robust fallback contract language; and (4) implemented a plan to adhere to the ISDA protocol for the transition of derivatives away from LIBOR. 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 the Company’s Annual Report on Form 10-K filed with the SEC on February 25, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company’s management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2021. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to the Company’s management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were effective as of September 30, 2021.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. During the three months ended September 30, 2021, 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, 2020, previously filed with the SEC, except for the risk factors included below:

In December 2020, the FDIC issued a final rule aimed to clarify and modernize the FDIC's existing regulatory framework for brokered deposits.

The final brokered deposits rule sets forth a new framework for analyzing whether certain deposit arrangements qualify as brokered deposits. Among other things, the final rule establishes bright-line standards for determining whether an entity meets the definition of a "deposit broker," and identifies a number of designated business relationships that automatically meet the "primary purpose" exception to this definition. The final rule was effective as of April 1, 2021, and has an extended compliance date of January 1, 2022, for institutions relying on previous FDIC staff opinions, such as the Bank. The final rule, and any interpretation of it by the FDIC, could have a material adverse effect on our business and could have an impact on the Bank's deposit premiums, capital and liquidity risk management planning, and regulatory monitoring and reporting obligations. The Bank currently is evaluating the potential effects of the final rule on our business and we cannot at this time predict these effects, including the extent to which the final rule will affect our deposit classifications.

COVID-19 and the impact of actions to mitigate it could have an adverse effect on our business, financial condition and results of operations, and such effects will depend on future developments, which are highly uncertain and are difficult to predict.

Federal, state and local governments have enacted various restrictions in an attempt to limit the spread of COVID-19, 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 stay at home orders. Such measures have disrupted economic activity and contributed to job losses and reductions in consumer and business spending. In response to the economic and financial effects of COVID-19, the Federal Reserve has sharply reduced interest rates and instituted quantitative easing measures, as well as domestic and global capital market support programs. In addition, the President's Administration, Congress, various federal agencies and state governments have taken measures to address the economic and social consequences of the pandemic, including the passage of the CARES Act. The CARES Act, among other things, provides certain measures to support individuals and businesses in maintaining solvency through monetary relief, including in the form of financing, loan forgiveness and automatic forbearance. The full impact on our business activities as a result of new government and regulatory policies, programs and guidelines, as well as regulators' reactions to such activities, remains uncertain.

The economic effects of the COVID-19 pandemic 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 caused increased market volatility and led to an economic recession (including uncertainty regarding the impacts of a resurgence of COVID-19 infections, including new strains of the virus, as well as a significant decrease in consumer confidence and business generally). The continuation of these conditions, the impacts of the CARES Act, and other federal and state measures, specifically with respect to loan forbearances, have adversely impacted our businesses and results of operations and the business and operations of at least some of our borrowers, customers and business partners and these impacts may be material. In particular, even as COVID-19 vaccines become widely available, these events have had, and/or can be expected to continue to have, the following effects, 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 credit losses on loans and leases;
- 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;
- result in increased compliance risk as we become subject to new regulatory and other requirements associated with any government stimulus new programs in which we participated;
- 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, and other operational risks, 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. 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, nor the pace of the economic recovery when the COVID-19 pandemic subsides. The decline in economic conditions generally and a prolonged negative impact on middle market businesses, in particular, due to COVID-19 is likely to result in a material adverse effect to our business, financial condition and results of operations in future period.

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, 2020.

The intention of the United Kingdom’s FCA to cease support of LIBOR by June 30, 2023, could negatively affect the fair value of our financial assets and liabilities, results of operations and net worth. A transition to an alternative reference interest rate could present operational problems and result in market disruption, including inconsistent approaches for different financial products, as well as disagreements with counterparties.

Although the publication of most LIBOR rates will cease on June 30, 2023, (excluding 1-week U.S. LIBOR and 2-month U.S. LIBOR, the publication of which will end on December 31, 2021), we cannot predict exactly when the capital and debt markets will cease to use LIBOR as a benchmark, whether SOFR will become the market benchmark in its place or what impact such a transition may have on our business, results of operations and financial condition.

The selection of SOFR as the alternative reference rate for these products currently presents certain market concerns because SOFR (unlike LIBOR) does not have an inherent term structure. A methodology has been developed to calculate SOFR-based term rates, and the Federal Reserve Bank of New York has published such rates daily since early 2020. However, the methodology has not been tested for an extended period of time, which may limit market acceptance of the use of SOFR. In addition, SOFR may not be a suitable alternative to LIBOR for all of our financial products, and it is uncertain what other rates might be appropriate for that purpose. It is uncertain whether these other indices will remain acceptable alternatives for such products. The replacement of LIBOR also may result in economic mismatches between different categories of instruments that now consistently rely on the LIBOR benchmark.

We have a significant number of financial products, including loans, mortgage-related securities, other debt securities and derivatives, that are tied to LIBOR, and we continue to enter into transactions involving such products that will mature after 2021. Inconsistent approaches to a transition from LIBOR to an alternative rate among different market participants and for different financial products may cause market disruption and operational problems, which could adversely affect us, including by exposing us to increased basis risk and resulting costs in connection with this risk, and by creating the possibility of disagreements with counterparties.

Risks Relating to the Proposed Acquisition of the Company by Raymond James

Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.

Before the transactions contemplated by the Agreement and Plan of Merger, dated as of October 20, 2021, among the Company, Raymond James Financial, Inc. (“Raymond James”), Macaroon One LLC and Macaroon Two LLC (the “Merger Agreement”), including the acquisition of the Company by Raymond James (the “Acquisition”), may be completed, various approvals must be

obtained from regulatory authorities. In determining whether to grant these approvals, the applicable regulatory authorities consider a variety of factors, including the competitive impact of the proposal in the relevant geographic markets; financial, managerial and other supervisory considerations of each party; convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries under the Community Reinvestment Act of 1977 and the regulations promulgated thereunder; effectiveness of the parties in combating money laundering activities; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the mergers that are not anticipated or cannot be met. If the consummation of the Acquisition is delayed, including by a delay in receipt of necessary regulatory approvals, the business, financial condition and results of operations of each company may be materially and adversely affected. Additionally, conditions that the regulatory authorities may impose in connection with the Acquisition could have the effect of delaying completion of the Acquisition or of imposing additional costs or limitations on the combined company following the Acquisition. Such conditions may constitute a burdensome condition that may allow Raymond James to terminate the Merger Agreement on or after June 30, 2022.

Failure of the Acquisition to be completed, the termination of the Merger Agreement or a significant delay in the consummation of the Acquisition could negatively impact us.

The Merger Agreement is subject to a number of conditions that must be fulfilled in order to complete the Acquisition, including approval of the Acquisition by the affirmative vote of a majority of the votes entitled to be cast by holders of our common stock. These conditions to the consummation of the Acquisition may not be fulfilled and, accordingly, the Acquisition may not be completed or significantly delayed. In addition, if the Merger is not completed by October 20, 2022, either Raymond James or we may choose to terminate the Merger Agreement at any time after that date. Furthermore, the consummation of the Acquisition may be significantly delayed due to various factors, including potential litigation related to the Acquisition.

If the Acquisition is not consummated or is significantly delayed, our ongoing business, financial condition and results of operations may be materially adversely affected, and the market price of our common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the Acquisition will be consummated. If the consummation of the Acquisition is delayed, including by the receipt of a competing acquisition proposal, our business, financial condition and results of operations may be materially adversely affected.

In addition, we have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement. If the Acquisition is not completed or is significantly delayed, we would have to recognize these expenses without realizing the expected benefits of the Acquisition. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the Acquisition, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on our ability to make significant changes to our ongoing business during the pendency of the Acquisition, could have a material adverse effect on our business, financial condition and results of operations.

Additionally, our business may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the Acquisition, without realizing any of the anticipated benefits of completing the Acquisition, and the market price of our common stock might decline to the extent that the current market price reflects a market assumption that the Acquisition will be completed. If the Merger Agreement is terminated and a party's board of directors seeks another merger or business combination, our stockholders cannot be certain that we will be able to find a party willing to engage in a transaction on more attractive terms than the Acquisition.

We will be subject to business uncertainties and contractual restrictions while the Acquisition is pending.

Uncertainty about the effect of the Acquisition on employees, customers (including depositors and borrowers), counterparties, suppliers and vendors may have an adverse effect on our business, financial condition and results of operations. These uncertainties may impair our ability to attract, retain and motivate key personnel and customers pending the consummation of the Acquisition, as such personnel and customers may experience uncertainty about their future roles and relationships following the consummation of the Acquisition. Additionally, these uncertainties could cause our customers, counterparties, suppliers, vendors and others with whom we deal to seek to change, or fail to extend, existing business relationships with us. In addition, competitors may target our existing customers by highlighting potential uncertainties and integration difficulties that may result from the Acquisition.

The pursuit of the Acquisition and the preparation for the integration may place a burden on our management and internal resources. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on each company's business, financial condition and results of operations.

In addition, the Merger Agreement restricts us from taking certain actions without Raymond James' consent while the Acquisition is pending. If the Acquisition is not completed, these restrictions could have a material adverse effect on our business, financial condition and results of operations.

Litigation against us or Raymond James, or the members of our or Raymond James' board of directors, could prevent or delay the completion of the Acquisition.

The results of any potential legal claims that may be asserted by purported stockholder plaintiffs related to the Acquisition are difficult to predict and could delay or prevent the Acquisition from being completed in a timely manner. Moreover, any litigation could be time consuming and expensive for the parties and could divert our and Raymond James' management's attention away from their regular business. Any lawsuit adversely resolved against us, Raymond James or members of our or Raymond James' board of directors could have a material adverse effect on each party's business, financial condition and results of operations.

One of the conditions to the consummation of the Acquisition is the absence of any order, injunction, law, regulation or other legal restraints preventing, prohibiting or making illegal the completion of the Acquisition or any other transactions contemplated by the Merger Agreement. Consequently, if a settlement or other resolution is not reached in any lawsuit that is filed or any regulatory proceeding and a claimant secures injunctive or other relief or a regulatory authority issues an order or other directive having the effect of making the Acquisition illegal or otherwise prohibiting consummation of the Acquisition, then such injunctive or other relief may prevent the Acquisition from becoming effective in a timely manner or at all.

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Company and Affiliated Purchasers

The table below sets forth information regarding the Company's purchases of its common stock during its fiscal quarter ended September 30, 2021:

	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⁾
July 1, 2021 - July 31, 2021	20,205	\$ 20.64	—	\$ 7,273,785
August 1, 2021 - August 31, 2021	427	20.38	—	7,273,785
September 1, 2021 - September 30, 2021	1,759	20.04	—	7,273,785
Total	22,391	\$ 20.59	—	\$ 7,273,785

⁽¹⁾ There were 22,391 shares of treasury stock acquired in connection with the net settlement of equity awards exercised or vested 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

<u>Exhibit No.</u>	<u>Description</u>
2.1	<u>Agreement and Plan of Merger, dated October 20, 2021, among Raymond James Financial, Inc., Macaroon One LLC, Macaroon Two LLC and TriState Capital Holdings, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed with the SEC on October 27, 2021).</u>
10.1	<u>Support Agreement, dated October 20, 2021, by and among James F. Getz, Brian S. Fetterolf, Raymond James Financial, Inc., Macaroon One LLC and, solely for purposes of the last sentence of Section 9 thereof, TriState Capital Holdings, Inc. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed with the SEC on October 27, 2021).</u>
10.2	<u>Support Agreement, dated October 20, 2021, by and among T-VIII PubOpps LP, Raymond James Financial, Inc., Macaroon One LLC and, solely for purposes of the last sentence of Section 9 and Section 10(c) thereof, TriState Capital Holdings, Inc. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed with the SEC on October 27, 2021).</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
32	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
101	The following materials from TriState Capital Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2021, 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, (vi) the Notes to Unaudited Condensed Consolidated Financial Statements, and (vii) the Cover Page, furnished herewith.*
104	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101).

* This information is deemed furnished, not filed.

SIGNATURES

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

TRISTATE CAPITAL HOLDINGS, INC.

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

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

Date: November 5, 2021

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

I, James F. Getz, certify that:

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

By:

/s/ James F. Getz

James F. Getz

Chairman, President and Chief Executive Officer

Dated: November 5, 2021

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

I, David J. Demas, certify that:

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

By:

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

Dated: November 5, 2021

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

Pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of TriState Capital Holdings, Inc. hereby certify that the Quarterly Report of TriState Capital Holdings, Inc. on Form 10-Q for the quarterly period ended September 30, 2021 (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of TriState Capital Holdings, Inc.

By:

/s/ James F. Getz

James F. Getz

Chairman, President and Chief Executive Officer

Dated: November 5, 2021

By:

/s/ David J. Demas

David J. Demas

Chief Financial Officer

Dated: November 5, 2021