TriState Capital Holdings, Inc.
Form 10-Q
October 31, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the period ended September 30, 2014
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission file number: 001-35913

TRISTATE CAPITAL HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	20-4929029
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Oxford Centre
301 Grant Street, Suite 2700
Pittsburgh, Pennsylvania 15219
(Address of principal executive offices)
(Zip Code)
(412) 304-0304
(Registrant's telephone number, including area code)

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. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨		Accelerated filer	ý
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

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

As of October 15, 2014, there were 28,712,779 shares of the registrant's common stock, no par value, outstanding.

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TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARY

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Dollars in thousands)	September 30, 2014	December 31, 2013
ASSETS		
Cash	$996	$947
Interest-earning deposits with other institutions	93,398	139,799
Federal funds sold	4,739	5,812
Cash and cash equivalents	99,133	146,558
Investment securities available-for-sale, at fair value (cost: $178,200 and $204,907, respectively)	178,385	202,581
Investment securities held-to-maturity, at cost (fair value: $47,398 and $24,457, respectively)	47,124	25,263
Total investment securities	225,509	227,844
Loans held-for-investment	2,296,507	1,860,775
Allowance for loan losses	(22,376)	(18,996)
Loans receivable, net	2,274,131	1,841,779
Accrued interest receivable	6,113	6,180
Investment management fees receivable	6,387	—
Federal Home Loan Bank stock	7,854	2,336
Goodwill and other intangibles, net	52,719	—
Office properties and equipment, net	4,181	4,275
Bank owned life insurance	52,923	41,882
Deferred tax asset, net	10,744	10,595
Prepaid expenses and other assets	14,599	9,060
Total assets	$2,754,293	$2,290,509
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Liabilities:		
Deposits	$2,244,324	$1,961,705
Borrowings	165,000	20,000
Accrued interest payable on deposits and borrowings	618	521
Other accrued expenses and other liabilities	36,992	14,338
Total liabilities	2,446,934	1,996,564
Shareholders’ Equity:		
Common stock, no par value; 45,000,000 shares authorized; 28,712,779 shares issued and outstanding and 28,690,279 shares issued and outstanding, respectively	280,895	280,531
Additional paid-in capital	9,020	8,471
Retained earnings	17,523	6,687
Accumulated other comprehensive income (loss), net	(79)	(1,744)
Total shareholders’ equity	307,359	293,945

Total liabilities and shareholders’ equity	$2,754,293	$2,290,509

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	2014	2013	2014	2013
Interest income:				
Loans	$18,769	$17,252	$54,277	$50,807
Investments	797	1,002	2,263	2,709
Interest-earning deposits	115	130	440	450
Total interest income	19,681	18,384	56,980	53,966
Interest expense:				
Deposits	2,754	2,591	7,871	8,502
Borrowings	681	21	963	64
Total interest expense	3,435	2,612	8,834	8,566
Net interest income	16,246	15,772	48,146	45,400
Provision for loan losses	651	4,911	10,368	7,714
Net interest income after provision for loan losses	15,595	10,861	37,778	37,686
Non-interest income:				
Investment management fees	7,418	—	17,381	—
Service charges	163	120	447	356
Net gain on the sale of investment securities available-for-sale	—	—	1,428	784
Swap fees	563	163	972	538
Commitment and other fees	551	506	1,531	1,561
Other income	595	329	1,132	971
Total non-interest income	9,290	1,118	22,891	4,210
Non-interest expense:				
Compensation and employee benefits	11,225	5,904	29,454	18,446
Premises and occupancy costs	1,000	777	2,915	2,331
Professional fees	846	768	2,641	2,378
FDIC insurance expense	565	375	1,427	1,062
General insurance expense	301	249	835	598
State capital shares tax	111	368	738	1,025
Travel and entertainment expense	597	447	1,723	1,106
Data processing expense	230	203	686	582
Intangible amortization expense	389	—	909	—
Other operating expenses	1,409	925	3,621	2,076
Total non-interest expense	16,673	10,016	44,949	29,604
Income before tax	8,212	1,963	15,720	12,292
Income tax expense	2,506	633	4,884	4,235
Net income	$5,706	$1,330	$10,836	$8,057
Earnings per common share:				
Basic	$0.20	$0.05	$0.38	$0.31
Diluted	$0.20	$0.05	$0.37	$0.31

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Net income	$5,706	$1,330	$10,836	$8,057
Other comprehensive income (loss):				
Increase (decrease) in unrealized holding gains (losses) net of tax of $(213), 182, $(1,404) and $1,567, respectively	446	(328)	2,582	(2,817)
Reclassification adjustment for gains included in net income, net of tax of $0, $0, $511 and $280, respectively	—	—	(917)	(504)
Other comprehensive income (loss)	446	(328)	1,665	(3,321)
Total comprehensive income	$6,152	$1,002	$12,501	$4,736

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Preferred Stock (Series C)	Common Stock	Additional Paid-in-Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss), net	Total Shareholders' Equity
Balance, December 31, 2012	$46,011	$168,351	$ 7,871	$(6,180)	$1,671	$217,724
Net income	—	—	—	8,057	—	8,057
Other comprehensive income (loss)	—	—	—	—	(3,321)	(3,321)
Issuance of common stock (net of offering costs and discounts of $7,093)	—	65,990	—	—	—	65,990
Conversion of preferred stock to common stock	(46,011)	46,011	—	—	—	—
Exercise of stock options	—	179	(54)	—	—	125
Stock-based compensation	—	—	491	—	—	491
Balance, September 30, 2013	$—	$280,531	$ 8,308	$1,877	$(1,650)	$289,066
Balance, December 31, 2013	$—	$280,531	$ 8,471	$6,687	$(1,744)	$293,945
Net income	—	—	—	10,836	—	10,836
Other comprehensive income (loss)	—	—	—	—	1,665	1,665
Exercise of stock options	—	364	(114)	—	—	250
Stock-based compensation	—	—	663	—	—	663
Balance, September 30, 2014	$—	$280,895	$ 9,020	$17,523	$(79)	$307,359

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013
Cash Flows from Operating Activities:		
Net income	$10,836	$8,057
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangible amortization expense	1,805	780
Provision for loan losses	10,368	7,714
Net decrease in prepaid FDIC insurance expense	—	7,843
Stock based compensation expense	663	491
Net gain on the sale of investment securities available-for-sale	(1,428)	(784)
Income from investment securities trading	—	(120)
Purchase of investment securities trading	—	(77,244)
Proceeds from the sale of investment securities trading	—	77,378
Net amortization of premiums and discounts	1,095	1,697
Increase in investment management fees receivable	(1,083)	—
Decrease (increase) in accrued interest receivable	67	(368)
Increase (decrease) in accrued interest payable	98	(241)
Bank owned life insurance income	(1,041)	(673)
Decrease in income taxes payable	(160)	(106)
Increase in prepaid income taxes	(2,991)	(3,193)
Other, net	4,102	4,202
Net cash provided by operating activities	22,331	25,433
Cash Flows from Investing Activities:		
Purchase of investment securities available-for-sale	(52,736)	(150,318)
Purchase of investment securities held-to-maturity	(21,954)	(5,000)
Proceeds from the sale of investment securities available-for-sale	69,555	58,038
Principal repayments and maturities of investment securities available-for-sale	10,360	42,965
Purchase of bank owned life insurance	(10,000)	(20,000)
Net redemption (purchase) of Federal Home Loan Bank stock	(5,518)	90
Net increase in loans held-for-investment	(239,650)	(93,877)
Purchase of loans held-for-investment	(219,547)	(41,146)
Proceeds from loan sales	16,477	2,839
Additions to office properties and equipment	(713)	(693)
Acquisition, net of acquired cash	(42,912)	—
Net cash used in investing activities	(496,638)	(207,102)
Cash Flows from Financing Activities:		
Net increase in deposit accounts	282,619	55,315
Increase in FHLB advances	110,000	—
Net proceeds from issuance of subordinated notes payable	34,013	—
Net proceeds from issuance of common stock	—	65,990
Net proceeds from exercise of stock options	250	125
Net cash provided by financing activities	426,882	121,430
Net change in cash and cash equivalents during the period	(47,425)	(60,239)
Cash and cash equivalents at beginning of the period	146,558	200,080
Cash and cash equivalents at end of the period	$99,133	$139,841

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(Dollars in thousands)	Nine Months Ended September 30, 2014	2013
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$8,737	$8,807
Income taxes	$8,218	$7,495
Non-cash activity:		
Contingent consideration	$15,465	$—
Transfer of investment securities available-for-sale to held-to-maturity	$—	$20,335
Conversion of preferred stock to common stock	$—	$46,011

See accompanying notes to unaudited condensed consolidated financial statements.

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

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATION
TriState Capital Holdings, Inc. (the “Company”) is a registered bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. The Company’s has three wholly-owned subsidiaries: TriState Capital Bank (the “Bank”), a Pennsylvania-chartered state bank, Chartwell Investment Partners, Inc. ("Chartwell"), a registered investment advisory company, and Chartwell TSC Securities Corp. ("CTSC Securities"), which is applying to be registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and Financial Industry Regulatory Authority ("FINRA"). Chartwell Investment Partners, Inc. was established through the acquisition of substantially all the assets of Chartwell Investment Partners, LP, which was effective March 5, 2014.

The Bank was established to serve the commercial banking and private banking needs of middle-market businesses and high-net-worth individuals. Chartwell provides investment management services to institutional, sub-advisory, and separately managed account clients. Chartwell TSC Securities Corp. was capitalized in May 2014, with a primary business of providing distribution and marketing efforts for the proprietary investment products provided by Chartwell, including shares of mutual funds advised and/or administered by Chartwell and private funds advised and/or administered by Chartwell.

Regulatory approval was received and the Bank commenced operations on January 22, 2007. The Company and the Bank are subject to regulatory examination by the Federal Deposit Insurance Corporation (“FDIC”), the Pennsylvania Department of Banking and Securities, and the Federal Reserve. Chartwell is a registered investment advisor regulated by the SEC. CTSC Securities, once registered, will be a broker-dealer regulated by the SEC and 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; Princeton, New Jersey; and New York, New York. Chartwell conducts business through its office located in Berwyn, Pennsylvania and CTSC Securities will conduct business through its office located in Pittsburgh, Pennsylvania.

On May 14, 2013, the Company completed the issuance and sale of 6,355,000 shares of its common stock, no par value, in its initial public offering of Common Stock, including 855,000 shares sold pursuant to the exercise in full by its underwriters of their option to purchase additional shares from the Company, at a price to the public of $11.50 per share. The shares were offered pursuant to the Company’s Registration Statement on Form S-1. The Company received net proceeds of $66.0 million from the initial public offering, after deducting underwriting discounts and commissions and direct offering expenses.

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 revenue and expense 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 worse than those anticipated in the estimates, which could materially affect the financial results of our operations and financial condition.

The material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for loan losses, goodwill, evaluation of goodwill for impairment, and deferred income taxes and its related recoverability, which are discussed later in this section.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, the Bank, Chartwell (since the acquisition on March 5, 2014) and CTSC Securities (since its initial capitalization in May 2014), after elimination of inter-company accounts and transactions. The accounts of the Bank, in turn, include its wholly-owned subsidiary, Meadowood Asset Management, LLC, after elimination of inter-company accounts and transactions. The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to rules of the Securities and Exchange Commission 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 consolidated financial statements, have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2013, included in the Company's Annual Report on Form 10-K.

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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 which have an original maturity of 90 days or less.

INVESTMENT SECURITIES

The Company's investments are classified as either: (1) held-to-maturity – debt securities that the Company intends to hold until maturity and are reported at amortized cost; (2) trading securities – debt and certain equity 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 earnings; or (3) available-for-sale – debt and certain equity securities not classified as either held-to-maturity or trading securities and reported at fair value, with changes in fair value reported as a component of accumulated other comprehensive income (loss).

The cost of securities sold is determined on a specific identification basis. Amortization of premiums and accretion of discounts are recorded as interest income from investments over the life of the security utilizing the level yield method. We evaluate impaired investment securities quarterly to determine if impairments are temporary or other-than-temporary. For impaired debt securities, management first determines whether it intends to sell or if it is more-likely than not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. Impaired debt securities are determined to be other-than-temporarily impaired ("OTTI") if the Company concludes as of the balance sheet date that it has the intent to sell, or believes it will more likely than not be required to sell, an impaired debt security before a recovery of its amortized cost basis. Credit losses on OTTI debt securities are recorded through earnings, regardless of the intent or the requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's expected cash flows and its amortized cost basis. Non-credit related OTTI charges are recorded as decreases to accumulated other comprehensive income (loss), in the consolidated statement of comprehensive income as well as the shareholders' equity section of the consolidated statement of financial condition, on an after-tax basis, as long as the Company has no intent or expected requirement to sell the impaired debt security before a recovery of its amortized cost basis.

LOANS

Loans and leases are stated at unpaid principal balances, net of deferred loan fees and costs. Interest income on loans is accrued at the contractual rate on the principal amount outstanding and includes the amortization of deferred loan fees and costs. Deferred loan fees and costs are amortized to interest income over the life of the loan, taking into consideration scheduled payments and prepayments.

The Company considers a loan to be a Troubled Debt Restructuring ("TDR") when there is a concession made to a financially troubled borrower without adequate consideration provided to the Company. Once a loan is deemed to be a TDR, the Company considers whether the loan should be placed in non-accrual status. In assessing accrual status, the Company considers the likelihood that repayment and performance according to modified terms will be achieved, as well as the borrower's historical payment performance. A loan is designated and reported as TDR until such loan is either paid-off or sold.

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. All unpaid accrued interest on such loans is reversed. Such 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 (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 commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis using the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary by the Company upon extension of a commitment, is based on management's credit evaluation of the borrower.

OTHER REAL ESTATE OWNED

Real estate, other than bank premises, is recorded at the lower of the related original loan balance or fair value less estimated selling costs at the time of acquisition. Fair value is determined based on an independent appraisal. Expenses related to holding the property are charged against earnings in the current period. Depreciation is not recorded on the other real estate owned (“OREO”) properties.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established through provisions for loan losses that are charged to operations. Loans are charged against the allowance for loan losses when management believes that the principal is uncollectible. If, at a later time, amounts are recovered with respect to loans previously charged off, the recovered amount is credited to the allowance for loan losses.

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The allowance is appropriate, in management's judgment, to cover probable losses inherent in the loan portfolio as of September 30, 2014 and December 31, 2013. Management’s judgment takes into consideration general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. Although management believes it has used the best information available to it in making such determinations, and that the present allowance for loan losses is adequate, future adjustments to the allowance may be necessary, and net income may be adversely affected if circumstances differ substantially from the assumptions used in determining the level of the allowance. In addition, as an integral part of their periodic examination, certain regulatory agencies review the adequacy of the Bank’s allowance for loan losses and may direct the Bank to make additions to the allowance based on their judgments about information available to them at the time of their examination.

The components of the allowance for loan losses represent estimates based upon Accounting Standards Codification (“ASC”) Topic 450, Contingencies, and ASC Topic 310, Receivables. ASC Topic 450 applies to homogeneous loan pools such as consumer installment, residential mortgages, consumer lines of credit and commercial loans that are not individually evaluated for impairment under ASC Topic 310. ASC Topic 310 is applied to commercial and consumer loans that are individually evaluated for impairment.

Under ASC Topic 310, a loan is impaired, based upon current information and events, in management's opinion, when it is probable that the loan will not be repaid according to its original contractual terms, including both principal and interest, or if a loan is designated as a TDR. Management performs individual assessments of impaired loans to determine the existence of loss exposure based upon future cash flows or where a loan is collateral dependent, based upon the fair value of the collateral less estimated selling costs.

In estimating probable loan loss under ASC Topic 450 management considers numerous factors, including historical charge-off rates and subsequent recoveries. Management also considers, but is not limited to, qualitative factors that influence our credit quality, such as delinquency and non-performing loan trends, changes in loan underwriting guidelines and credit policies, as well as the results of internal loan reviews. Finally, management considers the impact of changes in current local and regional economic conditions in the markets that we serve. Assessment of relevant economic factors indicates that some of the Company’s primary markets historically tend to lag the national economy, with local economies in our primary market areas also improving or weakening, as the case may be, but at a more measured rate than the national trends.

Management bases the computation of the allowance for loan losses under ASC Topic 450 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, consisting of commercial and industrial, commercial real estate and private banking channels. As the loan loss history, mix, and risk rating of each loan portfolio change, the primary factor adjusts accordingly. The allowance for loan losses related to the primary factor is based on our estimates as to probable losses for each loan portfolio. The secondary factor is intended to capture risks related to events and circumstances that management believes may impact the performance of the loan portfolio. Although this factor is more subjective in nature, the methodology focuses on internal and external trends in pre-specified categories (risk factors) and applies a quantitative percentage which drives the secondary factor. There are nine (9) risk factors and each risk factor is assigned a reserve level, based on management's judgment as to the probable impact of each risk factor on each loan portfolio. The impact of each risk factor is monitored on a quarterly basis. As the trend in any risk factor changes, a corresponding change occurs in the reserve associated with each respective risk factor, such that the secondary factor remains current to changes in each loan portfolio.

Loan participations follow the same underwriting and risk rating criteria, and are individually risk rated under the same process as loans directly originated by the Company. The ongoing credit review of participation loans follows the same process that is followed by loans originated directly by the Company. Additionally, management does not rely solely on information from the lead bank when considering the appropriate level of allowance for loan losses to be recorded on any individual participation loan.

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

INVESTMENT MANAGEMENT FEES

The Company recognizes investment management fee revenue when the advisory services are performed. Fees are based on assets under management and are calculated pursuant to individual client contracts. Investment management fees are generally paid on a quarterly basis. In a limited number of cases, the Company may earn a performance fee based on investment performance achieved versus a stated benchmark. In such cases, performance fees are not recognized until the end of the stated measurement period. Performance fees are included in investment management fee revenue in the consolidated statements of income.

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Investment management fees receivable represent amounts due from contractual investment advisory 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. Investment management fees receivable are considered delinquent when payment is not received within contractual terms and are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely and the Company ceases its collection efforts. There was no bad debt expense recorded for the nine months ended September 30, 2014, and there was no allowance for uncollectible accounts recorded as of September 30, 2014.

FEDERAL HOME LOAN BANK STOCK

The Company is a member of the Federal Home Loan Bank of Pittsburgh ("FHLB"). 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. Cash and stock dividends are reported as income from investment securities, in the consolidated statements of income.

BUSINESS COMBINATIONS

We account 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 and the fair value of the net assets acquired (including identified intangibles) is recorded as goodwill.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights. Other intangible assets that have finite lives, such as trade name, client relationships and non-compete agreements are amortized over their estimated useful lives and subject to periodic impairment testing. Other intangible assets are amortized on a straight-line basis over their estimated useful lives which range from four to twenty years. Goodwill is subject to impairment testing at the reporting unit level, which is conducted at least annually.

OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are stated at cost less accumulated depreciation. Depreciation is computed on 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 ten years. Repairs and maintenance are charged to expense as incurred, while improvements which extend the useful life are capitalized and depreciated to operating expense over the estimated remaining life of the asset. When the Bank receives an allowance for improvements to be made to one of its leased offices, we record the allowance as a deferred liability and recognize it as a reduction to rent expense over the life of the related lease.

BANK OWNED LIFE INSURANCE

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

DEPOSITS

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

BORROWINGS

The Company records FHLB advances and subordinated notes payable at their principal amount. Interest expense is recognized based on the coupon rate of the obligations. Costs associated with the acquisition of subordinated notes payable are amortized over the expected term of the borrowing.

EARNINGS PER COMMON SHARE

We compute earnings per common share (“EPS”) in accordance with the two-class method, which requires that any Series C convertible preferred stock outstanding be treated as participating securities in the computation of EPS. The two-class method is an earnings allocation that determines EPS for each class of common stock and participating security. The Company’s basic EPS is computed by dividing net income allocable to common shareholders by the weighted average number of its common shares outstanding for the period. The Company’s diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in our earnings.

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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. It is the Company's policy to recognize interest and penalties, if any, related to unrecognized tax benefits, in income tax expense in the consolidated statement of income.

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

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation awards based on estimated fair values, for all share-based awards, including stock options and restricted stock, made to employees and directors.

The Company accounts for stock-based employee compensation in accordance with the fair value recognition provisions of ASC 718, Compensation – Stock Compensation. As a result, compensation cost for all share-based payments is based on the grant-date fair value estimated in accordance with ASC 718. The value of the portion of the award that is ultimately expected to vest is included in stock-based employee compensation cost in the consolidated statement of income and recorded as a component of Additional Paid-In Capital, for equity-based awards. Compensation expense for options with graded vesting schedules is recognized on a straight-line basis over the requisite service period for the entire option grant.

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Unrealized holding gains and the non-credit component of losses on the Company’s investment 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 investment securities reclassified into the held-to-maturity category from the available-for-sale category.

RECENT ACCOUNTING DEVELOPMENTS

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15 "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern." This ASU describes how an entity’s management should assess whether there are conditions and events that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. Management should consider both quantitative and qualitative factors in making its assessment. If after considering management’s plans, substantial doubt about an entity’s going concern is alleviated, an entity shall disclose information in the footnotes that enables the users of the financial statements to understand the events that raised the going concern and how management’s plan alleviated this concern. If

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after considering management's plans, substantial doubt about an entity's going concern is not alleviated, the entity shall disclose in the footnotes indicating that a substantial doubt about the entity's going concern exists within one year of the date of the issued financial statements. Additionally, the entity shall disclose the events that led to this going concern and management's plans to mitigate them. The new standard applies to all entities for the first annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-14, "Receivables - Troubled Debt Restructuring by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure." This ASU will require creditors to derecognize certain foreclosed government-guaranteed mortgage loans and to recognize a separate other receivable that is measured at the amount the creditor expects to recover from the guarantor, and to treat the guarantee and the receivable as a single unit of account. This update is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. An entity can elect a prospective or a modified retrospective transition method, but must use the same transition method that it elected under FASB ASU No. 2014-04, "Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." Early adoption, including adoption in an interim period, is permitted if the entity already adopted ASU 2014-04. The adoption of ASU 2014-14 is not expected to have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, "Accounting for Share-Based Payments When the Terms of an Award Provide That a Performing Target Could Be Achieved after the Requisite Service Period." This ASU requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. A reporting entity should apply FASB ASC Topic 718, Compensation-Stock Compensation, to awards with performance conditions that affect vesting. This update is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015, for all entities. Early adoption is permitted. ASU 2014-12 may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The modified retrospective approach would apply to share-based payment awards outstanding as of the beginning of the earliest annual period presented in the financial statements on adoption, and to all new or modified awards thereafter. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2014, the FASB issued ASU No. 2014-04, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." This ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 and December 15, 2015, for public and nonpublic entities, respectively. Early adoption and retrospective application are permitted. The adoption of ASU 2014-04 is not expected to have a material impact on the Company's consolidated financial statements.

RECLASSIFICATION

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

[2] BUSINESS COMBINATIONS

On March 5, 2014, TriState Capital Holdings, Inc. through its wholly-owned subsidiary, Chartwell Investment Partners, Inc., completed the acquisition of substantially all of the assets of Chartwell Investment Partners, LP (the "Chartwell acquisition"), an investment management firm with over 150 institutional clients and approximately $7.5 billion in assets under management. Under the terms of the Asset Purchase Agreement substantially all of the assets of Chartwell Investment Partners, LP were acquired for a purchase price consisting of approximately $45 million paid in cash at closing and an estimated earn-out arrangement of approximately $15 million to be determined based on the growth in EBITDA (earnings before interest, taxes, depreciation and amortization) of Chartwell in 2014. The earn-out will be calculated based on a multiple of six times the increase in Chartwell's annual EBITDA for the year ended December 31, 2014. Any increase to the earn-out calculation above the estimated $15 million recorded at closing, will be expensed in the period in which it is deemed probable to occur. Up to 60 percent of the earn-out may be paid in common stock of the Company at its option. The foregoing summary of the Asset Purchase Agreement and the transactions contemplated by it does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Asset Purchase Agreement, which was included as Exhibit 2.1 to the Company's Annual

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Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014, the terms of which Agreement are incorporated herein by reference.

The following table summarizes total consideration paid, assets acquired and liabilities assumed for the Chartwell acquisition:

(Dollars in thousands)	Chartwell
Consideration paid:	
Cash	$44,223
Estimated earn-out	15,465
Fair value of total consideration	$59,688
Fair value of assets acquired:	
Cash and cash equivalents	$1,311
Investment management fees receivable	5,304
Office properties and equipment	90
Deferred tax asset	858
Other assets	144
Total assets acquired	7,707
Fair value of liabilities assumed:	
Other liabilities	1,647
Total liabilities assumed	1,647
Fair value net identifiable assets acquired	6,060
Long-lived amortizable intangible assets acquired	19,510
Goodwill	34,118
Total net assets purchased	$59,688

In April 2014, the Company and Chartwell Investment Partners, LP settled one of the three escrow reserves resulting in a $777,000 reduction to the purchase price and a corresponding reduction to goodwill.

In connection with the Chartwell acquisition, total acquisition-related transaction costs incurred by TriState Capital was approximately $854,000 during 2013 and $45,000 during the nine months ended September 30, 2014, which were primarily comprised of legal, advisory and other costs.

The goodwill, which is not amortized for book purposes, was assigned to our Investment Management segment and is deductible for tax purposes.

The following table presents unaudited pro forma financial information which combines the historical consolidated statements of income of the Company and Chartwell Investment Partners, LP to give effect to the acquisition as if it had occurred on January 1, 2013, for the periods indicated.

	Pro Forma	
	Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013
Total revenue	$74,511	$67,073
Net income	$11,476	$9,661
Earnings per common share:		
Basic	$0.40	$0.38
Diluted	$0.39	$0.37

Total revenue is defined as net interest income and non-interest income, excluding gains and losses on the sale of investment securities available-for-sale. Pro forma adjustments include intangible amortization expense and income tax expense.

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[3] INVESTMENT SECURITIES

Investment securities available-for-sale and held-to-maturity are comprised of the following:

(Dollars in thousands)	September 30, 2014 Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$31,944	$58	$54	$31,948
Trust preferred securities	17,414	244	86	17,572
Non-agency mortgage-backed securities	11,817	—	32	11,785
Agency collateralized mortgage obligations	58,857	134	43	58,948
Agency mortgage-backed securities	33,360	491	419	33,432
Agency debentures	16,762	33	13	16,782
Equity securities (high yield bond mutual fund)	8,046	—	128	7,918
Total investment securities available-for-sale	178,200	960	775	178,385
Investment securities held-to-maturity:				
Corporate bonds	11,953	221	31	12,143
Agency debentures	15,000	12	8	15,004
Municipal bonds	20,171	105	25	20,251
Total investment securities held-to-maturity	47,124	338	64	47,398
Total	$225,324	$1,298	$839	$225,783

(Dollars in thousands)	December 31, 2013 Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$56,630	$241	$483	$56,388
Trust preferred securities	17,316	—	1,692	15,624
Non-agency mortgage-backed securities	7,740	16	62	7,694
Agency collateralized mortgage obligations	81,635	703	387	81,951
Agency mortgage-backed securities	36,948	300	937	36,311
Agency debentures	4,638	—	25	4,613
Total investment securities available-for-sale	204,907	1,260	3,586	202,581
Investment securities held-to-maturity:				
Corporate bonds	5,000	120	—	5,120
Municipal bonds	20,263	—	926	19,337
Total investment securities held-to-maturity	25,263	120	926	24,457
Total	$230,170	$1,380	$4,512	$227,038

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As of September 30, 2014, the contractual maturities of the debt securities are:

	September 30, 2014			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$—	$—	$—	$—
Due from one to five years	44,039	44,030	13,232	13,442
Due from five to ten years	6,615	6,651	25,548	25,583
Due after ten years	119,500	119,786	8,344	8,373
Total debt securities	$170,154	$170,467	$47,124	$47,398

Included in the $119.8 million fair value of debt securities available-for-sale with a contractual maturity due after ten years as of September 30, 2014, are $100.3 million or 83.8% in floating-rate securities.

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

There were no sales of investment securities available-for-sale during the three months ended September 30, 2014 and 2013.

Proceeds from the sale of investment securities available-for-sale during the nine months ended September 30, 2014 and 2013, were $69.6 million and $58.0 million, respectively. Gross gains of $1.4 million and $784,000 were realized on these sales and reclassified out of accumulated other comprehensive income (loss) during the nine months ended September 30, 2014 and 2013, respectively. There were $1,000 in realized gross losses during the nine months ended September 30, 2014 and no realized losses during the nine months ended September 30, 2013, on investment securities available-for-sale.

Investment securities available-for-sale of $8.7 million, as of September 30, 2014, are held in safekeeping at the FHLB and are included in the calculation of borrowing capacity.

The following tables show the fair value and gross unrealized losses on investment securities available-for-sale and held-to-maturity, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of September 30, 2014 and December 31, 2013, respectively:

	September 30, 2014					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Investment securities available-for-sale:						
Corporate bonds	$3,555	$34	$2,289	$20	$5,844	$54
Trust preferred securities	2,269	27	4,400	59	6,669	86
Non-agency mortgage-backed securities	11,785	32	—	—	11,785	32
Agency collateralized mortgage obligations	—	—	30,983	43	30,983	43
Agency mortgage-backed securities	—	—	13,425	419	13,425	419
Agency debentures	5,987	13	—	—	5,987	13
Equity securities	7,918	128	—	—	7,918	128
Total investment securities available-for-sale	31,514	234	51,097	541	82,611	775
Investment securities held-to-maturity:						
Corporate bonds	4,922	31	—	—	4,922	31
Agency debentures	4,992	8	—	—	4,992	8

Municipal bonds	—	—	4,748	25	4,748	25
Total investment securities held-to-maturity	9,914	39	4,748	25	14,662	64
Total temporarily impaired securities	$41,428	$273	$55,845	$566	$97,273	$839

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	December 31, 2013					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Investment securities available-for-sale:						
Corporate bonds	$21,703	$272	$2,977	$211	$24,680	$483
Trust preferred securities	15,624	1,692	—	—	15,624	1,692
Non-agency mortgage-backed securities	5,945	62	—	—	5,945	62
Agency collateralized mortgage obligations	46,831	340	4,547	47	51,378	387
Agency mortgage-backed securities	16,991	937	—	—	16,991	937
Agency debentures	4,613	25	—	—	4,613	25
Total investment securities available-for-sale	111,707	3,328	7,524	258	119,231	3,586
Investment securities held-to-maturity:						
Municipal bonds	19,337	926	—	—	19,337	926
Total investment securities held-to-maturity	19,337	926	—	—	19,337	926
Total temporarily impaired securities	$131,044	$4,254	$7,524	$258	$138,568	$4,512

The change in the fair values of our municipal bonds and fixed-rate agency mortgage-backed securities are primarily the result of interest rate fluctuations. To assess for impairment on municipal bonds, corporate bonds, single-issuer trust preferred securities, non-agency mortgage-backed securities and certain equity securities, 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. This review did not identify any issues related to the ultimate repayment of principal and interest on these securities. In addition, the Company has the ability and intent to hold the securities in an unrealized loss position until recovery of their amortized cost. Based on this, the Company considers all of the unrealized losses to be temporary impairment losses. Within the available-for-sale portfolio, there were 17 positions, aggregating to $775,000 in unrealized losses that were temporarily impaired as of September 30, 2014, of which 10 positions were in an unrealized loss position for more than twelve months totaling $541,000. As of December 31, 2013, there were 35 positions, aggregating to $3.6 million in unrealized losses that were temporarily impaired, of which three positions were in an unrealized loss position for more than twelve months totaling $258,000. Within the held-to-maturity portfolio, there were 9 positions, aggregating to $64,000 in unrealized losses that were temporarily impaired as of September 30, 2014, of which 6 positions were in an unrealized loss position for more than twelve months totaling $25,000. As of December 31, 2013, there were 24 positions, aggregating to $926,000 in unrealized losses that were temporarily impaired.

There were no investment securities classified as trading securities outstanding as of September 30, 2014 and December 31, 2013, respectively.

There was no activity in investment securities classified as trading during the three months ended September 30, 2014. Proceeds from the sale of investment securities trading, comprised of U.S. Treasury Notes, during the three months ended September 30, 2013, were $28.3 million. Income on investment securities trading during the three months ended September 30, 2013, was $4,000.

There was no activity in investment securities classified as trading during the nine months ended September 30, 2014. Proceeds from the sale of investment securities trading, comprised of U.S. Treasury Notes, during the nine months ended September 30, 2013, were $77.4 million. Income on investment securities trading during the nine months ended September 30, 2013, was $120,000.

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[4] LOANS RECEIVABLE, NET

We generate loans through our middle-market banking and private banking channels. These channels provide risk diversification and offer significant growth opportunities. The middle-market banking channel consists of our commercial and industrial ("C&I") and commercial real estate ("CRE") loan portfolios that serve middle-market businesses. The private banking channel includes loans secured by cash, marketable securities and other asset-based loans to executives, high net worth individuals, trusts and businesses, many of whom we source through referral relationships with independent broker-dealers, wealth managers, family offices, trust companies and other financial intermediaries.

Loans receivable by channel is comprised of the following:

	September 30, 2014			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Loans held-for-investment, before deferred fees	$698,191	$688,282	$912,168	$2,298,641
Less: net deferred loan (fees) costs	(2,006)	(2,090)	1,962	(2,134)
Loans held-for-investment, net of deferred fees	696,185	686,192	914,130	2,296,507
Less: allowance for loan losses	(15,982)	(4,391)	(2,003)	(22,376)
Loans receivable, net	$680,203	$681,801	$912,127	$2,274,131

	December 31, 2013			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Loans held-for-investment, before deferred fees	$742,864	$553,898	$568,590	$1,865,352
Less: net deferred loan (fees) costs	(3,823)	(1,510)	756	(4,577)
Loans held-for-investment, net of deferred fees	739,041	552,388	569,346	1,860,775
Less: allowance for loan losses	(11,881)	(5,104)	(2,011)	(18,996)
Loans receivable, net	$727,160	$547,284	$567,335	$1,841,779

The Company's customers have unused loan commitments. Often these commitments are not fully utilized and therefore the total amount does not necessarily represent future cash requirements. The amount of unfunded commitments, including standby letters of credit, as of September 30, 2014 and December 31, 2013, was $911.9 million and $662.8 million, respectively. The interest rate for each commitment is based on the prevailing market conditions at the time of funding. The lending commitment maturities as of September 30, 2014, are as follows: $516.2 million in one year or less; $215.8 million in one to three years; and $179.8 million in greater than three years. The reserve for losses on unfunded commitments was $631,000 and $465,000, as of September 30, 2014 and December 31, 2013, respectively, which includes reserves for probable losses on unfunded loan commitments, including standby letters of credit, and also risk participations.

On March 14, 2014, we entered into a loan purchase agreement to acquire $219.7 million (including fees and interest receivable) of loans secured by cash and marketable securities that are included in our private banking channel loan portfolio. This transaction closed on April 11, 2014.

As of September 30, 2014 and December 31, 2013, the Company had loans in the process of origination totaling approximately $39.3 million and $11.6 million, respectively, which extend over varying periods of time with the majority being disbursed within a 30 to 60 day period.

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 the standby letters 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 unfunded commitments amount related to standby letters of credit as of September 30, 2014, included in the total listed above, is $89.7 million of which a portion is collateralized. Should the Company be obligated to perform under the standby letters of credit the Company will seek recourse from the customer for reimbursement of amounts paid. As of September 30, 2014, $21.3 million (in the aggregate) in standby letters of credit will expire within one year, while the remaining standby letters of credit will expire in periods greater than one year. During the nine months ended September

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30, 2014, there was one draw on standby letters of credit for $100,000. Most of these commitments are expected to expire without being drawn upon and the total amount does not necessarily represent future cash requirements. The probable liability for losses on standby letters of credit is included in the reserve for losses on unfunded commitments.

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

[5] ALLOWANCE FOR LOAN LOSSES

Our allowance for loan losses represents our estimate of probable loan losses inherent in the loan portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Additions are made to the allowance through both periodic provisions charged to income and recoveries of losses previously incurred. Reductions to the allowance occur as loans are charged off or when the credit history of any of the three loan portfolios improves. 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. This evaluation is subjective and requires material estimates that may change over time. The calculation of the allowance for loan losses takes into consideration the inherent risk identified within each of the Company’s three primary loan portfolios, commercial and industrial, commercial real estate and private banking. In addition, management takes into account the historical loss experience of each loan portfolio, to ensure that the resultant allowance for loan losses is sufficient to cover probable losses inherent in such loan portfolios. Refer to Note 1, Summary of Significant Accounting Policies, for more details on the Company’s allowance for loan losses policy.

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

Middle-Market Banking - Commercial and Industrial Loans. This loan portfolio includes primarily loans made to service companies or manufacturers generally for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing, acquisitions and recapitalizations. Cash flow from the borrower’s operations is the primary source of repayment for these loans, except for certain commercial loans that are secured by cash and marketable securities.

The industry of the borrower is an important indicator of risk, but there are also more specific risks depending on the condition of the local/regional economy. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. Any C&I loans collateralized by cash and marketable securities are treated the same as private banking loans for purposes of the allowance for loan loss calculation. In addition, syndicated loans which also involve a private equity sponsor are combined as a homogeneous group and evaluated based on the historical trend of such loans.

Middle-Market Banking - Commercial Real Estate Loans. This loan portfolio includes loans secured by commercial purpose real estate, including both owner occupied properties and investment properties for various purposes including office, retail, industrial, multifamily and hospitality. Individual project cash flows as well as global cash flows from the developer are the primary sources of repayment for these loans. Also included are commercial construction loans, which are loans made 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 of these loans is generally confined to the construction period. If there are problems, 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/collateral of the loans is an important indicator of risk for this loan portfolio. Additional risks exist and are dependent on several factors such as condition of the local/regional economy, whether or not the project is owner occupied, and the type of project and the experience and resources of the developer.

Private Banking Channel Loans. Our private banking lending activities are conducted on a national basis. This loan portfolio includes primarily loans made to high-net-worth individuals and/or trusts and businesses that may be secured by cash, marketable securities, residential property or other financial assets, as well as unsecured loans and lines of credit. 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. In addition, the condition of the local economy and the local housing market can also have a significant impact on this portfolio, since low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Management further assesses risk within each loan portfolio using key inherent risk differentiators. The components of the allowance for loan losses represent estimates based upon ASC Topic 450, Contingencies, and ASC Topic 310, Receivables. ASC Topic 450 applies

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to homogeneous loan pools such as consumer installment, residential mortgages and consumer lines of credit, as well as commercial loans that are not individually evaluated for impairment under ASC Topic 310.

Impaired loans are individually evaluated for impairment under ASC Topic 310. The Company's internal risk rating system is consistent with definitions found in current regulatory guidelines.

On a monthly basis, management monitors various credit quality indicators for both the commercial and consumer loan portfolios, including delinquency, non-performing status, changes in risk ratings, changes in the underlying performance of the borrowers and other relevant factors. Refer to Note 1, Summary of Significant Accounting Policies, for the Company's policy for determining past due status of loans.

Management continually monitors the loan portfolio through its internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower. 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 risk rated as special mention, substandard and doubtful, which are believed to have an increasing risk of loss.

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

Non-Rated – Loans to individuals and trusts are not individually risk rated, unless they are fully secured by liquid assets or cash, or have an exposure of $250,000 or greater and have certain actionable covenants, such as a liquidity covenant or a financial reporting covenant. In addition, commercial loans with an exposure of less than $500,000 are not required to be individually risk rated. Any loan, regardless of size, is risk rated if it is secured by marketable securities or if it becomes a criticized loan. The majority of the private banking loans that are not risk rated are residential mortgages and home equity loans. We monitor the performance of non-rated loans through ongoing reviews of payment delinquencies. These loans comprised 4.7% and 7.0% of the total loan portfolio, as of September 30, 2014 and December 31, 2013, respectively. For loans that are not risk-rated, the most important indicators of risk are the existence of collateral, the type of collateral and for consumer real estate loans, whether the Bank has a first or second lien position.

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

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

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

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

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

	September 30, 2014			
(Dollars in thousands)	Commercial and	Commercial Real Estate	Private Banking	Total Loans

	Industrial			
Non-rated	$192	$—	$107,849	$108,041
Pass	632,751	682,694	801,711	2,117,156
Special mention	25,616	—	2,344	27,960
Substandard	30,817	3,498	2,226	36,541
Doubtful	6,809	—	—	6,809
Total loans	$696,185	$686,192	$914,130	$2,296,507

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(Dollars in thousands)	December 31, 2013 Commercial and Industrial	Commercial Real Estate	Private Banking	Total Loans
Non-rated	$384	$—	$129,972	$130,356
Pass	682,394	548,890	436,944	1,668,228
Special mention	28,031	—	1,207	29,238
Substandard	20,639	3,498	1,223	25,360
Doubtful	7,593	—	—	7,593
Total loans	$739,041	$552,388	$569,346	$1,860,775

Changes in the allowance for loan losses are as follows for the three months ended September 30, 2014 and 2013:

(Dollars in thousands)	Three Months Ended September 30, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$16,459	$4,288	$2,075	$22,822
Provision for loan losses	714	103	(166)	651
Charge-offs	(1,220)	—	—	(1,220)
Recoveries	29	—	94	123
Balance, end of period	$15,982	$4,391	$2,003	$22,376

(Dollars in thousands)	Three Months Ended September 30, 2013 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$11,299	$3,602	$2,807	$17,708
Provision for loan losses	4,843	704	(636)	4,911
Charge-offs	(4,339)	—	—	(4,339)
Recoveries	—	1	—	1
Balance, end of period	$11,803	$4,307	$2,171	$18,281

Charge-offs of $1.2 million for the three months ended September 30, 2014, represent one C&I loan, which was partially offset by recoveries of $123,000 on one C&I loan and one private banking loan. Charge-offs of $4.3 million for the three months ended September 30, 2013, included one C&I loan, which was partially offset by recoveries of $1,000 on one C&I loan.

Changes in the allowance for loan losses are as follows for the nine months ended September 30, 2014 and 2013:

(Dollars in thousands)	Nine Months Ended September 30, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$11,881	$5,104	$2,011	$18,996
Provision for loan losses	11,183	(713)	(102)	10,368
Charge-offs	(7,577)	—	—	(7,577)
Recoveries	495	—	94	589
Balance, end of period	$15,982	$4,391	$2,003	$22,376

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(Dollars in thousands)	Nine Months Ended September 30, 2013 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$9,950	$5,120	$2,804	$17,874
Provision for loan losses	7,247	1,100	(633)	7,714
Charge-offs	(5,508)	(1,936)	—	(7,444)
Recoveries	114	23	—	137
Balance, end of period	$11,803	$4,307	$2,171	$18,281

Charge-offs of $7.6 million for the nine months ended September 30, 2014, represent four C&I loans, which were partially offset by recoveries of $589,000 on two C&I loans and one private banking loan. Charge-offs of $7.4 million for the nine months ended September 30, 2013, included three C&I loans and one CRE loan, which were partially offset by recoveries of $137,000 on three C&I loans and two CRE loans.

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

(Dollars in thousands)	September 30, 2014 30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current	Total Loans
Commercial and industrial	$888	$—	$323	$1,211	$694,974	$696,185
Commercial real estate	—	—	3,498	3,498	682,694	686,192
Private banking	—	—	837	837	913,293	914,130
Total loans	$888	$—	$4,658	$5,546	$2,290,961	$2,296,507

(Dollars in thousands)	December 31, 2013 30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current	Total Loans
Commercial and industrial	$2,166	$—	$3,570	$5,736	$733,305	$739,041
Commercial real estate	—	—	3,498	3,498	548,890	552,388
Private banking	520	—	922	1,442	567,904	569,346
Total loans	$2,686	$—	$7,990	$10,676	$1,850,099	$1,860,775

Non-Performing and Impaired Loans

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

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

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

	As of and for the Nine Months Ended September 30, 2014				
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial and industrial	$20,954	$29,542	$6,265	$22,207	$—
Commercial real estate	—	—	—	—	—
Private banking	728	805	728	764	—
Total with a related allowance recorded	21,682	30,347	6,993	22,971	—
Without a related allowance recorded:					
Commercial and industrial	870	2,091	—	1,001	21
Commercial real estate	3,498	9,705	—	3,498	—
Private banking	1,395	1,633	—	1,462	—
Total without a related allowance recorded	5,763	13,429	—	5,961	21
Total:					
Commercial and industrial	21,824	31,633	6,265	23,208	21
Commercial real estate	3,498	9,705	—	3,498	—
Private banking	2,123	2,438	728	2,226	—
Total	$27,445	$43,776	$6,993	$28,932	$21

	As of and for the Twelve Months Ended December 31, 2013				
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial and industrial	$15,157	$23,126	$4,658	$13,261	$—
Commercial real estate	—	—	—	—	—
Private banking	814	869	814	874	—
Total with a related allowance recorded	15,971	23,995	5,472	14,135	—
Without a related allowance recorded:					
Commercial and industrial	1,046	2,264	—	1,473	6
Commercial real estate	3,498	9,705	—	4,170	—
Private banking	305	295	—	25	—
Total without a related allowance recorded	4,849	12,264	—	5,668	6
Total:					
Commercial and industrial	16,203	25,390	4,658	14,734	6
Commercial real estate	3,498	9,705	—	4,170	—
Private banking	1,119	1,164	814	899	—
Total	$20,820	$36,259	$5,472	$19,803	$6

Impaired loans as of September 30, 2014 and December 31, 2013, were $27.4 million and $20.8 million, respectively. There was no interest income recognized on these loans for the nine months ended September 30, 2014, and the twelve months ended December 31, 2013, while these loans were on non-accrual status. As of September 30, 2014 and December 31, 2013, there were no loans 90 days or more past due and still accruing interest income.

Impaired loans were evaluated using the fair value of the collateral as the measurement method or an evaluation of estimated losses, based on a discounted cash flow method, for non-collateral dependent loans. Based on those evaluations, as of September 30, 2014, there were specific reserves totaling $7.0 million, which is included in the $22.4 million allowance for loan losses. Also included in impaired

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loans are two C&I loans, two CRE loans and three private banking loans with a combined balance of $5.8 million as of September 30, 2014, with no corresponding specific reserve since these loans were written down to the level which management believes will be recovered from the borrower.

As of December 31, 2013, there was a specific reserve established totaling $5.5 million, which is included in the $19.0 million allowance for loan losses. Also included in impaired loans are two C&I loans, two CRE loans and two private banking loans with a combined balance of $4.8 million as of December 31, 2013, with no corresponding specific reserve since these loans were written down to the level which management believes will be recovered from the borrower.

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

	September 30, 2014			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Allowance for loan losses:				
Individually evaluated for impairment	$6,265	$—	$728	$6,993
Collectively evaluated for impairment	9,717	4,391	1,275	15,383
Total allowance for loan losses	$15,982	$4,391	$2,003	$22,376
Portfolio loans:				
Individually evaluated for impairment	$21,824	$3,498	$2,123	$27,445
Collectively evaluated for impairment	674,361	682,694	912,007	2,269,062
Total portfolio loans	$696,185	$686,192	$914,130	$2,296,507

	December 31, 2013			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Allowance for loan losses:				
Individually evaluated for impairment	$4,658	$—	$814	$5,472
Collectively evaluated for impairment	7,223	5,104	1,197	13,524
Total allowance for loan losses	$11,881	$5,104	$2,011	$18,996
Portfolio loans:				
Individually evaluated for impairment	$16,203	$3,498	$1,119	$20,820
Collectively evaluated for impairment	722,838	548,890	568,227	1,839,955
Total portfolio loans	$739,041	$552,388	$569,346	$1,860,775

Troubled Debt Restructuring

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

(Dollars in thousands)	September 30, 2014	December 31, 2013
Aggregate recorded investment of impaired loans with terms modified through a troubled debt restructuring:		
Accruing interest	$547	$527
Non-accrual	15,452	13,021
Total troubled debt restructurings	$15,999	$13,548

Of the non-accrual loans as of September 30, 2014, four C&I loans, one CRE loan and two residential mortgage loans were designated by the Company as TDRs. There was also one C&I loan that was still accruing interest and designated by the Company as a performing TDR as of September 30, 2014. The aggregate recorded investment of these loans was $16.0 million. There were $605,000 of unused commitments on non-accrual TDRs as of September 30, 2014, and there was $54,000 of unused commitments on the one accruing TDR.

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Of the non-accrual loans as of December 31, 2013, four C&I loans, one CRE loan and one residential mortgage loan were designated by the Company as TDRs. There was also one C&I loan that was still accruing interest and designated by the Company as a performing TDR as of December 31, 2013. The aggregate net carrying value of these loans was $13.5 million. There was $820,000 of unused commitments on these loans as of December 31, 2013, of which $149,000 was related to an accruing TDR.

The modifications made to restructured loans typically consist of an extension or reduction of the payment terms, or the deferral of principal payments. We generally do not forgive principal when restructuring loans. There were no payment defaults, during the three and nine months ended September 30, 2014 and 2013, for loans modified as TDRs within twelve months of the corresponding balance sheet dates.

There were no new loans designated as TDRs during the three months ended September 30, 2014 and 2013.

The financial effects of modifications made to loans designated as TDRs during the nine months ended September 30, 2014 and 2013, are as follows:

	Nine Months Ended September 30, 2014				
(Dollars in thousands)	Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Loan Losses at the time of Modification	Current Allowance for Loan Losses
Commercial and industrial:					
Extended term, advanced additional funds, forgave principal	1	$5,218	$4,696	$1,968	$1,120
Private Banking:					
Extended term, reduced interest rate	1	1,266	1,098	100	—
Total	2	$6,484	$5,794	$2,068	$1,120

	Nine Months Ended September 30, 2013				
(Dollars in thousands)	Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Loan Losses at the time of Modification	Current Allowance for Loan Losses
Commercial and industrial:					
Extended term	1	$2,691	$2,577	$1,100	$1,100
Advanced additional funds	2	6,957	8,170	2,000	1,357
Total	3	$9,648	$10,747	$3,100	$2,457

Other Real Estate Owned

As of September 30, 2014 and December 31, 2013, the balance of the other real estate owned portfolio was $1.4 million and $1.4 million, respectively.

[6] GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill of $34.1 million was recorded during the nine months ended September 30, 2014, for the Chartwell acquisition. In April 2014, the Company and Chartwell Investment Partners, LP settled one of the three escrow reserves resulting in a $777,000 reduction to the purchase price and a corresponding reduction to goodwill. Refer to Note 2, Business Combinations, for further details on this acquisition.

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The following table presents the change in goodwill for the nine months ended September 30, 2014 and the twelve months ended December 31, 2013:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Balance at beginning of period	$—	$—
Additions	34,118	—
Balance at end of period	$34,118	$—

The Company determined the amount of identifiable intangible assets based upon an independent valuation. The following table presents the change in intangible assets for the nine months ended September 30, 2014 and the twelve months ended December 31, 2013:

(Dollars in thousands)	September 30, 2014	December 31, 2013
Gross carrying amount at beginning of period	$—	$—
Additions	19,510	—
Accumulated amortization	(909)	—
Balance at end of period	$18,601	$—

The following table presents the ending balance of intangible assets as of the date presented and original, estimated useful life by class:

(Dollars in thousands)	September 30, 2014	Estimated Useful Life (months)
Trade name	$1,155	240
Client Relationships:		
Sub-advisory client list	10,716	162
Separate managed accounts client list	1,031	120
Other institutional client list	5,635	132
Non-compete agreements	64	48
Total intangible assets	$18,601	

Amortization expense on finite-lived intangible assets totaled $389,000 and $0 for the three months ended September 30, 2014, and 2013. Amortization expense on finite-lived intangible assets totaled $909,000 and $0 for the nine months ended September 30, 2014, and 2013.

The following is a summary of the expected amortization expense for finite-lived intangibles assets, assuming no new additions, for each of the five years following September 30, 2014:

(Dollars in thousands)	Amount
September 30,	
2015	$1,558
2016	1,558
2017	1,558
2018	1,547
2019	1,540
Thereafter	10,840
Total	$18,601

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[7] DEPOSITS

(Dollars in thousands)	Interest Rate Range as of September 30, 2014	Weighted Average Interest Rate as of September 30, 2014	Weighted Average Interest Rate as of December 31, 2013	Balance as of September 30, 2014	Balance as of December 31, 2013
Demand and savings accounts:					
Noninterest-bearing checking accounts	—	—	—	$124,732	$129,624
Interest-bearing checking accounts	0.00 to 0.50%	0.42 %	0.06 %	107,376	6,335
Money market deposit accounts	0.05 to 0.85%	0.38 %	0.37 %	1,140,559	952,631
Total demand and savings accounts				1,372,667	1,088,590
Time deposits	0.05 to 5.21%	0.70 %	0.71 %	871,657	873,115
Total deposit balance				$2,244,324	$1,961,705
Average rate paid on interest-bearing accounts		0.51 %	0.53 %		

As of September 30, 2014 and December 31, 2013, the Bank had total brokered deposits of $852.6 million and $777.4 million, respectively. The amount for brokered deposits includes reciprocal Certificate of Deposit Account Registry Service® ("CDARS®") and reciprocal Insured Cash Sweep® ("ICS®") accounts totaling $426.2 million and $423.2 million as of September 30, 2014 and December 31, 2013, respectively.

As of September 30, 2014 and December 31, 2013, time deposits with balances of $100,000 or more, excluding brokered certificates of deposit, amounted to $405.7 million and $398.3 million, respectively.

The contractual maturity of time deposits, including brokered deposits, is as follows:

(Dollars in thousands)	September 30, 2014	December 31, 2013
12 months or less	$765,292	$693,574
12 months to 24 months	105,018	174,692
24 months to 36 months	1,347	4,849
36 months to 48 months	—	—
48 months to 60 months	—	—
Over 60 months	—	—
Total	$871,657	$873,115

Interest expense on deposits is as follows:

(Dollars in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Interest-bearing checking accounts	$86	$1	$119	$3
Money market deposit accounts	1,125	899	3,080	2,834
Time deposits	1,543	1,691	4,672	5,665
Total interest expense on deposits	$2,754	$2,591	$7,871	$8,502

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[8] BORROWINGS

As of September 30, 2014 and December 31, 2013, borrowings were comprised of the following:

(Dollars in thousands)	September 30, 2014 Interest Rate	Ending Balance	Maturity Date	December 31, 2013 Interest Rate	Ending Balance	Maturity Date
FHLB borrowings:						
Issued 9/25/2012		$—		0.42 %	$20,000	9/25/2014
Issued 4/7/2014	0.34 %	25,000	4/7/2015		—	
Issued 4/7/2014	0.38 %	25,000	6/8/2015		—	
Issued 4/7/2014	0.44 %	25,000	9/8/2015		—	
Issued 5/5/2014	0.33 %	25,000	2/5/2015		—	
Issued 9/30/2014	0.28 %	30,000	10/3/2014		—	
Subordinated notes payable	5.75 %	35,000	7/1/2019		—	
Total		$165,000			$20,000	

In June 2014, we completed a private placement of subordinated notes payable, raising $35.0 million. The subordinated notes have a term of 5 years at a fixed rate of 5.75%. The proceeds qualify as Tier 2 capital for the holding company, under federal regulatory capital rules. The proceeds will help fund continued growth and ensure that the company and its bank subsidiary maintain their adequate and well capitalized positions, respectively, and may be used to invest in the Bank and Chartwell, and for other general corporate purposes.

During the second quarter the Bank increased FHLB borrowings to fund loan growth, specifically the $219.7 million of acquired loans. Refer to Note 4, for more information on the acquired loans.

The Bank has borrowing capacity with the FHLB. The borrowing capacity is based on the collateral value of certain securities held in safekeeping at the FHLB and loans pledged to the FHLB. The Bank submits a quarterly Qualified Collateral Report ("QCR") to the FHLB to update the value of the loans pledged. As of September 30, 2014, the Bank's borrowing capacity is based on the information provided in the June 30, 2014, QCR filing. As of September 30, 2014, the Bank had securities held in safekeeping at the FHLB with a fair value of $8.7 million, combined with pledged loans of $598.6 million, for a total borrowing capacity of $297.1 million, net of $130.0 million outstanding in advances from the FHLB as reflected in the table above. As of December 31, 2013, there was $20.0 million outstanding in advances from the FHLB, which was repaid in 2014. 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, 2014, the full amount of these established lines were available to the Bank.

[9] REGULATORY CAPITAL

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the tables below) of Tier 1 and Total risk-based capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of September 30, 2014, TriState Capital Holdings, Inc. and TriState Capital Bank exceeded all capital adequacy requirements to which they are subject.

Financial depository institutions are categorized as Well Capitalized if they meet minimum Total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios (Tier 1 capital to average assets) as set forth in the tables below. Based upon the information in the most recently filed Call Report, the Bank exceeded the capital ratios necessary to be Well Capitalized under the regulatory framework for prompt corrective action. There have been no conditions or events since the filing of the most recent Call Report that management believes have changed the Bank’s capital.

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The following tables set forth certain information concerning the Company's and the Bank's regulatory capital as of September 30, 2014 and December 31, 2013:

	September 30, 2014								
	Actual			For Capital Adequacy Purposes			To be Well Capitalized Under Prompt Corrective Action Provisions		
(Dollars in thousands)	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total risk-based capital ratio									
Company	$305,423	11.52	%	$212,061	8.00	%	N/A	N/A	
Bank	$281,142	10.66	%	$210,902	8.00	%	$263,627	10.00	%
Tier 1 risk-based capital ratio									
Company	$254,416	9.60	%	$106,030	4.00	%	N/A	N/A	
Bank	$258,135	9.79	%	$105,451	4.00	%	$158,176	6.00	%
Tier 1 leverage ratio									
Company	$254,416	9.53	%	$106,840	4.00	%	N/A	N/A	
Bank	$258,135	9.71	%	$106,283	4.00	%	$132,854	5.00	%

	December 31, 2013								
	Actual			For Capital Adequacy Purposes			To be Well Capitalized Under Prompt Corrective Action Provisions		
(Dollars in thousands)	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total risk-based capital ratio									
Company	$314,899	14.34	%	$175,700	8.00	%	N/A	N/A	
Bank	$248,019	11.29	%	$175,700	8.00	%	$219,625	10.00	%
Tier 1 risk-based capital ratio									
Company	$295,438	13.45	%	$87,850	4.00	%	N/A	N/A	
Bank	$228,558	10.41	%	$87,850	4.00	%	$131,775	6.00	%
Tier 1 leverage ratio									
Company	$295,438	13.12	%	$180,138	8.00	%	N/A	N/A	
Bank	$228,558	10.15	%	$180,140	8.00	%	$180,140	8.00	%

During the three and nine months ended September 30, 2014, the Company contributed $5.0 million and $20.0 million, respectively, of capital to the Bank subsidiary.

As part of its operating and financial strategies, the Company has not paid dividends to its holders of its common shares since its inception in 2007 and it does not anticipate paying cash dividends to its holders of its common shares in the foreseeable future.

[10] EMPLOYEE BENEFIT PLANS

The Company participates in a qualified 401(k) defined contribution plan under which eligible employees may contribute a percentage of their salary, at their discretion. Beginning in 2011 and continuing through 2014, the Company automatically contributed three percent of the employee's base salary to the individual's 401(k) plan, subject to IRS limitations. Full-time employees and certain part-time employees are eligible to participate upon the first month following their first day of employment or having attained age 21, whichever is later. The Company's contribution expense was $168,000 and $90,000 for the three months ended September 30, 2014 and 2013, respectively, including incidental administrative fees paid to a third party administrator of the plan. The Company's contribution expense was $454,000 and $300,000 for the nine months ended September 30, 2014 and 2013, respectively, including incidental administrative fees paid to a third party administrator of the plan.

On February 28, 2013, the Company entered into a supplemental executive retirement plan ("SERP") for the Chairman and Chief Executive Officer. The benefits will be earned over a five year period with the projected payments for this SERP of $25,000 per month for 180 months commencing the later of retirement or 60 months. For the three and nine months ended September 30, 2014, the Company

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recorded expense related to SERP of $172,000 and $485,000, respectively, utilizing a discount rate of 3.56% and the recorded liability related to the SERP plan was $1.1 million as of September 30, 2014.

[11] ISSUANCE OF STOCK

On May 14, 2013, the Company completed the issuance and sale of 6,355,000 shares of its common stock, no par value, in its initial public offering of Common Stock, including 855,000 shares sold pursuant to the exercise in full by its underwriters of their option to purchase additional shares from the Company, at a price to the public of $11.50 per share. The shares were offered pursuant to the Company's Registration Statement on Form S-1. The Company received net proceeds of $66.0 million from the initial public offering, after deducting underwriting discounts and commissions and direct offering expenses.

In connection with the closing of initial public offering, on May 14, 2013, the Company converted all of its 48,780.488 outstanding shares of Series C preferred stock to shares of common stock, resulting in the issuance of 4,878,049 shares of common stock upon conversion.

The tables below show the changes in the common and preferred shares during the periods indicated.

	Number of Common Shares Outstanding	Number of Preferred Shares Outstanding (Series C)
Balance, December 31, 2012	17,444,730	48,780
Issuance of common stock	6,355,000	—
Conversion of preferred stock to common stock	4,878,049	(48,780)
Exercise of stock options	12,500	—
Balance, September 30, 2013	28,690,279	—
Balance, December 31, 2013	28,690,279	—
Exercise of stock options	22,500	—
Balance, September 30, 2014	28,712,779	—

[12] EARNINGS PER COMMON SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	2014	2013	2014	2013
Net income available to common shareholders	$5,706	$1,330	$10,836	$8,057
Less: earnings allocated to participating stock	—	—	—	748
Net income available to common shareholders, after required adjustments for the calculation of basic EPS	$5,706	$1,330	$10,836	$7,309
Basic shares	28,712,779	28,690,034	28,699,015	23,207,969
Preferred shares - dilutive	—	—	—	2,376,485
Unvested restricted shares - dilutive	—	—	—	2,422
Stock options - dilutive	292,372	459,698	439,518	364,550
Diluted shares	29,005,151	29,149,732	29,138,533	25,951,426

Earnings per common share:				
Basic	$0.20	$0.05	$0.38	$0.31
Diluted	$0.20	$0.05	$0.37	$0.31

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Anti-dilutive shares [1]	798,732	348,000	716,732	536,500

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

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[13] 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 receipts related to certain of the Company's fixed-rate loan assets. The Company also has derivatives that are a result of a service the Company provides to certain qualifying customers. The Company manages a matched book with respect to its derivative instruments offered as a part of this service to its customers in order to minimize its net 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 consolidated statements of financial condition as of September 30, 2014 and December 31, 2013:

	Asset Derivatives as of September 30, 2014		Liability Derivatives as of September 30, 2014	
(Dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	$—	Other liabilities	$504
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	$4,084	Other liabilities	$4,378

	Asset Derivatives as of December 31, 2013		Liability Derivatives as of December 31, 2013	
(Dollars in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Interest rate products	Other assets	$—	Other liabilities	$736
Derivatives not designated as hedging instruments:				
Interest rate products	Other assets	$3,417	Other liabilities	$3,515

FAIR VALUE HEDGES OF INTEREST RATE RISK

The Company is exposed to changes in the fair value of certain of its fixed-rate obligations due to changes in benchmark interest rates, which relate predominantly to LIBOR. Interest rate swaps designated as fair value hedges involve the receipt of variable rate payments from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. As of September 30, 2014, the Company had five interest rate swaps, with a notional amount of $7.6 million that were designated as fair value hedges of interest rate risk associated with the Company's fixed-rate loan assets. The notional amounts for the derivatives express the face amount of the positions, however, credit risk is considered insignificant for nine months ended September 30, 2014 and 2013. There were no counterparty default losses on derivatives for the nine months ended September 30, 2014 and 2013.

For the five derivatives that are designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings by applying the “fair value long haul” method. The Company includes the gain or loss on the hedged items in the same line item as the offsetting loss or gain on the related derivatives. During the three and nine months ended September 30, 2014, the Company recognized gains of $2,000 and $6,000 in non-interest income related to hedge ineffectiveness. The Company also recognized a decrease to interest income of $80,000 and $247,000 for the three and nine months ended September 30, 2014, related to the Company’s fair value hedges, which includes net settlements on the derivatives, and any amortization adjustment of the basis in the hedged items.

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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 banking customers to facilitate their respective risk management strategies. Those derivatives are simultaneously economically hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk 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, 2014, the Company had 100 derivative transactions with an aggregate notional amount of $348.4 million related to this program. During the three and nine months ended September 30, 2014, the Company recognized a net gain of $19,000 and net loss of $195,000, respectively, related to changes in fair value of the derivatives not designated in hedging relationships.

EFFECT OF DERIVATIVE INSTRUMENTS IN THE STATEMENTS OF INCOME

The tables below present the effect of the Company's derivative financial instruments in the consolidated statements of income for the periods presented:

		Three Months Ended September 30,	
(Dollars in thousands)		2014	2013
Derivatives designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
Interest rate products	Interest income (expense)	$(80)	$(159)
	Non-interest income (expense)	2	5
Total		$(78)	$(154)
Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
Interest rate products	Non-interest income (expense)	$19	$(19)
Total		$19	$(19)

		Nine Months Ended September 30,	
(Dollars in thousands)		2014	2013
Derivatives designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
Interest rate products	Interest income (expense)	$(247)	$(389)
	Non-interest income (expense)	6	6
Total		$(241)	$(383)
Derivatives not designated as hedging instruments:	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
Interest rate products		$(195)	$107

	Non-interest income (expense)		
Total		$(195)	$107

CREDIT-RISK-RELATED CONTINGENT FEATURES

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

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

As of September 30, 2014, the termination value of derivatives, including accrued interest, in a net liability position related to these agreements was $4.5 million. As of September 30, 2014, the Company has minimum collateral posting thresholds with certain of

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its derivative counterparties and has posted collateral of $4.6 million. If the Company had breached any of these provisions as of September 30, 2014, it could have been required to settle its obligations under the agreements at their termination value.

[14] 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. The Company corroborates the reasonableness of external inputs in the valuation process.

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RECURRING FAIR VALUE MEASUREMENTS

The following tables represent assets and liabilities measured at fair value on a recurring basis as of September 30, 2014 and December 31, 2013:

	September 30, 2014			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Financial assets:				
Investment securities available-for-sale:				
Corporate bonds	$—	$31,948	$—	$31,948
Trust preferred securities	—	17,572	—	17,572
Non-agency mortgage-backed securities	—	11,785	—	11,785
Agency collateralized mortgage obligations	—	58,948	—	58,948
Agency mortgage-backed securities	—	33,432	—	33,432
Agency debentures	—	16,782	—	16,782
Equity securities	7,918	—	—	7,918
Interest rate swaps	—	4,084	—	4,084
Total financial assets	7,918	174,551	—	182,469
Financial liabilities:				
Interest rate swaps	—	4,882	—	4,882
Total financial liabilities	$—	$4,882	$—	$4,882

	December 31, 2013			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets / Liabilities at Fair Value
Financial assets:				
Investment securities available-for-sale:				
Corporate bonds	$—	$56,388	$—	$56,388
Trust preferred securities	—	15,624	—	15,624
Non-agency mortgage-backed securities	—	7,694	—	7,694
Agency collateralized mortgage obligations	—	81,951	—	81,951
Agency mortgage-backed securities	—	36,311	—	36,311
Agency debentures	—	4,613	—	4,613
Interest rate swaps	—	3,417	—	3,417
Total financial assets	—	205,998	—	205,998
Financial liabilities:				
Interest rate swaps	—	4,251	—	4,251
Total financial liabilities	$—	$4,251	$—	$4,251

INVESTMENT SECURITIES

Generally, investment securities are valued using pricing for similar securities, recently executed transactions, and other pricing models utilizing observable inputs. The valuations for debt and equity securities are classified as either Level 1 or Level 2. U.S. Treasury Notes and equity securities (including mutual funds) are classified as Level 1 because these securities are in actively traded markets. Investment securities within Level 2 include corporate bonds, single-issuer trust preferred securities, municipal bonds, non-agency mortgage-backed securities, collateralized mortgage obligations and mortgage-backed securities issued by U.S. government agencies and U.S. government agency debentures.

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INTEREST RATE SWAPS

The fair value 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, 2014 and December 31, 2013:

	September 30, 2014			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Loans measured for impairment	$—	$—	$20,452	$20,452
Other real estate owned	—	—	1,413	1,413
Total assets	$—	$—	$21,865	$21,865

	December 31, 2013			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets at Fair Value
Loans measured for impairment	$—	$—	$15,348	$15,348
Other real estate owned	—	—	1,413	1,413
Total assets	$—	$—	$16,761	$16,761

As of September 30, 2014, the Company recorded $7.0 million of specific reserves to the allowance for loan losses as a result of adjusting the fair value of the collateral for certain collateral dependent impaired loans to $6.1 million, and as a result of adjusting the value based upon the discounted cash flow to $14.4 million as of September 30, 2014.

As of December 31, 2013, the Company recorded $5.5 million of specific reserves to allowance for loan losses as a result of adjusting the fair value of the collateral for certain collateral dependent impaired loans to $8.2 million, and as a result of adjusting the value based upon the discounted cash flow to $7.1 million as of December 31, 2013.

The Company obtains updated appraisals for collateral dependent impaired loans on an annual basis, unless circumstances require a more frequent appraisal.

IMPAIRED LOANS

A loan is considered impaired when management determines it is probable that all of the principal and interest due under the original terms of the loan may not be collected or if a loan is designated as a TDR. Impairment is measured based on the fair value of the underlying collateral or discounted cash flows when collateral does not exist. Our policy is to obtain appraisals on collateral supporting impaired loans on an annual basis, unless circumstances dictate a shorter time frame. Appraisals are reduced by estimated costs to sell the collateral, and, under certain circumstances, additional factors that may arise and which may cause us to believe our recovered value may be less than the independent appraised value. Accordingly, impaired loans are classified as Level 3. The Company measures impairment on all loans for which it has established specific reserves as part of the allocated allowance component of the allowance for loan losses.

OTHER REAL ESTATE OWNED

Real estate owned is comprised of property acquired through foreclosure or voluntarily conveyed by borrowers. These assets are recorded on the date acquired at the lower of the related original loan balance or fair value, less estimated disposition costs, with the fair value being determined by appraisal. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or fair value, less estimated disposition costs. Accordingly, real estate owned is classified as Level 3.

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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, 2014 and December 31, 2013:

	September 30, 2014					
(Dollars in thousands)	Fair Value		Valuation Techniques (1)	Significant Unobservable Inputs	Weighted Average Discount Rate	
Loans measured for impairment	$6,101	(2)	Appraisal value	Discount due to salability conditions	8	%
Loans measured for impairment	$14,351	(3)	Discounted cash flow	Lack of market data	7	%
Other real estate owned	$1,413		Appraisal value	Discount due to salability conditions	18	%

(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 method if the loan is not collateral dependent.
(2) Loans measured for impairment based on appraisal value of $6.1 million are net of specific reserve of $1.5 million.
(3) Loans measured for impairment based on discounted cash flow of $14.4 million are net of specific reserve of $5.5 million.

	December 31, 2013					
(Dollars in thousands)	Fair Value		Valuation Techniques (1)	Significant Unobservable Inputs	Weighted Average Discount Rate	
Loans measured for impairment	$8,246	(2)	Appraisal value	Discount due to salability conditions	10	%
Loans measured for impairment	$7,102	(3)	Discounted cash flow	Lack of market data	14	%
Other real estate owned	$1,413		Appraisal value	Discount due to salability conditions	18	%

(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 method if the loan is not collateral dependent.
(2) Loans measured for impairment based on appraisal value of $8.2 million are net of specific reserve of $2.8 million.
(3) Loans measured for impairment based on discounted cash flow of $7.1 million are net of specific reserve of $2.7 million.

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FAIR VALUE OF FINANCIAL INSTRUMENTS

A summary of the carrying amounts and estimated fair values of financial instruments is as follows:

(Dollars in thousands)	September 30, 2014			December 31, 2013	
	Fair Value Level	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	$99,133	$99,133	$146,558	$146,558
Investment securities available-for-sale: debt	2	170,467	170,467	202,581	202,581
Investment securities available-for-sale: equity	1	7,918	7,918	—	—
Investment securities held-to-maturity	2	47,124	47,398	25,263	24,457
Loans held-for-investment, net	3	2,274,131	2,279,288	1,841,779	1,860,693
Accrued interest receivable	2	6,113	6,113	6,180	6,180
Investment management fees receivable	2	6,387	6,387	—	—
Federal Home Loan Bank stock	2	7,854	7,854	2,336	2,336
Bank owned life insurance	2	52,923	52,923	41,882	41,882
Interest rate swaps	2	4,084	4,084	3,417	3,417
Other real estate owned	3	1,413	1,413	1,413	1,413
Financial liabilities:					
Deposits	2	$2,244,324	$2,245,328	$1,961,705	$1,963,611
Borrowings	2	165,000	164,924	20,000	20,008
Interest rate swaps	2	4,882	4,882	4,251	4,251

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of September 30, 2014 and December 31, 2013:

CASH AND CASH EQUIVALENTS
The carrying amount approximates fair value.

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

LOANS HELD-FOR-INVESTMENT
The fair value of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Fair value as determined here does not represent an exit price. 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.

FEDERAL HOME LOAN BANK STOCK
The carrying value of our FHLB stock, which is a marketable equity investment, approximates fair value.

BANK OWNED LIFE INSURANCE
The Company owns general account bank owned life insurance. The fair value of the general account BOLI is based on the insurance contract net cash surrender value.

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OTHER REAL ESTATE OWNED
Real estate owned is recorded on the date acquired at the lower of the related original loan balance or fair value, less estimated disposition costs, with the fair value being determined by appraisal. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or fair value, less estimated disposition 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 certificates of deposit 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 our 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 are 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.

[15] CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table shows the changes in accumulated other comprehensive income (loss), for the periods presented:

	Three Months Ended September 30,	
	2014	2013
(Dollars in thousands)	Unrealized Gains and Losses on Investment Securities	Unrealized Gains and Losses on Investment Securities
Balance, beginning of period	$(525)	$(1,322)
Increase (decrease) in unrealized holding gains (losses)	446	(328)
Gains reclassified from other comprehensive income (loss)	—	—
Net other comprehensive income (loss)	446	(328)
Balance, end of period	$(79)	$(1,650)

	Nine Months Ended September 30,	
	2014	2013
(Dollars in thousands)	Unrealized Gains and Losses on Investment Securities	Unrealized Gains and Losses on Investment Securities
Balance, beginning of period	$(1,744)	$1,671
Increase (decrease) in unrealized holding gains (losses)	2,582	(2,817)
Gains reclassified from other comprehensive income (loss) [1]	(917)	(504)
Net other comprehensive income (loss)	1,665	(3,321)

Balance, end of period	$(79)	$(1,650)

(1) Consists of net realized gains on sales of investment securities available-for-sale of $1.4 million and $784,000, net of income tax expense of $511,000 and $280,000 for the nine months ended September 30, 2014 and 2013, respectively.

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[16] CONTINGENT LIABILITIES

The Company is not subject to any asserted claims nor is it aware of any 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.

[17] SEGMENTS

Since the Chartwell acquisition on March 5, 2014, the Company now operates two reportable segments: Bank and Investment Management.

- The Bank segment provides commercial banking and private banking services to middle-market businesses and high-net-worth individuals through the TriState Capital Bank subsidiary. The Bank segment also includes general operating expenses of the Company, which includes the parent company activity as well as eliminations and adjustments which are necessary for purposes of reconciliation to the consolidated amounts.

- The Investment Management segment provides advisory and sub-advisory investment management services to primarily institutional plan sponsors through the Chartwell Investment Partners, Inc. subsidiary and also provides distribution and marketing efforts for Chartwell's proprietary investment products through the Chartwell TSC Securities Corp. subsidiary.

The following tables provide financial information for the two segments of the Company as of and for the periods indicated.

(Dollars in thousands)	September 30, 2014	December 31, 2013
Assets:	(unaudited)	
Bank	$2,684,550	$2,290,509
Investment management	69,743	—
Total assets	$2,754,293	$2,290,509

	Three Months Ended September 30, 2014		
(Dollars in thousands)	Bank	Investment Management	Consolidated
Income statement data:	(unaudited)		
Interest income	$19,681	$—	$19,681
Interest expense	3,435	—	3,435
Net interest income	16,246	—	16,246
Provision for loan losses	651	—	651
Net interest income after provision for loan losses	15,595	—	15,595
Non-interest income:			
Investment management fees	—	7,418	7,418
Net gain on the sale of investment securities available-for-sale	—	—	—
Other non-interest income	1,875	(3)	1,872
Total non-interest income	1,875	7,415	9,290
Non-interest expense:			
Intangible amortization expense	—	389	389
Other non-interest expense	10,815	5,469	16,284
Total non-interest expense	10,815	5,858	16,673

Income before tax	6,655	1,557	8,212
Income tax expense	1,833	673	2,506
Net income	$4,822	$884	$5,706

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	Nine Months Ended September 30, 2014		
(Dollars in thousands)	Bank	Investment Management [1]	Consolidated
Income statement data:	(unaudited)		
Interest income	$56,980	$—	$56,980
Interest expense	8,834	—	8,834
Net interest income	48,146	—	48,146
Provision for loan losses	10,368	—	10,368
Net interest income after provision for loan losses	37,778	—	37,778
Non-interest income:			
Investment management fees	—	17,381	17,381
Net gain on the sale of investment securities available-for-sale	1,428	—	1,428
Other non-interest income	4,044	38	4,082
Total non-interest income	5,472	17,419	22,891
Non-interest expense:			
Intangible amortization expense	—	909	909
Other non-interest expense	31,535	12,505	44,040
Total non-interest expense	31,535	13,414	44,949
Income before tax	11,715	4,005	15,720
Income tax expense	3,158	1,726	4,884
Net income	$8,557	$2,279	$10,836

[1] The Investment Management segment activity began on March 5, 2014, upon closing of the Chartwell acquisition.

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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 the financial condition and results of operations as of and for the three and nine months ended September 30, 2014. The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements and related notes contained herein and our consolidated financial statements and notes thereto and Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 3, 2014.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the Exchange Act. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continu "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," or the negative version of those words comparable 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, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. 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 are difficult to predict. 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.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including, but not limited to, the following:

- Deterioration of our asset quality;
- Our ability to prudently manage our growth and execute our strategy;
- Changes in the value of collateral securing our loans;
- Business and economic conditions generally and in the financial services industry, nationally and within our local market area;
- Changes in management personnel;
- Our ability to maintain important deposit customer relationships, our reputation and otherwise avoid liquidity risks;
- Operational risks associated with our business;
- Volatility and direction of market interest rates;
- Increased competition in the financial services industry, particularly from regional and national institutions;
- Changes in the laws, rules, regulations, interpretations or policies relating to financial institution, accounting, tax, trade, monetary and fiscal matters;
- Further government intervention in the U.S. financial system;
- Natural disasters and adverse weather, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, and other matters beyond our control; and
- Other factors that are discussed in the section entitled "Risk Factors," in our Annual Report on Form 10-K, filed with the SEC on March 3, 2014, 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. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. 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.

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General

We are a bank holding company that now operates through two reporting segments: Bank and Investment Management. The Bank segment generates most of its revenue from interest on loans and investments, loan related fees and deposit-related fees. Its primary source of funding for loans is deposits. Its largest expenses are interest on these deposits and salaries and related employee benefits. The Investment Management segment originated through the acquisition of substantially all of the assets of Chartwell Investment Partners, LP which was consummated on March 5, 2014, and the recent formation of Chartwell TSC Securities Corp., which is applying to be registered as a broker-dealer with the SEC and FINRA. The Investment Management segment generates most of its revenue from investment management fees earned on assets under management and its largest expenses are salaries and related employee benefits.

The following discussion and analysis presents 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 total revenue; earnings per common share; pre-tax, pre-provision net revenue; ratio of allowance for loan losses to total loans; assets under management; return on average assets; return on average equity; the efficiency ratio of the Bank segment; and net interest margin, among other metrics, while maintaining appropriate regulatory leverage and risk-based capital ratios.

Executive Overview

TriState Capital Holdings, Inc. (the "Company") is a bank holding company headquartered in Pittsburgh, Pennsylvania. The Company has three wholly owned subsidiaries: TriState Capital Bank (the "Bank"), a Pennsylvania chartered bank, Chartwell Investment Partners, Inc. ("Chartwell"), a registered investment advisory company, and Chartwell TSC Securities Corp. ("CTSC Securities"), which is applying to be registered as a broker-dealer with the SEC and FINRA. Through our bank subsidiary we serve middle-market businesses in our primary markets throughout the states of Pennsylvania, Ohio, New Jersey and New York. We also serve high-net-worth individuals on a national basis through our private banking channel. We market and distribute our products and services through a scalable branchless banking model, which creates significant operating leverage throughout our business as we continue to grow. Through our investment advisory subsidiary, we provide investment management services to institutional, sub-advisory, managed account and private clients on a national basis. Through our broker-dealer subsidiary, once registered, we will provide distribution and marketing efforts for Chartwell's proprietary investment products.

For the three months ended September 30, 2014, our net income was $5.7 million compared to $1.3 million for the same period in 2013, an increase of $4.4 million, or 329.0%, primarily due to the impact of (1) a $474,000, or 3.0%, increase in our net interest income, (2) a decrease in provision for loan losses of $4.3 million, (3) an increase in non-interest income of $8.2 million largely related to investment management fees and higher swap fees, (4) an increase of $6.7 million in our non-interest expense largely related to the addition of Chartwell and overall annual cost increases and (5) a $1.9 million increase in income taxes.

For the nine months ended September 30, 2014, our net income was $10.8 million compared to $8.1 million for the same period in 2013, an increase of $2.8 million, or 34.5%, primarily due to the impact of (1) a $2.7 million, or 6.0%, increase in our net interest income, (2) an increase in provision for loan losses of $2.7 million, (3) an increase in non-interest income of $18.7 million largely related to investment management fees, higher net gain on the sale of investment securities available-for-sale and higher swap fees, (4) an increase of $15.3 million in our non-interest expense largely related to the addition of Chartwell and overall annual cost increases and (5) a $649,000 increase in income taxes.

Our diluted EPS was $0.20 for the three months ended September 30, 2014, compared to $0.05 for the same period in 2013. The increase is a result of an increase of $4.4 million, or 329.0%, in our net income.

Our diluted EPS was $0.37 for the nine months ended September 30, 2014, compared to $0.31 for the same period in 2013. The increase is a result of an increase of $2.8 million, or 34.5%, in our net income partially offset by the dilutive impact of the issuance and sale of 6,355,000 shares of our common stock in connection with our initial public offering.

Our annualized return on average assets was 0.83% and 0.56% for the three and nine months ended September 30, 2014, respectively, as compared to 0.24% and 0.50% for the same periods in 2013. Our annualized return on average equity was 7.42% and 4.80%, for the three and nine months ended September 30, 2014, respectively, as compared to 1.81% and 4.20% for the same periods in 2013. The increase in both ratios is the result of the higher net income for the three and nine months ended September 30, 2014, as discussed above.

For the three and nine months ended September 30, 2014, the Bank's efficiency ratio was 59.68% and 60.34%, respectively, (adjusted for non-recurring acquisition costs) as compared to 58.73% and 60.43%, respectively, for the same periods in 2013, primarily as a result of higher compensation expense for the bank offset partially by higher total revenue for the three months ended September 30, 2014.

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Our non-interest expense to average assets for the three and nine months ended September 30, 2014, was 2.43% and 2.34%, respectively, compared to 1.81% and 1.84%, respectively, for the same periods in 2013. The increase is due to the addition of Chartwell operating expenses since the closing of the Chartwell acquisition in March 2014.

For the three months ended September 30, 2014, total revenue increased $8.6 million, or 51.2%, to $25.5 million from $16.9 million for the same period in 2013, driven by growth in investment management fees, growth in our loan income and higher swap fees. Pre-tax, pre-provision net revenue increased $2.0 million, or 28.9%, to $8.9 million for the three months ended September 30, 2014, from $6.9 million for the same period in 2013, primarily resulting from growth of $8.6 million, or 51.2%, in total revenue, partially offset by an increase of $6.7 million, or 66.5%, in non-interest expense.

For the nine months ended September 30, 2014, total revenue increased $20.8 million, or 42.6%, to $69.6 million from $48.8 million for the same period in 2013, driven by investment management fees and growth in our loan income and higher swap fees. Pre-tax, pre-provision net revenue increased $5.4 million, or 28.3%, to $24.7 million for the nine months ended September 30, 2014, from $19.2 million for the same period in 2013, primarily resulting from growth of $20.8 million, or 42.6%, in total revenue, partially offset by an increase of $15.3 million, or 51.8%, in non-interest expense.

Our annualized net interest margin was 2.50% for the three months ended September 30, 2014, and 2.62% for the nine months ended September 30, 2014, as compared to 2.93% and 2.90%, respectively, for the same periods in 2013. The most significant factor driving net interest margin compression has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking loan portfolio that the bank has made its fastest growing channel. In addition, net interest margin was impacted by the interest expense from our June 2014 subordinated debt placement.

Total assets of $2.8 billion as of September 30, 2014, increased $463.8 million, or 27.1% on an annualized basis, from December 31, 2013. Total loans grew by $435.7 million to $2.3 billion as of September 30, 2014, an annualized increase of 31.3% from December 31, 2013, as a result of growth in our commercial real estate and private banking loan portfolios. The private banking portfolio growth includes approximately $220 million in acquired loans. Total deposits increased $282.6 million, or 19.3% on an annualized basis, to $2.2 billion as of September 30, 2014, from $2.0 billion, as of December 31, 2013.

Non-performing assets to total assets increased to 1.03% as of September 30, 2014, from 0.95% as of December 31, 2013 due to $21.9 million in additions to non-performing loans and $15.3 million in reductions to non-performing loans during the year. Annualized net charge-offs to average loans for the three months ended September 30, 2014, was 0.19%, as compared to 0.98% for the same period in 2013. Annualized net charge-offs to average loans for the nine months ended September 30, 2014, was 0.45%, as compared to 0.57% for the same period in 2013.

The allowance for loan losses to total loans decreased to 0.97% as of September 30, 2014, from 1.02% as of December 31, 2013, as a result of the growing private banking portfolio of loans secured by marketable securities, which generally have a lower provision based on their risk level. The allowance for loan losses to non-performing loans decreased to 83.19% as of September 30, 2014, from 93.61% as of December 31, 2013.

Provision for loan losses was $651,000 for the three months ended September 30, 2014, compared to $4.9 million for the same period of 2013. Provision expense for the three months ended September 30, 2014, decreased $4.3 million or 86.7% from the same period in 2013, as the prior period included the impact of a charge-off for $4.3 million for the three months ended September 30, 2013, on one commercial and industrial loan. The provision for loan losses was $10.4 million for the nine months ended September 30, 2014, compared to $7.7 million for the same period in 2013.

Our book value per common share increased $0.45 or 4.4%, to $10.70 as of September 30, 2014, from $10.25 as of December 31, 2013 as a result of our net income. Our tangible equity to tangible assets ratio decreased to 9.43% as of September 30, 2014, from 12.83% as of December 31, 2013, primarily the result of the goodwill and other intangible assets acquired in the Chartwell acquisition.

Non-GAAP Financial Measures

The information set forth above contains certain financial information determined by methods other than in accordance with GAAP. These non-GAAP financial measures are “tangible equity,” “tangible equity to tangible assets,” “total revenue,” “pre-tax, pre-provision net revenue,” and “efficiency ratio.” Although we believe these non-GAAP financial measures provide a greater understanding of our business, these measures are not necessarily comparable to similar measures that may be presented by other companies.

“Tangible equity” is defined as shareholders' equity reduced by intangible assets, including goodwill, if any. We believe this measure is important to management and investors to better understand and assess changes from period to period in shareholders' equity exclusive of changes in intangible assets. Goodwill, an intangible asset that is recorded in a business purchase combination, has the effect of increasing both equity and assets, while not increasing our tangible equity or tangible assets.

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“Tangible equity to tangible assets” is defined as the ratio of shareholders' equity reduced by intangible assets, divided by total assets reduced by intangible assets. We believe this measure is important to many investors who are interested in relative changes from period to period in equity and total assets, each exclusive of changes in intangible assets.

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

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

“Efficiency ratio” is defined as non-interest expense divided by our total revenue. “Efficiency ratio, as adjusted” is defined as non-interest expense, excluding non-recurring expenses associated with the Chartwell acquisition and intangible amortization expense, where applicable, divided by our total revenue. We believe this measure, particularly at the Bank, allows management and investors to better assess our operating expenses in relation to our core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to our core business.

(Dollars in thousands, except share and per share data)	September 30, 2014	December 31, 2013
Tangible equity to tangible assets:		
Total shareholders' equity	$307,359	$293,945
Less: intangible assets	52,719	—
Tangible equity	$254,640	$293,945
Total assets	$2,754,293	$2,290,509
Less: intangible assets	52,719	—
Tangible assets	$2,701,574	$2,290,509
Tangible equity to tangible assets	9.43 %	12.83 %

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2014	2013	2014	2013
Pre-tax, pre-provision net revenue:				
Net interest income	$16,246	$15,772	$48,146	$45,400
Total non-interest income	9,290	1,118	22,891	4,210
Less: net gain on the sale of investment securities available-for-sale	—	—	1,428	784
Total revenue	25,536	16,890	69,609	48,826
Less: total non-interest expense	16,673	10,016	44,949	29,604
Pre-tax, pre-provision net revenue	$8,863	$6,874	$24,660	$19,222
Efficiency ratio:				
Total non-interest expense (numerator)	$16,673	$10,016	$44,949	$29,604
Total revenue (denominator)	$25,536	$16,890	$69,609	$48,826

Efficiency ratio	65.29 %	59.30 %	64.57 %	60.63 %
Efficiency ratio, as adjusted:				
Less: non-recurring expenses	$—	$97	$45	$97
Less: intangible amortization expenses	389	—	909	—
Total non-interest expense, as adjusted (numerator)	$16,284	$9,919	$43,995	$29,507
Total revenue (denominator)	$25,536	$16,890	$69,609	$48,826
Efficiency ratio, as adjusted	63.77 %	58.73 %	63.20 %	60.43 %

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BANK SEGMENT

(Dollars in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Bank pre-tax, pre-provision net revenue:				
Net interest income	$16,246	$15,772	$48,146	$45,400
Total non-interest income	1,875	1,118	5,472	4,210
Less: net gain on the sale of investment securities available-for-sale	—	—	1,428	784
Total revenue	18,121	16,890	52,190	48,826
Less: total non-interest expense	10,815	10,016	31,535	29,604
Pre-tax, pre-provision net revenue	$7,306	$6,874	$20,655	$19,222
Bank efficiency ratio:				
Total non-interest expense (numerator)	$10,815	$10,016	$31,535	$29,604
Total revenue (denominator)	$18,121	$16,890	$52,190	$48,826
Efficiency ratio	59.68 %	59.30 %	60.42 %	60.63 %
Bank efficiency ratio, as adjusted:				
Less: non-recurring expenses	$—	$97	$45	$97
Total non-interest expense, as adjusted (numerator)	$10,815	$9,919	$31,490	$29,507
Total revenue (denominator)	$18,121	$16,890	$52,190	$48,826
Efficiency ratio, as adjusted	59.68 %	58.73 %	60.34 %	60.43 %

Results of Operations

Net Interest Income

Net interest income represents the difference between the interest and fees earned 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 rates paid. Maintaining consistent spreads between earning assets and interest-bearing liabilities is significant to our financial performance because net interest income comprised 69.2% and 93.0% of total revenue for the nine months ended September 30, 2014 and 2013, 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 35.0%.

(Dollars in thousands)	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Interest income	$19,681	$18,384	$56,980	$53,966
Fully taxable equivalent adjustment	58	59	176	168
Interest income adjusted	19,739	18,443	57,156	54,134
Less: interest expense	3,435	2,612	8,834	8,566
Net interest income adjusted	$16,304	$15,831	$48,322	$45,568

Yield on earning assets	3.02 %	3.42 %	3.10 %	3.45 %
Cost of interest-bearing liabilities	0.60 %	0.58 %	0.56 %	0.64 %
Net interest spread	2.42 %	2.84 %	2.54 %	2.81 %
Net interest margin [1]	2.50 %	2.93 %	2.62 %	2.90 %

[1] Net interest margin is calculated on a fully taxable equivalent basis.

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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, 2014 and 2013. Non-accrual loans are included in the calculation of the 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 35.0%.

	Three Months Ended September 30,							
	2014				2013			
(Dollars in thousands)	Average Balance	Interest Income [(1)]/ Expense	Average Yield/ Rate		Average Balance	Interest Income [(1)]/ Expense	Average Yield/ Rate	
Assets								
Interest-earning deposits	$125,655	$114	0.36	%	$135,519	$129	0.38	%
Federal funds sold	7,665	1	0.05	%	6,900	1	0.06	%
Investment securities available-for-sale	179,163	522	1.16	%	218,513	814	1.48	%
Investment securities held-to-maturity	39,903	323	3.21	%	23,737	192	3.21	%
Investment securities trading	—	—	—	%	6,869	44	2.54	%
Total loans	2,240,116	18,779	3.33	%	1,750,101	17,263	3.91	%
Total interest-earning assets	2,592,502	19,739	3.02	%	2,141,639	18,443	3.42	%
Other assets	131,451				52,549			
Total assets	$2,723,953				$2,194,188			
Liabilities and Shareholders' Equity								
Interest-bearing deposits:								
Interest-bearing checking accounts	$84,045	$86	0.41	%	$5,348	$1	0.07	%
Money market deposit accounts	1,136,000	1,125	0.39	%	935,858	899	0.38	%
Time deposits (excluding CDARS®)	472,965	1,014	0.85	%	465,435	1,068	0.91	%
CDARS® time deposits	395,254	529	0.53	%	359,845	623	0.69	%
Borrowings:								
FHLB borrowing	132,609	127	0.38	%	20,000	21	0.42	%
Subordinated notes payable	35,000	554	6.28	%	—	—	—	%
Total interest-bearing liabilities	2,255,873	3,435	0.60	%	1,786,486	2,612	0.58	%
Noninterest-bearing deposits	125,668				102,649			
Other liabilities	37,508				14,182			
Shareholders' equity	304,904				290,871			
Total liabilities and shareholders' equity	$2,723,953				$2,194,188			
Net interest income [(1)]		$16,304				$15,831		
Net interest spread			2.42	%			2.84	%
Net interest margin [(1)]			2.50	%			2.93	%

[(1)] Net interest income and net interest margin are calculated on a fully taxable equivalent basis.

Net Interest Income for the Three Months Ended September 30, 2014 and 2013. Net interest income, calculated on a fully taxable equivalent basis, increased $473,000 or 3.0%, to $16.3 million for the three months ended September 30, 2014, from $15.8 million for the same period in 2013. The increase in net interest income for the three months ended September 30, 2014, was primarily attributable to a $450.9 million, or 21.1%, increase in average interest-earning assets driven largely by loan growth, while net interest margin decreased to 2.50% for the three months ended September 30, 2014 compared to 2.93% for the same period in 2013. The increase in net interest income reflects an increase of $1.3 million, or 7.0%, in interest income, partially offset by an increase of $823,000, or 31.5%, in interest expense.

The increase in interest income was primarily the result of an increase in average total loans of $490.0 million, or 28.0%, which is our highest yielding earning asset and the Bank's core business, as well as an increase of $16.2 million in average investment securities held-to-maturity, partially offset by a decrease of $39.4 million, or 18.0%, in average investment securities available-for-sale, a decrease of 58 basis points in yield on our loans and a decrease of 32 basis points in the yield on investment securities available-for-sale. The most significant factor of the declining yield on our loan portfolio has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking loan portfolio that the bank has made its fastest growing channel. The overall yield on interest-earning

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assets declined 40 basis points to 3.02% for the three months ended September 30, 2014, as compared to 3.42% for the same period in 2013, primarily as a result of the lower yield on loans, driven largely by the increase in our private banking portfolio.

Interest expense on interest-bearing liabilities of $3.4 million, for the three months ended September 30, 2014, increased $823,000 or 31.5% from the same period in 2013 as a result of an increase of two basis points in the average rate paid on our average interest-bearing liabilities compared to the same period in 2013, and an increase of $469.4 million or 26.3% in average interest-bearing liabilities for the three months ended September 30, 2014. The increase in average rate paid was reflective of the issuance of subordinated debt partially offset by decreases in rates paid on time deposit accounts, as well as a shift in our deposit mix. The increase in average interest-bearing liabilities was driven primarily by an increase of $200.1 million, or 21.4%, in average money market deposit accounts and an increase of $35.4 million, or 9.8%, in average CDARS® time deposits, an increase in average FHLB borrowings of $112.6 million and the issuance of $35.0 million subordinated debt.

The following table analyzes the dollar amount of change 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, 2014 and 2013. 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 rate is measured by applying the change in rate between the two periods to the average volume during the first period.

	Three Months Ended September 30, 2014 over 2013