RANGE RESOURCES CORP
Form 8-K
December 13, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of report (Date of earliest event reported): December 13, 2011 (December 8, 2011)

RANGE RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**001-12209**	**34-1312571**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

100 Throckmorton, Suite 1200

Ft. Worth, Texas	**76102**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (817) 870-2601

(Former name or former address, if changed since last report): Not applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

Range Resources Corporation (the Company) hereby furnishes the information set forth in its Press Release, dated December 13, 2011, announcing the appointment of John H. Pinkerton to the office of Executive Chairman of the Board of Directors, the appointment of Jeffrey L. Ventura to the office of President and Chief Executive Officer and the appointment of Ray N. Walker to the office of Senior Vice President and Chief Operating Officer. These appointments are effective January 1, 2012 for terms expiring at the 2012 annual meeting of shareholders. A copy of the Press Release is attached as Exhibit 99.1.

Mr. Pinkerton has served as the Company s CEO since 1992. Mr. Ventura, currently President and Chief Operating Officer of Range, has been with the Company since 2003 and was elected a Director in 2005. Mr. Walker has been with the Company since 2006 and is currently Senior Vice President-Safety, Environment and Regulatory. Previously, Mr. Walker was employed by Halliburton in various technical and management roles, Union Pacific Resources and several private companies where he served as an officer. Mr. Walker has 34 years of oil and gas operations and management experience and is a Registered Petroleum Engineer.

In connection with these appointments, the Compensation Committee of the Board of Directors set Mr. Pinkerton s base salary at $640,000 and he is eligible for a bonus under our previously announced cash bonus plan with a target bonus opportunity of 100% of his base salary. Our Compensation Committee set Mr. Ventura s base salary at $800,000 with a target bonus opportunity under our previously announced cash bonus plan of 100%. Mr. Walker s base salary was set at $400,000. Both Mr. Pinkerton and Mr. Ventura shall participate in the Range Resources Corporation Amended and Restated Executive Change in Control Severance Benefit Plan at the 3X participation level.

ITEM 9.01 Financial Statements and Exhibits

(d) Exhibits:

99.1 Press Release dated December 13, 2011

SIGNATURES

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

RANGE RESOURCES CORPORATION

By: */s/ Roger S. Manny*
Roger S. Manny
Chief Financial Officer

Date: December 13, 2011

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated December 13, 2011

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>

4,783

—

4,783

Equity securities
8,352

—

—

8,352

Interest rate swaps
—

12,117

—

12,117

Total financial assets
8,352

178,657

—

187,009

Financial liabilities:				
Interest rate swaps	—	10,609	—	10,609
Total financial liabilities	$ —	$ 10,609	$ —	$ 10,609

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

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

NON-RECURRING FAIR VALUE MEASUREMENTS

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

The following tables represent the balances of assets measured at fair value on a non-recurring basis as of September 30, 2017 and December 31, 2016:

	September 30, 2017			
(Dollars in thousands)	Level 1	Level 2	Level 3	Total Assets at Fair

				Value
Loans measured for impairment, net	$ —	$ —	$ 6,781	$ 6,781
Other real estate owned	—	—	3,581	3,581
Total assets	$ —	$ —	$ 10,362	$ 10,362

(Dollars in thousands)	December 31, 2016 Level 1	Level 2	Level 3	Total Assets at Fair Value
Loans measured for impairment, net	$ —	$ —	$ 10,851	$ 10,851
Other real estate owned	—	—	4,178	4,178
Total assets	$ —	$ —	$ 15,029	$ 15,029

As of September 30, 2017 and December 31, 2016, the Company recorded $3.6 million and $6.9 million, respectively, of specific reserves to allowance for loan losses as a result of adjusting the fair value of impaired loans.

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IMPAIRED LOANS

A loan is considered impaired when management determines it is probable that all of the principal and interest due under the original terms of the loan may not be collected or if a loan is designated as a TDR. Impairment is measured based on a discounted cash flows method or the fair value of the underlying collateral less estimated selling costs. Our policy is to obtain appraisals on collateral supporting impaired loans on an annual basis, unless circumstances dictate a shorter time frame. Appraisals are reduced by estimated costs to sell the collateral, and, under certain circumstances, additional factors that may arise and cause us to believe our recoverable value may be less than the independent appraised value. Accordingly, impaired loans are classified as Level 3. The Company measures impairment on all loans as part of the allowance for loan 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 fair value, less estimated disposition costs, with the fair value being determined by appraisal. Our policy is to obtain appraisals on collateral supporting OREO on an annual basis, unless circumstances dictate a shorter time frame. Appraisals are reduced by estimated costs to sell the collateral, and, under certain circumstances, additional factors that may arise and cause us to believe our recoverable value may be less than the independent appraised value. Accordingly, other real estate owned is classified as Level 3.

LEVEL 3 VALUATION

The following tables present additional quantitative information about assets measured at fair value on a recurring and non-recurring basis and for which we have utilized Level 3 inputs to determine fair value as of September 30, 2017 and December 31, 2016:

	September 30, 2017					
(Dollars in thousands)	Fair Value		Valuation Techniques [1]	Significant Unobservable Inputs	Weighted Average Discount Rate	
Loans measured for impairment, net	$	96	Liquidation analysis	Discount due to salability conditions	—	%
Loans measured for impairment, net	$	6,685	Discounted cash flow	Discount due to restructured nature of operations	6	%
Other real estate owned	$	3,581	Appraisal value	Discount due to salability conditions	10	%

[1] Fair value is generally determined through independent appraisals or liquidation analysis 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.

	December 31, 2016					
(Dollars in thousands)	Fair Value		Valuation Techniques [1]	Significant Unobservable Inputs	Weighted Average Discount Rate	
Loans measured for impairment, net	$	10,851	Discounted cash flow	Discount due to restructured	6	%

			nature of operations		
Other real estate owned	$	4,178	Appraisal value	Discount due to salability conditions	10 %

(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.

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FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(Dollars in thousands)	Fair Value Level	September 30, 2017 Carrying Amount	September 30, 2017 Estimated Fair Value	December 31, 2016 Carrying Amount	December 31, 2016 Estimated Fair Value
Financial assets:					
Cash and cash equivalents	1	$136,579	$136,579	$103,994	$103,994
Investment securities available-for-sale: debt	2	143,163	143,163	166,540	166,540
Investment securities available-for-sale: equity	1	8,647	8,647	8,352	8,352
Investment securities held-to-maturity	2	58,314	59,605	53,940	54,498
Federal Home Loan Bank stock	2	10,792	10,792	9,641	9,641
Loans held-for-investment, net	3	3,914,691	3,908,256	3,382,292	3,362,031
Accrued interest receivable	2	11,732	11,732	9,614	9,614
Investment management fees receivable, net	2	7,300	7,300	7,749	7,749
Bank owned life insurance	2	66,154	66,154	64,815	64,815
Other real estate owned	3	3,581	3,581	4,178	4,178
Interest rate swaps	2	13,318	13,318	12,117	12,117
Financial liabilities:					
Deposits	2	$3,769,870	$3,768,536	$3,286,779	$3,286,553
Borrowings, net	2	279,162	279,506	239,510	240,143
Interest rate swaps	2	12,062	12,062	10,609	10,609

During the nine months ended September 30, 2017 and 2016, there were no transfers between fair value Levels 1, 2 or 3.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of September 30, 2017 and December 31, 2016:

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.

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

LOANS HELD-FOR-INVESTMENT
The fair value of loans held-for-investment 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.

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

OTHER REAL ESTATE OWNED
Real estate owned is recorded on the date acquired at fair value, less estimated disposition costs, with the fair value being determined by appraisal.

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

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

INTEREST RATE SWAPS
The fair value of interest rate swaps 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.

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

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

	Three Months Ended September 30,					
	2017			2016		
(Dollars in thousands)	Investment Securities	Derivatives	Total	Investment Securities	Derivatives	Total
Balance, beginning of period	$439	$ 948	$1,387	$(1,020)	$ (56)	$(1,076)
Change in unrealized holding gains (losses)	(35)	55	20	711	402	1,113
Losses (gains) reclassified from other comprehensive income	—	(77)	(77)	(8)	29	21
Net other comprehensive income (loss)	(35)	(22)	(57)	703	431	1,134
Balance, end of period	$404	$ 926	$1,330	$(317)	$ 375	$58

	Nine Months Ended September 30,					
	2017			2016		
(Dollars in thousands)	Investment Securities	Derivatives	Total	Investment Securities	Derivatives	Total
Balance, beginning of period	$(297)	$ 1,127	$830	$(1,443)	$ —	$(1,443)
Change in unrealized holding gains (losses)	855	(45)	810	1,146	346	1,492
Losses (gains) reclassified from other comprehensive income	(154)	(156)	(310)	(20)	29	9
Net other comprehensive income (loss)	701	(201)	500	1,126	375	1,501
Balance, end of period	$404	$ 926	$1,330	$(317)	$ 375	$58

[14] CONTINGENT LIABILITIES

The Company is not 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.

[15] SEGMENTS

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

- The Bank segment provides commercial banking services to middle-market businesses and private banking services to high-net-worth individuals through the TriState Capital Bank subsidiary.

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- The Investment Management segment provides advisory and sub-advisory investment management services primarily to institutional investors, mutual funds and individual investors through the Chartwell Investment Partners, LLC subsidiary. It also supports 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. The information provided under the caption "Parent and Other" represents general operating activity of the Company not considered to be a reportable segment, which includes the parent company activity as well as eliminations and adjustments that are necessary for purposes of reconciliation to the consolidated amounts.

(Dollars in thousands)	September 30, 2017	December 31, 2016
Assets:		
Bank	$ 4,409,661	$ 3,846,353
Investment management	80,632	85,072
Parent and other	5,720	(968)
Total assets	$ 4,496,013	$ 3,930,457

(Dollars in thousands)	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016			
	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Income statement data:								
Interest income	$ 35,512	$ —	$ 63	$ 35,575	$ 24,855	$ —	$ 70	$ 24,925
Interest expense	11,398	—	572	11,970	5,673	—	548	6,221
Net interest income (loss)	24,114	—	(509)	23,605	19,182	—	(478)	18,704
Provision (credit) for loan losses	283	—	—	283	(542)	—	—	(542)
Net interest income (loss) after provision for loan losses	23,831	—	(509)	23,322	19,724	—	(478)	19,246
Non-interest income:								
Investment management fees	—	9,265	(51)	9,214	—	10,391	(58)	10,333
Net gain on the sale and call of investment securities	15	—	—	15	14	—	—	14
Other non-interest income	2,477	—	—	2,477	2,149	1	—	2,150
Total non-interest income	2,492	9,265	(51)	11,706	2,163	10,392	(58)	12,497
Non-interest expense:								
Intangible amortization expense	—	463	—	463	—	463	—	463
Change in fair value of acquisition earn out	—	—	—	—	—	(1,209)	—	(1,209)
Other non-interest expense	14,575	7,747	27	22,349	13,227	8,009	24	21,260
Total non-interest expense	14,575	8,210	27	22,812	13,227	7,263	24	20,514
Income (loss) before tax	11,748	1,055	(587)	12,216	8,660	3,129	(560)	11,229
Income tax expense (benefit)	1,987	435	(238)	2,184	1,823	1,385	(433)	2,775
Net income (loss)	$ 9,761	$ 620	$ (349)	$ 10,032	$ 6,837	$ 1,744	$ (127)	$ 8,454

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(Dollars in thousands)	Nine Months Ended September 30, 2017 Bank	Investment Management	Parent and Other	Consolidated	Nine Months Ended September 30, 2016 Bank	Investment Management	Parent and Other	Consolidated
Income statement data:								
Interest income	$96,220	$ —	$207	$ 96,427	$71,871	$ —	$209	$ 72,080
Interest expense	28,183	—	1,690	29,873	15,130	—	1,650	16,780
Net interest income (loss)	68,037	—	(1,483)	66,554	56,741	—	(1,441)	55,300
Provision (credit) for loan losses	1,042	—	—	1,042	(340)	—	—	(340)
Net interest income (loss) after provision for loan losses	66,995	—	(1,483)	65,512	57,081	—	(1,441)	55,640
Non-interest income:								
Investment management fees	—	27,843	(159)	27,684	—	26,981	(167)	26,814
Net gain on the sale and call of investment securities	254	—	—	254	77	—	—	77
Other non-interest income	6,888	1	—	6,889	5,966	2	—	5,968
Total non-interest income	7,142	27,844	(159)	34,827	6,043	26,983	(167)	32,859
Non-interest expense:								
Intangible amortization expense	—	1,388	—	1,388	—	1,291	—	1,291
Change in fair value of acquisition earn out	—	—	—	—	—	(1,209)	—	(1,209)
Other non-interest expense	41,868	22,398	100	64,366	37,849	19,986	60	57,895
Total non-interest expense	41,868	23,786	100	65,754	37,849	20,068	60	57,977
Income (loss) before tax	32,269	4,058	(1,742)	34,585	25,275	6,915	(1,668)	30,522
Income tax expense (benefit)	7,734	1,587	(681)	8,640	7,476	2,833	(857)	9,452
Net income (loss)	$24,535	$ 2,471	$(1,061)	$ 25,945	$17,799	$ 4,082	$(811)	$ 21,070

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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, 2017. 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 for the fiscal year ended December 31, 2016, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 14, 2017.

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;
- Our ability to provide investment management performance competitive with our peers and benchmarks;
- 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 institutions, 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 February 14, 2017, 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 operates through two reportable segments: Bank and Investment Management. Through our TriState Capital Bank subsidiary the Bank segment provides commercial banking services to middle-market businesses and private banking services to high-net-worth individuals. The Bank segment generates most of its revenue from interest on loans and investments, loan related fees including swap fees, and liquidity and treasury management related fees. Its primary source of funding for loans is deposits. Its largest expenses are interest on these deposits and salaries and related employee benefits. Through our Chartwell Investment Partners, LLC subsidiary the Investment Management segment provides advisory and sub-advisory investment management services primarily to institutional investors, mutual funds and individual investors. It also supports marketing efforts for Chartwell's proprietary investment products through our Chartwell TSC Securities Corp. subsidiary. The Investment Management segment generates its revenue from investment management fees earned on assets under management and its largest expenses are salaries and related employee benefits.

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 net income, earnings per share and total revenue. Other salient metrics include the ratio of allowance for loan losses to loans; net interest margin; the efficiency ratio of the Bank segment; assets under management; adjusted EBITDA of the Investment Management segment; return on average assets; return on average equity; pre-tax, pre-provision net revenue; and regulatory leverage and risk-based capital ratios.

Executive Overview

TriState Capital Holdings, Inc. ("we", "us", "our" or 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, LLC ("Chartwell"), an SEC registered investment advisor; and Chartwell TSC Securities Corp. ("CTSC Securities"), a registered 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 management subsidiary, we provide investment management services primarily to institutional investors, mutual funds and individual investors on a national basis. Assets under management were $8.20 billion as of September 30, 2017. Our broker/dealer subsidiary supports marketing efforts for Chartwell's proprietary investment products that require SEC or FINRA licensing.

For the three months ended September 30, 2017, our net income was $10.0 million compared to $8.5 million for the same period in 2016, an increase of $1.6 million. This increase was primarily due to the net impact of (1) a $4.9 million, or 26.2%, increase in our net interest income; and (2) a $591,000 decrease in income taxes; offset by (3) an increase of $2.3 million in our non-interest expense; (4) higher provision for loan losses of $825,000; and (5) a decrease in non-interest income of $791,000.

For the nine months ended September 30, 2017, our net income was $25.9 million compared to $21.1 million for the same period in 2016, an increase of $4.9 million. This increase was primarily due to the impact of (1) a $11.3 million, or 20.4%, increase in our net interest income; (2) an increase in non-interest income of $2.0 million; and (3) a $812,000 decrease in income taxes; offset by (4) an increase of $7.8 million in our non-interest expense; and (5) higher provision for loan losses of $1.4 million.

Our diluted EPS was $0.35 for the three months ended September 30, 2017, compared to $0.30 for the same period in 2016. The increase is a result of an increase of $1.6 million in our net income.

Our diluted EPS was $0.90 for the nine months ended September 30, 2017, compared to $0.75 for the same period in 2016. The increase is a result of an increase of $4.9 million in our net income.

For the three months ended September 30, 2017, total revenue increased $4.1 million, or 13.2%, to $35.3 million from $31.2 million for the same period in 2016, driven by higher net interest income for the Bank. Pre-tax, pre-provision net revenue increased $1.8 million, or 17.0%, to $12.5 million for the three months ended September 30, 2017, from $10.7 million for the same period in 2016, primarily resulting from the higher total revenue partially offset by higher non-interest expense.

For the nine months ended September 30, 2017, total revenue increased $13.0 million, or 14.8%, to $101.1 million from $88.1 million for the same period in 2016, driven by higher net interest income for the Bank and higher investment management fees. Pre-tax, pre-provision net revenue increased $5.3 million, or 17.5%, to $35.4 million for the nine months ended September 30, 2017, from $30.1 million for the same period in 2016, due to higher total revenue, partially offset by higher non-interest expenses.

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Our annualized net interest margin was 2.27% and 2.25% for the three and nine months ended September 30, 2017, respectively, as compared to 2.18% and 2.25% for the same periods in 2016, respectively. The increase in net interest margin for the three months ended September 30, 2017, was driven by an increase in the yield on loans offset by an increase in the cost of funds.

Our annualized non-interest expense to average assets for the three and nine months ended September 30, 2017, was 2.09% and 2.11%, respectively, compared to 2.27% and 2.25% for the same periods in 2016, respectively. For the three and nine months ended September 30, 2017, the Bank's efficiency ratio was 54.81% and 55.88%, respectively, as compared to 62.01% and 60.36% for the same periods in 2016, respectively.

Our annualized return on average assets was 0.92% and 0.83% for the three and nine months ended September 30, 2017, respectively, as compared to 0.93% and 0.82% for the same periods in 2016, respectively. Our annualized return on average equity was 10.69% and 9.52% for the three and nine months ended September 30, 2017, respectively, as compared to 9.88% and 8.42% for the same periods in 2016, respectively, largely due to continued growth in earnings.

Total assets of $4.50 billion as of September 30, 2017, increased $565.6 million, or 19.2% on an annualized basis, from December 31, 2016. Loans held-for-investment grew by $529.6 million to $3.93 billion as of September 30, 2017, an annualized increase of 20.8%, from December 31, 2016, as a result of growth in both our commercial and private banking loan portfolios. Total deposits increased $483.1 million, or 19.7% on an annualized basis, to $3.77 billion as of September 30, 2017, from December 31, 2016.

Adverse rated credits to total loans declined to 0.95% at September 30, 2017, from 1.25% at December 31, 2016. The allowance for loan losses to loans was 0.41% as of September 30, 2017, compared to 0.55% as of December 31, 2016, reflecting the lower non-performing loans and lower levels of provision required for private banking loans. The provision for loan losses was $283,000 and $1.0 million for the three and nine months ended September 30, 2017, respectively, as compared to credits to provision of $542,000 and $340,000 for the same periods in 2016, respectively.

Our book value per common share increased $0.79 to $13.17 as of September 30, 2017, from $12.38 as of December 31, 2016, largely as a result of an increase in our net income, partially offset by the issuance of restricted stock and purchase of treasury stock during nine months ended September 30, 2017.

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 common equity," "tangible book value per common share," "total revenue," "pre-tax, pre-provision net revenue," "efficiency ratio," "EBITDA," and "adjusted EBITDA." 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 common equity" is defined as shareholders' equity reduced by intangible assets, including goodwill. 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.

"Tangible book value per common share" is defined as book value, excluding the impact of intangible assets, including goodwill, divided by common shares outstanding. We believe this measure is important to many investors who are interested in changes from period to period in book value per share 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 and call of investment securities. 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 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 and call of investment securities. We believe this measure is important because it allows management and investors to better assess our performance in relation to our core operating revenue, excluding the volatility that is associated with provision for loan losses or other items that are unrelated to our core business.

“Efficiency ratio” is defined as non-interest expense, excluding acquisition related items 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.

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“EBITDA” and “Adjusted EBITDA” are defined as net income before interest expense, income taxes, depreciation and amortization adjusted for acquisition related items. We use adjusted EBITDA particularly to assess the strength of our investment management business. We believe this measure is important because it allows management and investors to better assess our investment management performance in relation to our core operating earnings, excluding certain non-cash items and 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 per share data)	September 30, 2017	December 31, 2016
Tangible book value per common share:		
Total shareholders' equity	$ 377,333	$ 351,807
Less: intangible assets	65,821	67,209
Tangible common equity	$ 311,512	$ 284,598
Common shares outstanding	28,642,573	28,415,654
Tangible book value per common share	$ 10.88	$ 10.02

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Pre-tax, pre-provision net revenue:				
Net interest income	$23,605	$18,704	$66,554	$55,300
Total non-interest income	11,706	12,497	34,827	32,859
Less: net gain on the sale and call of investment securities	15	14	254	77
Total revenue	35,296	31,187	101,127	88,082
Less: total non-interest expense	22,812	20,514	65,754	57,977
Pre-tax, pre-provision net revenue	$12,484	$10,673	$35,373	$30,105
Efficiency ratio:				
Total non-interest expense	$22,812	$20,514	$65,754	$57,977
Plus: change in fair value of acquisition earn out	—	1,209	—	1,209
Less: acquisition related items	—	—	—	1
Less: intangible amortization expenses	463	463	1,388	1,291
Total non-interest expense, as adjusted (numerator)	$22,349	$21,260	$64,366	$57,894
Total revenue (denominator)	$35,296	$31,187	$101,127	$88,082
Efficiency ratio	63.32 %	68.17 %	63.65 %	65.73 %

BANK SEGMENT

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Bank pre-tax, pre-provision net revenue:				
Net interest income	$24,114	$19,182	$68,037	$56,741
Total non-interest income	2,492	2,163	7,142	6,043
Less: net gain on the sale and call of investment securities	15	14	254	77
Total revenue	26,591	21,331	74,925	62,707
Less: total non-interest expense	14,575	13,227	41,868	37,849
Pre-tax, pre-provision net revenue	$12,016	$8,104	$33,057	$24,858

Bank efficiency ratio:				
Total non-interest expense (numerator)	$14,575	$13,227	$41,868	$37,849
Total revenue (denominator)	$26,591	$21,331	$74,925	$62,707
Bank efficiency ratio	54.81 %	62.01 %	55.88 %	60.36 %

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INVESTMENT MANAGEMENT SEGMENT

(Dollars in thousands)	Three Months Ended September 30, 2017	2016	Nine Months Ended September 30, 2017	2016
Investment Management EBITDA:				
Net income	$620	$1,744	$2,471	$4,082
Interest expense	—	—	—	—
Income taxes expense	435	1,385	1,587	2,833
Depreciation expense	130	32	369	78
Intangible amortization expense	463	463	1,388	1,291
EBITDA	1,648	3,624	5,815	8,284
Change in fair value of acquisition earn out	—	(1,209)	—	(1,209)
Acquisition related items	—	—	—	1
Adjusted EBITDA	$1,648	$2,415	$5,815	$7,076

Results of Operations

Net Interest Income

Net interest income represents the difference between the interest received on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities and changes in interest yields earned and interest rates paid. Maintaining consistent spreads between earning assets and interest-bearing liabilities is significant to our financial performance because net interest income comprised 65.8% and 62.8% of total revenue for the nine months ended September 30, 2017 and 2016, 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, 2017	2016	Nine Months Ended September 30, 2017	2016
Interest income	$35,575	$24,925	$96,427	$72,080
Fully taxable equivalent adjustment	60	57	181	203
Interest income adjusted	35,635	24,982	96,608	72,283
Less: interest expense	11,970	6,221	29,873	16,780
Net interest income adjusted	$23,665	$18,761	$66,735	$55,503
Yield on earning assets	3.42 %	2.90 %	3.25 %	2.94 %
Cost of interest-bearing liabilities	1.28 %	0.81 %	1.13 %	0.77 %
Net interest spread	2.14 %	2.09 %	2.12 %	2.17 %
Net interest margin (1)	2.27 %	2.18 %	2.25 %	2.25 %

(1) Net interest margin is calculated on a fully taxable equivalent basis.

The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the three months ended September 30, 2017 and 2016. 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%.

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	Three Months Ended September 30,					
	2017			2016		
(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	$131,115	$420	1.27 %	$114,245	$150	0.52 %
Federal funds sold	6,845	20	1.16 %	6,445	6	0.37 %
Investment securities available-for-sale	140,741	760	2.14 %	182,354	828	1.81 %
Investment securities held-to-maturity	60,220	631	4.16 %	48,495	485	3.98 %
FHLB stock	12,582	200	6.31 %	12,347	144	4.64 %
Total loans	3,787,231	33,604	3.52 %	3,061,427	23,369	3.04 %
Total interest-earning assets	4,138,734	35,635	3.42 %	3,425,313	24,982	2.90 %
Other assets	194,405			171,986		
Total assets	$4,333,139			$3,597,299		
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Interest-bearing checking accounts	$371,526	$1,173	1.25 %	$190,270	$234	0.49 %
Money market deposit accounts	2,021,755	6,263	1.23 %	1,688,250	3,017	0.71 %
Certificates of deposit	1,003,280	3,168	1.25 %	863,872	1,936	0.89 %
Borrowings:						
FHLB borrowings	271,304	790	1.16 %	273,804	480	0.70 %
Line of credit borrowings	2,571	22	3.39 %	—	—	— %
Subordinated notes payable, net	34,629	554	6.35 %	34,427	554	6.40 %
Total interest-bearing liabilities	3,705,065	11,970	1.28 %	3,050,623	6,221	0.81 %
Noninterest-bearing deposits	205,368			161,723		
Other liabilities	50,332			44,565		
Shareholders' equity	372,374			340,388		
Total liabilities and shareholders' equity	$4,333,139			$3,597,299		
Net interest income (1)		$23,665			$18,761	
Net interest spread			2.14 %			2.09 %
Net interest margin (1)			2.27 %			2.18 %

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

Net Interest Income for the Three Months Ended September 30, 2017 and 2016. Net interest income, calculated on a fully taxable equivalent basis, increased $4.9 million, or 26.1%, to $23.7 million for the three months ended September 30, 2017, from $18.8 million for the same period in 2016. The increase in net interest income for the three months ended September 30, 2017, was primarily attributable to a $713.4 million, or 20.8%, increase in average interest-earning assets driven primarily by loan growth. The increase in net interest income reflects an increase of $10.7 million, or 42.6%, in interest income, partially offset by an increase of $5.7 million, or 92.4%, in interest expense. Net interest margin increased to 2.27% for the three months ended September 30, 2017, as compared to 2.18% for the same period in 2016, driven by a higher yield on the loan portfolio, partially offset by higher interest expense associated with the higher volumes and cost of deposits and higher costs of FHLB borrowings.

The increase in interest income was primarily the result of an increase in average total loans of $725.8 million, or 23.7%, which is our primary earning asset and the Bank’s core business, and an increase of 48 basis points in yield on our loans. The most significant factors driving the yield on our loan portfolio was the effect of the Federal Reserve's increases in the target federal funds rate on our floating-rate loans, partially offset by the shift toward lower-risk marketable-securities-backed private banking loans. The overall yield on interest-earning assets increased 52 basis points to 3.42% for the three months ended September 30, 2017, as compared to 2.90% for the same period in 2016, primarily from higher yield on loans.

The increase in interest expense on interest-bearing liabilities was primarily the result of an increase of 47 basis points in the average rate paid on our interest-bearing liabilities for the three months ended September 30, 2017, as well as an increase of $654.4 million, or 21.5%, in average interest-bearing liabilities, compared to the same period in 2016. The increase in average rate paid was reflective of increases in rates paid in all deposit categories and FHLB borrowings. The increase in average interest-bearing liabilities was driven

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primarily by an increase of $333.5 million in average money market deposit accounts, an increase of $181.3 million in average interest-bearing checking accounts and an increase of $139.4 million in average certificates of deposit.

The following table analyzes the dollar amount of the 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, 2017 compared to 2016. 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, 2017 over 2016		
(Dollars in thousands)	Yield/Rate	Volume	Change[(1)]
Increase in:			
Interest income:			
Interest-earning deposits	$245	$25	$ 270
Federal funds sold	14	—	14
Investment securities available-for-sale	140	(208)	(68)
Investment securities held-to-maturity	24	122	146
FHLB stock	53	3	56
Total loans	4,161	6,074	10,235
Total increase in interest income	4,637	6,016	10,653
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	584	355	939
Money market deposit accounts	2,557	689	3,246
Certificates of deposit	883	349	1,232
Borrowings:			
FHLB borrowings	314	(4)	310
Line of credit borrowings	—	22	22
Subordinated notes payable, net	(3)	3	—
Total increase in interest expense	4,335	1,414	5,749
Total increase in net interest income	$302	$4,602	$ 4,904

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

The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the nine months ended September 30, 2017 and 2016. Non-accrual loans are included in the calculation of the average loan balances, while interest payments 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%.

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	Nine Months Ended September 30,					
	2017			2016		
(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	$121,640	$981	1.08 %	$107,651	$418	0.52 %
Federal funds sold	6,501	45	0.93 %	6,180	16	0.35 %
Investment securities available-for-sale	153,665	2,422	2.11 %	181,383	2,387	1.76 %
Investment securities held-to-maturity	58,744	1,845	4.20 %	46,977	1,409	4.01 %
FHLB stock	13,803	450	4.36 %	10,983	343	4.17 %
Total loans	3,619,679	90,865	3.36 %	2,935,663	67,710	3.08 %
Total interest-earning assets	3,974,032	96,608	3.25 %	3,288,837	72,283	2.94 %
Other assets	189,483			155,903		
Total assets	$4,163,515			$3,444,740		
Liabilities and Shareholders' Equity						
Interest-bearing deposits:						
Interest-bearing checking accounts	$298,631	$2,295	1.03 %	$160,310	$541	0.45 %
Money market deposit accounts	1,951,258	15,511	1.06 %	1,614,669	7,847	0.65 %
Certificates of deposit	954,352	8,007	1.12 %	869,879	5,540	0.85 %
Borrowings:						
FHLB borrowings	307,143	2,360	1.03 %	243,686	1,191	0.65 %
Line of credit borrowings	1,375	39	3.79 %	—	—	— %
Subordinated notes payable, net	34,579	1,661	6.42 %	34,376	1,661	6.45 %
Total interest-bearing liabilities	3,547,338	29,873	1.13 %	2,922,920	16,780	0.77 %
Noninterest-bearing deposits	206,063			153,763		
Other liabilities	45,596			33,770		
Shareholders' equity	364,518			334,287		
Total liabilities and shareholders' equity	$4,163,515			$3,444,740		
Net interest income (1)		$66,735			$55,503	
Net interest spread			2.12 %			2.17 %
Net interest margin (1)			2.25 %			2.25 %

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

Net Interest Income for the Nine Months Ended September 30, 2017 and 2016. Net interest income, calculated on a fully taxable equivalent basis, increased $11.2 million, or 20.2%, to $66.7 million for the nine months ended September 30, 2017, from $55.5 million for the same period in 2016. The increase in net interest income for the nine months ended September 30, 2017, was primarily attributable to a $685.2 million, or 20.8%, increase in average interest-earning assets driven primarily by loan growth. The increase in net interest income reflects an increase of $24.3 million, or 33.7%, in interest income, partially offset by an increase of $13.1 million, or 78.0%, in interest expense. Net interest margin was 2.25% for the nine months ended September 30, 2017 and 2016.

The increase in interest income on interest-earning assets was primarily the result of an increase in average total loans of $684.0 million, or 23.3%, which is our primary earning asset and the Bank’s core business, and an increase of 28 basis points in yield on our loans. The most significant factors driving the yield on our loan portfolio was the effect of the Federal Reserve’s increases in the target federal funds rate on our floating-rate loans, partially offset by the shift toward lower-risk marketable-securities-backed private banking loans. The overall yield on interest-earning assets increased 31 basis points to 3.25% for the nine months ended September 30, 2017, as compared to 2.94% for the same period in 2016, primarily from higher loan yields.

The increase in interest expense on interest-bearing liabilities was primarily the result of an increase of 36 basis points in the average rate paid on our interest-bearing liabilities for the nine months ended September 30, 2017, as well as an increase of $624.4 million, or 21.4%, in average interest-bearing liabilities, compared to the same period in 2016. The increase in average rate paid was reflective of increases in rates paid in all deposit categories and FHLB borrowings. The increase in average interest-bearing liabilities was driven primarily by an increase of $336.6 million in average money market deposit accounts, an increase of $138.3 million in average interest-

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bearing checking accounts, an increase of $84.5 million in average certificates of deposit and an increase of $63.5 million in average FHLB borrowings.

The following table analyzes the dollar amount of the 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 nine months ended September 30, 2017 compared to 2016. 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.

	Nine Months Ended September 30, 2017 over 2016		
(Dollars in thousands)	Yield/Rate	Volume	Change[(1)]
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	$503	$60	$ 563
Federal funds sold	28	1	29
Investment securities available-for-sale	434	(399)	35
Investment securities held-to-maturity	74	362	436
FHLB stock	17	90	107
Total loans	6,573	16,582	23,155
Total increase in interest income	7,629	16,696	24,325
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	1,050	704	1,754
Money market deposit accounts	5,785	1,879	7,664
Certificates of deposit	1,896	571	2,467
Borrowings:			
FHLB borrowings	806	363	1,169
Line of credit borrowings	—	39	39
Subordinated notes payable, net	(6)	6	—
Total increase in interest expense	9,531	3,562	13,093
Total increase (decrease) in net interest income	$(1,902)	$13,134	$ 11,232

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

Provision for Loan Losses

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

Provision for Loan Losses for the Three Months Ended September 30, 2017 and 2016. We recorded provision for loan losses of $283,000 for the three months ended September 30, 2017, compared to a credit to provision of $542,000 for the three months ended September 30, 2016. The provision for loan losses for the three months ended September 30, 2017, was comprised of a net increase of $206,000 of specific reserves on non-performing loans and a net increase in general reserves of $219,000, partially offset by recoveries of $142,000. The credit to provision for the three months ended September 30, 2016, was comprised of recoveries of $3.5 million and a net decrease in general reserves of $681,000, partially offset by a net increase of $3.7 million in specific reserves on non-performing loans.

Provision for Loan Losses for the Nine Months Ended September 30, 2017 and 2016. We recorded provision for loan losses of $1.0 million for the nine months ended September 30, 2017, compared to a credit to provision of $340,000 for the nine months ended September 30, 2016. The provision for loan losses for the nine months ended September 30, 2017, was comprised of a net increase of $967,000 of specific reserves on non-performing loans and a net increase in general reserves of $553,000, partially offset by recoveries of $478,000. The credit to provision for the nine months ended September 30, 2016, was comprised of recoveries of $4.1 million, a net decrease in general reserves of $1.1 million, partially offset by a net increase of $4.9 million in specific reserves on non-performing loans, of which $1.5 million was charged-off.

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Non-Interest Income

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

The following table presents the components of our non-interest income by operating segment for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	$—	$ 9,265	$ (51)	$ 9,214	$—	$ 10,391	$ (58)	$ 10,333
Service charges	96	—	—	96	134	—	—	134
Net gain on the sale and call of investment securities	15	—	—	15	14	—	—	14
Swap fees	1,391	—	—	1,391	977	—	—	977
Commitment and other fees	423	—	—	423	488	—	—	488
Other income [(1)]	567	—	—	567	550	1	—	551
Total non-interest income	$2,492	$ 9,265	$ (51)	$ 11,706	$2,163	$ 10,392	$ (58)	$ 12,497

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

Non-Interest Income for the Three Months Ended September 30, 2017 and 2016. Our non-interest income was $11.7 million for the three months ended September 30, 2017, a decrease of $791,000, or 6.3%, from $12.5 million for the same period in 2016, primarily related to a decrease in investment management fees, partially offset by an increase in swap fees for the Bank.

Bank Segment:

- Swap fees increased $414,000 for the three months ended September 30, 2017, as compared to the same period in 2016, driven by increases in customer demand for long-term interest rate protection. The level and frequency of income associated with swap transactions can vary materially from period to period, based on customers’ behavior and market conditions.

Investment Management Segment:

- Investment management fees decreased $1.1 million for the three months ended September 30, 2017, compared to the same period in 2016, driven primarily by lower assets under management. Assets under management of $8.20 billion as of September 30, 2017, decreased $2.61 billion from September 30, 2016, primarily due to the previously disclosed conclusion of a sub-advisory relationship announced in the fourth quarter of 2016.

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The following table presents the components of our non-interest income by operating segment for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30, 2017				Nine Months Ended September 30, 2016			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	$—	$ 27,843	$(159)	$ 27,684	$—	$ 26,981	$(167)	$ 26,814
Service charges	287	—	—	287	393	—	—	393
Net gain on the sale and call of investment securities	254	—	—	254	77	—	—	77
Swap fees	3,708	—	—	3,708	3,422	—	—	3,422
Commitment and other fees	1,240	—	—	1,240	1,497	—	—	1,497
Other income (1)	1,653	1	—	1,654	654	2	—	656
Total non-interest income	$7,142	$ 27,844	$(159)	$ 34,827	$6,043	$ 26,983	$(167)	$ 32,859

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

Non-Interest Income for the Nine Months Ended September 30, 2017 and 2016. Our non-interest income was $34.8 million for the nine months ended September 30, 2017, an increase of $2.0 million, or 6.0%, from $32.9 million for the same period in 2016, primarily related to increases in investment management fees and other income for the Bank.

Bank Segment:

- Other income increased $999,000 for the nine months ended September 30, 2017, as compared to the same period in 2016, largely due to the change in the fair values of our interest rate swaps of $757,000 and an increase in gains on the sale of OREO of $134,000.

Investment Management Segment:

- Investment management fees increased $862,000 for the nine months ended September 30, 2017, as compared to the same period in 2016, driven primarily by the additional four months of revenue provided by the operations of The Killen Group, Inc. (“TKG”), which was acquired at the end of April 2016, partially offset by the loss of a sub-advisory relationship.

Non-Interest Expense

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

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The following table presents the components of our non-interest expense by operating segment for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30, 2017				Three Months Ended September 30, 2016			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	$9,035	$ 6,416	$(768)	$ 14,683	$8,075	$ 6,589	$ —	$ 14,664
Premises and occupancy costs	981	280	(4)	1,257	1,025	260	—	1,285
Professional fees	778	234	(44)	968	566	176	(49)	693
FDIC insurance expense	1,121	—	—	1,121	933	—	—	933
General insurance expense	175	70	—	245	188	70	—	258
State capital shares tax	398	—	—	398	329	—	—	329
Travel and entertainment expense	575	363	(110)	828	495	223	—	718
Intangible amortization expense	—	463	—	463	—	463	—	463
Change in fair value of acquisition earn out	—	—	—	—	—	(1,209)	—	(1,209)
Other operating expenses [(1)]	1,512	384	953	2,849	1,616	691	73	2,380
Total non-interest expense	$14,575	$ 8,210	$27	$ 22,812	$13,227	$ 7,263	$ 24	$ 20,514
Full-time equivalent employees [(2)]	165	67	—	232	150	66	—	216

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

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

Non-Interest Expense for the Three Months Ended September 30, 2017 and 2016. Our non-interest expense for the three months ended September 30, 2017, increased $2.3 million, or 11.2%, as compared to the same period in 2016, of which $1.3 million relates to the increase in expenses of the Bank segment and $947,000 relates to the increase in expenses of the Investment Management segment. The significant changes in each segment's expenses are described below.

Bank Segment:

- The Bank's compensation and employee benefits costs for the three months ended September 30, 2017, increased by $960,000, compared to the same period in 2016, primarily due to an increase in the number of full-time equivalent employees, increases in the overall annual wage and benefits costs of our existing employees, and increases in stock-based compensation expense.

- Professional fees for the three months ended September 30, 2017, increased by $212,000, compared to the same period in 2016, due to the higher legal fees.

- FDIC insurance expense for the three months ended September 30, 2017, increased by $188,000, compared to the same period in 2016, due to the increase in the Bank's assets.

Investment Management Segment:

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Chartwell's non-interest expenses for the three months ended September 30, 2017, increased by $947,000, compared to the same period in 2016, primarily due to the decrease to the fair value of the TKG acquisition earnout of $1.2 million for the three months ended September 30, 2016, based on management's estimate of the projected annualized run-rate EBITDA of TKG at December 31, 2016.

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The following table presents the components of our non-interest expense by operating segment for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30, 2017				Nine Months Ended September 30, 2016			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	$25,737	$ 18,528	$(1,467)	$ 42,798	$23,145	$ 16,259	$ —	$ 39,404
Premises and occupancy costs	2,887	883	(7)	3,763	2,896	687	—	3,583
Professional fees	2,222	547	(127)	2,642	2,156	473	(146)	2,483
FDIC insurance expense	3,074	—	—	3,074	2,023	—	—	2,023
General insurance expense	563	242	—	805	547	221	—	768
State capital shares tax	1,148	—	—	1,148	986	—	—	986
Travel and entertainment expense	1,514	786	(110)	2,190	1,551	589	—	2,140
Intangible amortization expense	—	1,388	—	1,388	—	1,291	—	1,291
Change in fair value of acquisition earn out	—	—	—	—	—	(1,209)	—	(1,209)
Other operating expenses [1]	4,723	1,412	1,811	7,946	4,545	1,757	206	6,508
Total non-interest expense	$41,868	$ 23,786	$100	$ 65,754	$37,849	$ 20,068	$ 60	$ 57,977

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

Non-Interest Expense for the Nine Months Ended September 30, 2017 and 2016. Our non-interest expense for the nine months ended September 30, 2017, increased $7.8 million, or 13.4%, as compared to the same period in 2016, of which $4.0 million relates to the increase in expenses of the Bank segment and $3.7 million relates to the increase in expenses of the Investment Management segment. The significant changes in each segment's expenses are described below.

Bank Segment:

- The Bank's compensation and employee benefits costs for the nine months ended September 30, 2017, increased by $2.6 million, compared to the same period in 2016, primarily due to an increase in the number of full-time equivalent employees, increases in the overall annual wage and benefits costs of our existing employees, and increases in incentive and stock-based compensation expenses.

- FDIC insurance expense for the nine months ended September 30, 2017, increased by $1.1 million, compared to the same period in 2016, due to the one-time change in the FDIC assessment methodology effective for the third quarter of 2016, and the increase in the Bank's assets.

Investment Management Segment:

- There was a decrease to the fair value of the TKG acquisition earnout of $1.2 million for the nine months ended September 30, 2016, based on management's estimate of the projected annualized run-rate EBITDA of TKG at December 31, 2016.

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Excluding the earnout adjustment, Chartwell's non-interest expenses for the nine months ended September 30, 2017, increased by $2.5 million, compared to the same period in 2016, primarily due to four months of additional expenses contributed by the operations of TKG, which was acquired at the end of April 2016.

Income Taxes

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

Income Taxes for the Three Months Ended September 30, 2017 and 2016. For the three months ended September 30, 2017, we recognized income tax expense of $2.2 million, or 17.9% of income before tax, as compared to income tax expense of $2.8 million, or 24.7% of

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income before tax, for the same period in 2016. Our effective tax rate of 17.9% for the three months ended September 30, 2017, decreased as compared to the prior year due to a higher level of investment tax credits recognized in the three months ended September 30, 2017, versus the same period in 2016.

Income Taxes for the Nine Months Ended September 30, 2017 and 2016. For the nine months ended September 30, 2017, we recognized income tax expense of $8.6 million, or 25.0% of income before tax, as compared to income tax expense of $9.5 million, or 31.0% of income before tax, for the same period in 2016. Our effective tax rate of 25.0% for the nine months ended September 30, 2017, decreased as compared to the prior year due to a higher level of investment tax credits recognized in the nine months ended September 30, 2017, versus the same period in 2016.

Financial Condition

Our total assets as of September 30, 2017, were $4.50 billion, which was an increase of $565.6 million, or 19.2% on an annualized basis, from December 31, 2016, driven primarily by growth in our loan portfolio. As of September 30, 2017, our loan portfolio of $3.93 billion, increased $529.6 million, or 20.8% annualized, from December 31, 2016. Total investment securities decreased $17.6 million, or 9.8% annualized, to $220.9 million, as of September 30, 2017, from December 31, 2016, primarily as a result of the net activity of calls, maturities and purchases of certain securities. Cash and cash equivalents increased $32.6 million, to $136.6 million, as of September 30, 2017, from December 31, 2016. As of September 30, 2017, our total deposits of $3.77 billion increased $483.1 million, or 19.7% annualized, from December 31, 2016. Net borrowings increased $39.7 million, to $279.2 million, as of September 30, 2017, from December 31, 2016. Our shareholders' equity increased $25.5 million to $377.3 million as of September 30, 2017, from December 31, 2016. This increase was primarily the result of $25.9 million in net income and the impact of $4.2 million in stock-based compensation, partially offset by the purchase of $6.5 million in treasury stock.

Loans

The Bank's primary source of income is interest on loans. Our loan portfolio primarily consists of loans to our private banking clients, commercial and industrial loans, and real estate loans secured by commercial properties. The loan portfolio represents our largest earning asset. As of September 30, 2017, 90.0% of our loans have a floating rate.

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

	September 30, 2017		December 31, 2016	
(Dollars in thousands)	Outstanding	Percent of Loans	Outstanding	Percent of Loans
Private banking loans	$2,055,808	52.3 %	$1,735,928	51.0 %
Middle-market banking loans:				
Commercial and industrial	648,720	16.5 %	587,423	17.3 %
Commercial real estate	1,226,142	31.2 %	1,077,703	31.7 %
Total middle-market banking loans	1,874,862	47.7 %	1,665,126	49.0 %
Loans held-for-investment	$3,930,670	100.0%	$3,401,054	100.0%

Loans Held-for-Investment. Loans held-for-investment increased by $529.6 million, or 20.8% on an annualized basis, to $3.93 billion as of September 30, 2017, as compared to December 31, 2016. Our growth for the nine months ended September 30, 2017, was comprised of an increase in private banking loans of $319.9 million, an increase in commercial and industrial loans of $61.3 million, and an increase in commercial real estate loans of $148.4 million.

Primary Loan Categories

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

As of September 30, 2017, there were $1.93 billion, or 93.9%, of private banking loans that were secured by cash and marketable securities as compared to $1.58 billion, or 91.3%, as of December 31, 2016. Our private banking lines of credit are typically due on demand. The growth in loans secured by cash and marketable securities is expected to continue as a result of our focus on this portion of our private banking business as we believe we have strong competitive advantages in this line of business. These loans tend to have a lower risk profile and are an efficient use of capital because they typically are zero percent risk-weighted for regulatory capital purposes. On a daily

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basis, we monitor the collateral of these loans secured by cash and marketable securities, which further reduces the risk profile of the private banking portfolio. Since inception, we have had no charge-offs related to our loans secured by cash and marketable securities.

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

(Dollars in thousands)	September 30, 2017	December 31, 2016
Private banking loans:		
Secured by cash and marketable securities	$ 1,930,501	$ 1,584,373
Secured by real estate	95,649	110,476
Other	29,658	41,079
Total private banking loans	$ 2,055,808	$ 1,735,928

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

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

As of September 30, 2017, there were $1.04 billion of total commercial real estate loans with a floating interest rate and $181.2 million with a fixed interest rate, as compared to $901.5 million and $176.2 million, respectively, as of December 31, 2016.

Loan Maturities and Interest Rate Sensitivity

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

	September 30, 2017			
(Dollars in thousands)	One Year or Less	One to Five Years	Greater Than Five Years	Total
Loan maturity:				
Private banking	$1,950,330	$56,765	$48,713	$2,055,808
Commercial and industrial	173,859	356,631	118,230	648,720
Commercial real estate	234,856	555,715	435,571	1,226,142
Loans held-for-investment	$2,359,045	$969,111	$602,514	$3,930,670

Interest rate sensitivity:				
Fixed interest rates	$118,061	$140,916	$134,259	$393,236
Floating or adjustable interest rates	2,240,984	828,195	468,255	3,537,434
Loans held-for-investment	$2,359,045	$969,111	$602,514	$3,930,670

Interest Reserve Loans

As of September 30, 2017, loans with interest reserves totaled $197.2 million, which represented 5.0% of loans held-for-investment, as compared to $159.4 million, or 4.7%, as of December 31, 2016. Certain loans reserve a portion of the proceeds to be used to pay interest due on the loan. These loans with interest reserves are common for construction and land development loans. The use of interest reserves is based on the feasibility of the project, the creditworthiness of the borrower and guarantors, and the loan to value coverage of the collateral. The interest reserve may be used by the borrower, when certain financial conditions are met, to draw loan funds to pay interest charges on the outstanding balance of the loan. When drawn, the interest is capitalized and added to the loan balance, subject to conditions

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specified during the initial underwriting and at the time the credit is approved. We have procedures and controls for monitoring compliance with loan covenants, for advancing funds and determining default conditions. In addition, most of our construction lending is performed within our geographic footprint and our lenders are familiar with trends in the local real estate market.

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 recorded in the consolidated statements of 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 quarterly. This evaluation is subjective and requires material estimates that may change over time. In addition, management evaluates the allowance for loan losses overall methodology and estimates used in the calculation on an annual basis.

The two components of the allowance for loan losses are general reserves, in which estimates are based upon homogeneous loan pools such as commercial loans, consumer lines of credit and residential mortgages that are not individually evaluated for impairment; and specific reserves, which are applied to commercial and consumer loans that are individually evaluated for impairment.

In management’s opinion a loan is impaired, based upon current information and events, 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 a discounted cash flows method or where a loan is collateral dependent, based upon the fair value of the collateral less estimated selling costs.

In estimating probable loan loss of general reserves we consider numerous factors, including historical charge-offs and subsequent recoveries. We also consider, but are 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, we consider 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 our primary markets historically tend to lag the national economy, with local economies in those primary markets also improving or weakening, as the case may be, but at a more measured rate than the national trends.

We base the computation of the allowance for loan losses of general reserves on two factors: the primary factor and the secondary factor. The primary factor is based on the inherent risk identified within each of the Company’s three loan portfolios based on the historical loss experience of each loan portfolio and the loss emergence period. Management has developed a methodology that is applied to each of our three primary loan portfolios: private banking, commercial and industrial, and commercial real estate. 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 have an impact on the performance of the loan portfolio. Although this factor is more subjective in nature, the methodology focuses on internal and external trends in pre-specified categories (risk factors) and applies a quantitative percentage that drives the secondary factor. We have identified nine risk factors and each risk factor is assigned a reserve level, based on management’s judgment, as to the probable impact on each loan portfolio and is monitored on a quarterly basis. As the trend in each 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. Potential problem loans are identified and monitored through frequent, formal review processes. Updates are presented to our board of directors as to the status of loan quality at least quarterly.

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

(Dollars in thousands)	September 30, 2017	December 31, 2016
General reserves	$ 12,375	$ 11,823
Specific reserves	3,604	6,939
Total allowance for loan losses	$ 15,979	$ 18,762
Allowance for loan losses to loans	0.41 %	0.55 %

As of September 30, 2017, we had specific reserves totaling $3.6 million related to impaired loans with an aggregated total outstanding balance of $6.8 million. As of December 31, 2016, we had specific reserves totaling $6.9 million related to impaired loans, with an aggregated total outstanding balance of $17.8 million. These loans were on non-accrual status as of September 30, 2017 and December 31, 2016.

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

(Dollars in thousands)	September 30, 2017 Reserve	Percent of Loans	December 31, 2016 Reserve	Percent of Loans
Private banking	$1,491	52.3 %	$1,424	51.0 %
Commercial and industrial	9,593	16.5 %	12,326	17.3 %
Commercial real estate	4,895	31.2 %	5,012	31.7 %
Total allowance for loan losses	$15,979	100.0%	$18,762	100.0%

Allowance for Loan Losses as of September 30, 2017 and December 31, 2016. Our allowance for loan losses decreased to $16.0 million, or 0.41% of loans, as of September 30, 2017, as compared to $18.8 million, or 0.55% of loans, as of December 31, 2016. Our allowance for loan losses related to private banking loans increased $67,000 from December 31, 2016 to September 30, 2017, which was attributable to growth in this portfolio partially offset by lower specific reserves related to paydowns on non-performing loans. Our allowance for loan losses related to commercial and industrial loans decreased $2.7 million from December 31, 2016 to September 30, 2017, which was attributable to charge-offs of $4.3 million on non-performing loans, partially offset by increases in general reserves of $494,000 and net increases in specific reserves of $1.1 million. Our allowance for loan losses related to commercial real estate loans decreased by $117,000 from December 31, 2016 to September 30, 2017, primarily due to the overall strong credit quality of this portfolio partially offset by loan growth.

Charge-Offs / Recoveries

Our charge-off policy for commercial and private banking loans requires that loans and other obligations that are not collectible be promptly charged off in the month the loss becomes probable, regardless of the delinquency status of the loan. We recognize a partial charge-off when we have determined that the value of the collateral is less than the remaining ledger balance at the time of the evaluation. A loan or obligation is not required to be charged off, regardless of delinquency status, if (1) we have determined there exists sufficient collateral to protect the remaining loan balance and (2) there exists a strategy to liquidate the collateral. We may also consider a number of other factors to determine when a charge-off is appropriate, including: the status of a bankruptcy proceeding; the value of collateral and probability of successful liquidation; and the status of adverse proceedings or litigation that may result in collection.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2017	2016	2017	2016
Beginning balance	$15,968	$17,215	$18,762	$17,974
Charge-offs:				
Private banking	—	—	—	—
Commercial and industrial	(413)	—	(4,302)	(1,542)
Commercial real estate	—	—	—	—
Total charge-offs	(413)	—	(4,302)	(1,542)
Recoveries:				
Private banking	—	—	—	—
Commercial and industrial	136	127	472	708

Commercial real estate	5	3,411	5	3,411
Total recoveries	141	3,538	477	4,119
Net recoveries (charge-offs)	(272)	3,538	(3,825)	2,577
Provision (credit) for loan losses	283	(542)	1,042	(340)
Ending balance	$15,979	$20,211	$15,979	$20,211
Net loan charge-offs (recoveries) to average total loans, annualized	0.03 %	(0.46)%	0.14 %	(0.12)%
Provision (credit) for loan losses to average total loans, annualized	0.03 %	(0.07)%	0.04 %	(0.02)%

Non-Performing Assets

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

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Our policy is to place loans in all categories on non-accrual status when collection of interest or principal is doubtful, or when interest or principal payments are 90 days or more past due. There were no loans 90 days or more past due and still accruing interest as of September 30, 2017 and December 31, 2016, and there was no interest income recognized on these loans while on non-accrual status for the nine months ended September 30, 2017 and 2016. As of September 30, 2017, non-performing loans were $6.9 million, or 0.18% of total loans, compared to $17.8 million, or 0.52% of total loans, as of December 31, 2016. We had specific reserves of $3.6 million and $6.9 million as of September 30, 2017 and December 31, 2016, respectively, on these non-performing loans. The net loan balance of our non-performing loans was 18.3% and 40.5% of the customer's outstanding balance after payments, charge-offs and specific reserves as of September 30, 2017 and December 31, 2016, respectively.

For additional information on our non-performing loans for September 30, 2017 and December 31, 2016, refer to Note 4, Allowance for Loan Losses, to our consolidated financial statements.

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

We had non-performing assets of $10.5 million, or 0.23% of total assets, as of September 30, 2017, as compared to $22.0 million, or 0.56% of total assets, as of December 31, 2016. The decrease in non-performing assets was due to $11.5 million in reductions on non-performing loans including a loan which was restructured and returned to performing status, charge-offs, paydowns and sales of OREO during the nine months ended September 30, 2017. This decrease was considered within the assessment of the determination of the allowance for loan losses. As of September 30, 2017 and December 31, 2016, we had OREO properties totaling $3.6 million and $4.2 million, respectively.

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

(Dollars in thousands)	September 30, 2017		December 31, 2016	
Non-performing loans:				
Private banking	$ 407		$ 517	
Commercial and industrial	6,529		17,273	
Commercial real estate	—		—	
Total non-performing loans	$ 6,936		$ 17,790	
Other real estate owned	3,581		4,178	
Total non-performing assets	$ 10,517		$ 21,968	
Non-performing troubled debt restructured loans	$ 6,936		$ 17,273	
Performing troubled debt restructured loans	$ 3,449		$ 471	
Non-performing loans to total loans	0.18	%	0.52	%
Allowance for loan losses to non-performing loans	230.38	%	105.46	%
Non-performing assets to total assets	0.23	%	0.56	%

Potential Problem Loans

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

For additional information on the age analysis of past due loans segregated by class of loan for September 30, 2017 and December 31, 2016, refer to Note 4, Allowance for Loan Losses, to our unaudited condensed consolidated financial statements.

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

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

For additional information on the definitions of our internal risk rating and the recorded investment in loans by credit quality indicator for September 30, 2017 and December 31, 2016, refer to Note 4, Allowance for Loan Losses, to our unaudited condensed consolidated financial statements.

Investment Securities

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

On a quarterly basis, we determine the fair market value of our investment securities based on information provided by external sources. In addition, on a quarterly basis, we conduct an internal evaluation of changes in the fair market value of our investment securities to gain a level of comfort with the market value information received from the external sources.

Securities, like loans, are subject to interest rate risk and credit risk. In addition, by their nature, securities classified as available-for-sale are also subject to fair value risks that could negatively affect the level of liquidity available to us, as well as shareholders' equity. The Bank has engaged Chartwell to provide securities portfolio advisory services, subject to the investment parameters set forth in our investment policy.

As of September 30, 2017 and December 31, 2016, we reported securities in available-for-sale and held-to-maturity categories. In general, fair value is based upon quoted market prices of identical assets, when available. Where sufficient data is not available to produce a fair valuation, fair value is based on broker quotes for similar assets. Quarterly, we validate the prices received from these third parties by comparing them to prices provided by a different independent pricing service. We have also reviewed the valuation methodologies provided to us by our pricing services. Broker quotes may be adjusted to ensure that financial instruments are recorded at fair value. Adjustments may include unobservable parameters, among other things.

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

Our available-for-sale securities portfolio consists of U.S. government agency obligations, mortgage-backed securities, collateralized loan obligations, corporate bonds, single-issuer trust preferred securities, all with varying contractual maturities, as well as certain equity securities. Our held-to-maturity portfolio consists of certain municipal bonds, agency obligations and corporate bonds while our trading portfolio, when active, typically consists of U.S. Treasury Notes, also with varying contractual maturities. However, these maturities do not necessarily represent the expected life of the securities as the securities may be called or paid down without penalty prior to their stated maturities. The effective duration of our securities portfolio as of September 30, 2017, was approximately 1.6, where duration is defined as the approximate percentage change in price for a 100 basis point change in rates. No investment in any of these securities exceeds any applicable limitation imposed by law or regulation. Our Asset/Liability Management Committee ("ALCO") reviews the investment portfolio on an ongoing basis to ensure that the investments conform to our investment policy.

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Available-for-Sale Investment Securities. We held $151.8 million and $174.9 million in investment securities available-for-sale as of September 30, 2017 and December 31, 2016, respectively. The decrease of $23.1 million was primarily attributable to repayments, including calls and maturities of $46.8 million net of purchases of $22.9 million of certain securities during the nine months ended September 30, 2017.

On a fair value basis, 53.1% of our available-for-sale investment securities as of September 30, 2017, were floating-rate securities, for which yields increase or decrease based on changes in market interest rates. As of December 31, 2016, floating-rate securities comprised 67.0% of our available-for-sale investment securities.

On a fair value basis, 39.7% of our available-for-sale investment securities as of September 30, 2017, were agency securities, which tend to have a lower risk profile, while the remainder of the portfolio was comprised of certain corporate bonds, single-issuer trust preferred securities, non-agency commercial mortgage-backed securities and collateralized loan obligations, and certain equity securities. As of December 31, 2016, agency securities comprised 41.6% of our available-for-sale investment securities.

Held-to-Maturity Investment Securities. We held $58.3 million and $53.9 million in investment securities held-to-maturity as of September 30, 2017 and December 31, 2016, respectively. The increase of $4.4 million was primarily attributable to purchases of $7.5 million net of a call of $3.0 million of certain securities during the nine months ended September 30, 2017. As part of our asset and liability management strategy, we determined that we have the intent and ability to hold these bonds until maturity, and these securities were reported at amortized cost, as of September 30, 2017 and December 31, 2016.

Trading Investment Securities. We held no investment securities for trading as of September 30, 2017 and December 31, 2016. From time to time, we may identify opportunities in the marketplace to generate supplemental income from trading activity, principally based on the volatility of U.S. Treasury Notes with maturities up to ten years. The level and frequency of income generated from these transactions can vary materially based upon market conditions.

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

	September 30, 2017			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$57,571	$ 261	$ 60	$57,772
Trust preferred securities	17,807	871	—	18,678
Non-agency mortgage-backed securities	5,587	—	—	5,587
Non-agency collateralized loan obligations	903	—	9	894
Agency collateralized mortgage obligations	40,096	26	94	40,028
Agency mortgage-backed securities	20,197	132	125	20,204
Equity securities	8,851	—	204	8,647
Total investment securities available-for-sale	151,012	1,290	492	151,810
Investment securities held-to-maturity:				
Corporate bonds	31,190	959	—	32,149
Agency debentures	1,983	16	—	1,999
Municipal bonds	25,141	316	—	25,457
Total investment securities held-to-maturity	58,314	1,291	—	59,605

Total	$209,326	$ 2,581	$ 492	$211,415

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(Dollars in thousands)	December 31, 2016 Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$53,902	$ 164	$ 21	$54,045
Trust preferred securities	17,711	159	72	17,798
Non-agency mortgage-backed securities	5,750	14	—	5,764
Non-agency collateralized loan obligations	16,234	—	54	16,180
Agency collateralized mortgage obligations	44,051	49	279	43,821
Agency mortgage-backed securities	24,107	240	198	24,149
Agency debentures	4,760	23	—	4,783
Equity securities	8,643	—	291	8,352
Total investment securities available-for-sale	175,158	649	915	174,892
Investment securities held-to-maturity:				
Corporate bonds	28,693	596	30	29,259
Municipal bonds	25,247	88	96	25,239
Total investment securities held-to-maturity	53,940	684	126	54,498
Total	$229,098	$ 1,333	$ 1,041	$229,390

The change in the fair values of our municipal bonds, agency debentures, agency collateralized mortgage obligation and agency mortgage-backed securities are primarily the result of interest rate fluctuations. To assess for credit impairment, management evaluates the underlying issuer’s financial performance and the related credit rating information through a review of publicly available financial statements and other publicly available information. This most recent 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 debt securities in an unrealized loss position until recovery of their amortized cost. Based on this, the Company considers all of the unrealized losses to be temporary impairment losses.

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The following table sets forth the fair value, contractual maturities and approximated weighted average yield, calculated on a fully taxable equivalent basis, based on estimated annual income divided by the average amortized cost of our available-for-sale and held-to-maturity debt securities portfolios as of September 30, 2017. Contractual maturities may differ from expected maturities because issuers and/or borrowers may have the right to call or prepay obligations with or without penalties, which would also impact the corresponding yield.

	September 30, 2017									
	Less Than One Year		One to Five Years		Five to 10 Years		Greater Than 10 Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Investment securities available-for-sale:										
Corporate bonds	$8,920	1.94%	$33,911	2.31%	$4,941	5.00%	$10,000	5.00%	$57,772	2.96%
Trust preferred securities	—	— %	—	— %	9,450	3.13%	9,228	3.26%	18,678	3.19%
Non-agency mortgage-backed securities	—	— %	—	— %	—	— %	5,587	2.31%	5,587	2.31%
Non-agency collateralized loan obligations	—	— %	—	— %	—	— %	894	3.57%	894	3.57%
Agency collateralized mortgage obligations	—	— %	901	1.60%	—	— %	39,127	1.66%	40,028	1.66%
Agency mortgage-backed securities	—	— %	—	— %	—	— %	20,204	1.95%	20,204	1.95%
Total debt securities available-for-sale	8,920		34,812		14,391		85,040		143,163	
Weighted average yield		1.94%		2.29%		3.79%		2.35%		2.45%
Investment securities held-to-maturity:										
Corporate bonds	5,194	6.38%	—	— %	26,955	5.37%	—	— %	32,149	5.53%
Agency debentures	—	— %	—	— %	1,999	2.83%	—	— %	1,999	2.83%
Municipal bonds	1,005	1.97%	11,681	2.44%	11,834	2.84%	937	3.55%	25,457	2.65%
Total debt securities held-to-maturity	6,199		11,681		40,788		937		59,605	
Weighted average yield		5.64%		2.44%		4.50%		3.55%		4.19%
Total debt securities	$15,119		$46,493		$55,179		$85,977		$202,768	
Weighted average yield		3.43%		2.33%		4.32%		2.36%		2.96%

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

Deposits

Deposits are our primary source of funds to support our earning assets. We have focused on creating and growing diversified, stable, and low all-in cost deposit channels without operating through a traditional branch network. Our client market primarily consists of high-net-worth individuals; family offices; trust companies; wealth management firms; businesses and their executives; municipalities; endowments and foundations; broker-dealers; futures commission merchants; and other financial institutions.

We build deposit relationships through both our commercial bank and our private bank channels. We compete for deposits by offering superior liquidity and treasury management products and services to our customers. We focus on providing our clients and prospects within our key markets with superior service, sophisticated yet customizable solutions, simple and competitive fee structures for our service offerings and an easier client experience. We believe that our deposit base is stable and diversified. We further believe we have the ability to attract new deposits, which is the primary source of funding our projected loan growth.

As of September 30, 2017, we consider nearly 90% of our total deposits to be relationship-based deposits. Some of our relationship-based deposits, including reciprocal certificates of deposit placed through CDARS® and reciprocal demand deposits placed through ICS® , have been classified for some regulatory purposes as brokered deposits, while for other regulatory purposes they are not classified as brokered deposits. As of September 30, 2017, the Bank had CDARS® and ICS® reciprocal deposits totaling $645.5 million and other brokered deposits of $420.2 million. We continue to utilize other brokered deposits as a tool for us to manage our cost of funds and to efficiently match changes in our liquidity needs based on our loan growth with our deposit balances and origination activity. For additional information on our deposits, refer to Note 5, Deposits, to our unaudited condensed consolidated financial statements.

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The table below depicts average balances of and rates paid on our deposit portfolio broken out by major deposit category, for the three months ended September 30, 2017 and 2016.

(Dollars in thousands)	Three Months Ended September 30, 2017 Average Amount	Average Rate Paid	2016 Average Amount	Average Rate Paid
Interest-bearing checking accounts	$371,526	1.25 %	$190,270	0.49 %
Money market deposit accounts	2,021,755	1.23 %	1,688,250	0.71 %
Certificates of deposit	1,003,280	1.25 %	863,872	0.89 %
Total average interest-bearing deposits	3,396,561	1.24 %	2,742,392	0.75 %
Noninterest-bearing deposits	205,368	—	161,723	—
Total average deposits	$3,601,929	1.17 %	$2,904,115	0.71 %

Average Deposits for the Three Months Ended September 30, 2017 and 2016. For the three months ended September 30, 2017, our average total deposits were $3.60 billion, representing an increase of $697.8 million, or 24.0%, from the same period in 2016. The deposit growth was driven by increases in all deposit categories. Our average cost of interest-bearing deposits increased 49 basis points to 1.24% for the three months ended September 30, 2017, from 0.75% for the same period in 2016, as average rates paid were higher in all interest-bearing deposit categories. Average money market deposits decreased to 59.5% of total average interest-bearing deposits, for the three months ended September 30, 2017, from 61.6% for the same period in 2016. Average certificates of deposit decreased to 29.6% of total average interest-bearing deposits for the three months ended September 30, 2017, compared to 31.5% for the same period in 2016. Average interest-bearing checking accounts increased to 10.9% of total average interest-bearing deposits for the three months ended September 30, 2017, compared to 6.9% for the same period in 2016. Average noninterest-bearing deposits increased $43.6 million, or 27.0%, in the three months ended September 30, 2017, from the three months ended September 30, 2016, and the average cost of total deposits increased 46 basis points to 1.17% for the three months ended September 30, 2017, from 0.71% for the same period in 2016.

The table below depicts average balances of and rates paid on our deposit portfolio broken out by deposit type, for the nine months ended September 30, 2017 and 2016.

(Dollars in thousands)	Nine Months Ended September 30, 2017 Average Amount	Average Rate Paid	2016 Average Amount	Average Rate Paid
Interest-bearing checking accounts	$298,631	1.03 %	$160,310	0.45 %
Money market deposit accounts	1,951,258	1.06 %	1,614,669	0.65 %
Certificates of deposit	954,352	1.12 %	869,879	0.85 %
Total average interest-bearing deposits	3,204,241	1.08 %	2,644,858	0.70 %
Noninterest-bearing deposits	206,063	—	153,763	—
Total average deposits	$3,410,304	1.01 %	$2,798,621	0.66 %

Average Deposits for the Nine Months Ended September 30, 2017 and 2016. For the nine months ended September 30, 2017, our average total deposits were $3.41 billion, representing an increase of $611.7 million, or 21.9%, from the same period in 2016. The deposit growth was driven by increases in all deposit categories. Our average cost of interest-bearing deposits increased 38 basis points to 1.08% for the nine months ended September 30, 2017, from 0.70% for the same period in 2016, as average rates paid were higher in all interest-bearing deposit categories. Average money market deposits decreased to 60.9% of total average interest-bearing deposits, for the nine months ended September 30, 2017, from 61.0% for the same period in 2016. Average certificates of deposit decreased to

29.8% of total average interest-bearing deposits for the nine months ended September 30, 2017, compared to 32.9% for the same period in 2016. Average interest-bearing checking accounts increased to 9.3% of total average interest-bearing deposits for the nine months ended September 30, 2017, compared to 6.1% for the same period in 2016. Average noninterest-bearing deposits increased $52.3 million, or 34.0%, in the nine months ended September 30, 2017, from the nine months ended September 30, 2016, and the average cost of total deposits increased 35 basis points to 1.01% for the nine months ended September 30, 2017, from 0.66% for the same period in 2016.

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Certificates of Deposit

Maturities of certificates of deposit of $100,000 or more outstanding are summarized below, as of September 30, 2017.

(Dollars in thousands)	September 30, 2017
Months to maturity:	
Three months or less	$ 289,531
Over three to six months	286,241
Over six to 12 months	239,913
Over 12 months	110,617
Total	$ 926,302

Borrowings

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

The following table presents certain information with respect to our outstanding borrowings, as of September 30, 2017 and December 31, 2016.

	September 30, 2017					December 31, 2016				
(Dollars in thousands)	Amount	Interest Rate	Maximum Balance at Any Month End	Average Balance During the Period	Original Term	Amount	Interest Rate	Maximum Balance at Any Month End	Average Balance During the Period	Original Term
Daily FHLB borrowings	$140,000	1.30%	$370,000	$207,143	1-4 days	$105,000	0.77%	$260,000	$142,664	1-4 days
Term FHLB borrowings:										
Issued 7/29/2015	—	—%	—	—		—	0.61%	25,000	14,754	12 months
Issued 7/29/2015	—	—%	—	—		—	0.72%	25,000	20,970	15 months
Issued 6/29/2016	—	—%	—	—		—	0.66%	100,000	24,863	3 months
Issued 9/29/2016	—	—%	—	—		—	0.58%	100,000	24,863	3 months
Issued 12/29/2016	—	0.85%	100,000	31,868	3 months	100,000	0.85%	100,000	820	3 months
Issued 3/29/2017	—	1.07%	100,000	33,700	3 months	—	—%	—	—	
Issued 6/29/2017	—	1.32%	100,000	33,700	3 months	—	—%	—	—	
Issued 9/29/2017	100,000	1.33%	100,000	732	3 months	—	—%	—	—	
Line of credit borrowings	4,500	4.24%	4,500	1,375	12 months	—	—%	—	—	
Subordinated notes payable	35,000	5.75%	35,000	35,000	5 years	35,000	5.75%	35,000	35,000	5 years
Total borrowings outstanding	$279,500	1.92%	$809,500	$343,518		$240,000	1.53%	$645,000	$263,934	

In June 2016, the Company entered into a three-year cash flow hedge derivative transaction to establish the interest rate paid on $100.0 million of the FHLB borrowings at an effective rate of 0.83% plus the difference between the 3-month FHLB advance rate and 3-month LIBOR. For additional information on the cash flow hedge, refer to Note 11, Derivatives and Hedging Activity, to our unaudited condensed consolidated financial statements.

Liquidity

We evaluate liquidity both at the holding company level and at the Bank level. As of September 30, 2017, the Bank and Chartwell subsidiaries represent our only material assets. Our primary sources of funds at the parent company level are cash on hand, dividends paid to us from the Bank and Chartwell subsidiaries and the net proceeds from the issuance of our debt or equity securities. As of September 30, 2017, our primary liquidity needs at the parent company level were the semi-annual interest payments on the subordinated notes payable, interest payments on other borrowings and our share repurchase programs. All other liquidity needs were minimal and related to reimbursing the Bank for management, accounting and financial reporting services provided by bank personnel. During the nine months ended September 30, 2017, the parent company paid $6.5 million related to share repurchase programs and $2.0 million related to interest payments on the subordinated notes and other borrowings. During the nine months ended September 30, 2016, the parent company paid $15.0 million for the TKG acquisition, $2.0 million related to interest payments on the subordinated notes and $9.5 million related to share repurchase programs. We believe that our cash on hand at the parent company level coupled with the dividend paying capacity of the Bank and Chartwell, were adequate to fund any foreseeable parent company obligations as of September 30, 2017. In addition, the holding company maintains an unsecured line of credit of $25.0 million with Texas Capital Bank, of which $20.5 million was available as of September 30, 2017.

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

Our principal sources of asset liquidity are cash, interest-earning deposits with other banks, federal funds sold, unpledged securities available-for-sale, loan repayments (scheduled and unscheduled) and future earnings. Liability liquidity sources include a stable deposit base, the ability to renew maturing certificates of deposit, borrowing availability at the FHLB of Pittsburgh, unsecured lines with other financial institutions, access to reciprocal CDARS® and ICS® deposits and other brokered deposits, and the ability to raise debt and equity. Customer deposits are an important source of liquidity, which depends on the confidence of those customers in us and is supported by our capital position and the protection provided by FDIC insurance.

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

We believe that our liquidity position continues to be strong due to our ability to generate strong growth in deposits, which is evidenced by our ratio of total deposits to total assets of 83.8% and 83.6% as of September 30, 2017 and December 31, 2016, respectively. As of September 30, 2017, we had available liquidity of $792.9 million, or 17.6% of total assets. These sources consisted of liquid assets (cash and cash equivalents, and unpledged investment securities available-for-sale), totaling $227.3 million, or 5.1% of total assets, coupled with secondary sources of liquidity (the ability to borrow from the FHLB and correspondent bank lines) totaling $565.6 million, or 12.6% of total assets. Available cash excludes pledged accounts for derivative and letter of credit transactions and the reserve balance requirement at the Federal Reserve.

The following table shows our available liquidity, by source, as of the dates indicated:
(Dollars in thousands)

	September 30, 2017	December 31, 2016
Available cash	$ 79,756	$ 64,816
Unpledged investment securities available-for-sale	147,593	169,830
Net borrowing capacity	565,597	509,906
Total liquidity	$ 792,946	$ 744,552

For the nine months ended September 30, 2017, we generated $23.1 million of cash from operating activities, compared to cash generated of $14.2 million for the same period in 2016. This change in cash flow was primarily the result of an increase in net income of $4.9 million for the nine months ended September 30, 2017, and changes in working capital items largely related to timing.

Investing activities resulted in a net cash outflow of $508.0 million, for the nine months ended September 30, 2017, as compared to a net cash outflow of $364.4 million for the same period in 2016. The outflows for the nine months ended September 30, 2017, were primarily due to net loan growth of $540.3 million and purchases of investment securities totaling $20.4 million, partially offset by the proceeds, principal repayments and maturities from investment securities totaling $49.8 million. The outflows for the nine months ended September 30, 2016, included net loan growth of $332.0 million, purchases of investment securities totaling $33.7 million and $14.1 million for the

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TKG acquisition net of acquired cash, partially offset by the proceeds, principal repayments and maturities from investment securities totaling $16.4 million.

Financing activities resulted in a net inflow of $517.5 million for the nine months ended September 30, 2017, compared to a net inflow of $374.3 million for the same period in 2016. The inflows for the nine months ended September 30, 2017, were primarily a result of a net increase in deposits of $483.1 million and a net increase in FHLB borrowings of $35.0 million, compared to a $397.4 million net increase in deposits and a net decrease in FHLB borrowings of $15.0 million for the nine months ended September 30, 2016.

We continue to evaluate the potential impact on liquidity management by regulatory proposals, including those being established under the Dodd-Frank Act, as government regulators continue the final rule-making process.

Capital Resources

The access to and cost of funding for new business initiatives, the ability to engage in expanded business activities, the ability to pay dividends, the level of deposit insurance costs and the level and nature of regulatory oversight depend, in part, on our capital position.

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

Shareholders’ Equity. Shareholders’ equity increased to $377.3 million as of September 30, 2017, compared to $351.8 million as of December 31, 2016. The $25.5 million increase during the nine months ended September 30, 2017, was attributable to net income of $25.9 million, the impact of $4.2 million in stock-based compensation, an increase of $500,000 in accumulated other comprehensive income (loss) and $1.3 million in exercises of stock options, partially offset by the purchase of $6.5 million in treasury stock.

Regulatory Capital. As of September 30, 2017 and December 31, 2016, TriState Capital Holdings, Inc. and TriState Capital Bank were in compliance with all applicable regulatory capital requirements, and TriState Capital Bank was categorized as well capitalized for purposes of the FDIC’s prompt corrective action regulations. As we employ our capital and continue to grow our operations, our regulatory capital levels may decrease. However, we will monitor our capital in order to remain categorized as well capitalized under the applicable regulatory guidelines and in compliance with all regulatory capital standards applicable to us.

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

The final rules subject a banking organization to certain limitations on capital distributions and discretionary bonus payments to executive officers if the organization does not maintain a capital conservation buffer of risk-based capital ratios in an amount greater than 2.5% of its total risk-weighted assets. The implementation of the capital conservation buffer began on January 1, 2016, at 0.625% and will be phased in over a four-year period (increasing by that amount ratably on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

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

	September 30, 2017					
	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	$335,178	11.80%	$227,240	8.00%	N/A	N/A
Bank	$337,652	12.01%	$224,901	8.00%	$281,126	10.00%
Tier 1 risk-based capital ratio						
Company	$316,300	11.14%	$170,430	6.00%	N/A	N/A
Bank	$325,304	11.57%	$168,675	6.00%	$224,901	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	$316,300	11.14%	$127,822	4.50%	N/A	N/A
Bank	$325,304	11.57%	$126,507	4.50%	$182,732	6.50 %
Tier 1 leverage ratio						
Company	$316,300	7.40 %	$170,901	4.00%	N/A	N/A
Bank	$325,304	7.66 %	$169,861	4.00%	$212,326	5.00 %

	December 31, 2016					
	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	$325,122	12.66%	$205,488	8.00%	N/A	N/A
Bank	$314,419	12.39%	$203,030	8.00%	$253,787	10.00%
Tier 1 risk-based capital ratio						
Company	$295,089	11.49%	$154,116	6.00%	N/A	N/A
Bank	$298,093	11.75%	$152,272	6.00%	$203,030	8.00 %
Common equity tier 1 risk-based capital ratio						
Company	$295,089	11.49%	$115,587	4.50%	N/A	N/A
Bank	$298,093	11.75%	$114,204	4.50%	$164,962	6.50 %
Tier 1 leverage ratio						
Company	$295,089	7.90 %	$149,369	4.00%	N/A	N/A
Bank	$298,093	8.04 %	$148,252	4.00%	$185,316	5.00 %

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Contractual Obligations and Commitments

The following table presents significant fixed and determinable contractual obligations of principal, interest and expenses that may require future cash payments as of the date indicated.

	September 30, 2017				
(Dollars in thousands)	One Year or Less	One to Three Years	Three to Five Years	Greater Than Five Years	Total
Transaction deposits	$2,517,576	$204,078	$—	$—	$2,721,654
Certificates of deposit	935,943	112,273	—	—	1,048,216
Borrowings outstanding	244,500	35,000	—	—	279,500
Interest payments on certificates of deposit and borrowings	11,851	4,028	—	—	15,879
Operating leases	2,552	5,058	2,733	1,051	11,394
Commitments for low income housing tax credits	7,931	13,101	423	69	21,524
Commitments for small business investment companies	3,255	—	—	—	3,255
Total contractual obligations	$3,723,608	$373,538	$3,156	$1,120	$4,101,422

Off-Balance Sheet Arrangements

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

Loan commitments are recorded on our financial statements as they are funded. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Loan commitments include unused commitments for open end lines secured by cash and marketable securities and residential properties, commitments to fund loans secured by commercial real estate, construction loans, business lines of credit and other unused commitments of loans in various stages of funding.

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

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

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

	September 30, 2017				
(Dollars in thousands)	One Year or Less (1)	One to Three Years	Three to Five Years	Greater Than Five	Total

	Years				
Unused loan commitments	$1,784,000	$193,463	$44,778	$89,385	$2,111,626
Standby letters of credit	37,812	20,052	10,265	5,325	73,454
Total off-balance sheet arrangements	$1,821,812	$213,515	$55,043	$94,710	$2,185,080

(1) The off-balance sheet amounts reflected in the One Year or Less category in the table above include $1.63 billion in unused loan commitments and $1.9 million in standby letters of credit that are due on demand with no stated maturity.

Market Risk

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

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

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

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

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

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

	September 30, 2017			December 31, 2016	
(Dollars in thousands)	Amount Change from Base Case	Percent Change from Base Case	ALCO Guidelines	Amount Change from Base Case	Percent Change from Base Case
Net interest income:					
+300	$25,118	26.72 %	-20.00%	$25,570	30.48 %
+200	$16,739	17.81 %	-15.00%	$16,986	20.25 %
+100	$8,345	8.88 %	-10.00%	$8,431	10.05 %
–100	$(8,943)	(9.51)%	-10.00%	$(3,836)	(4.57)%
Economic value of equity:					
+300	$2,814	0.75 %	+/-30.00%	$6,027	1.82 %
+200	$2,457	0.66 %	+/-20.00%	$4,201	1.27 %

+100	$	1,195	0.32	%	+/-10.00%	$	2,095	0.63	%
–100	$	(1,721)	(0.46)	%	+/-10.00%	$	(11,980)	(3.61)	%

Given the relatively low current interest rate environment, it is our strategy to continue to manage an asset sensitive interest rate risk position in both our net interest income and economic value of equity measures. Therefore, rising rates are expected to have a positive effect on both net interest income and economic value of equity as compared to a situation where rates fall or remain unchanged.

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

	September 30, 2017							
(Dollars in thousands)	Less Than 90 Days	91 to 180 Days	181 to 365 Days	One to Three Years	Three to Five Years	Greater Than Five Years	Non-Sensitive	Total Balance
Assets:								
Interest-earning deposits	$129,979	$—	$—	$—	$—	$—	$—	$129,979
Federal funds sold	6,220	—	—	—	—	—	—	6,220
Total investment securities	95,632	3,926	15,295	71,822	17,898	15,544	799	220,916
Total loans	3,552,583	40,825	60,974	179,000	70,206	18,691	8,391	3,930,670
Other assets	—	—	—	—	—	—	208,228	208,228
Total assets	$3,784,414	$44,751	$76,269	$250,822	$88,104	$34,235	$217,418	$4,496,013
Liabilities:								
Transaction deposits	$2,220,594	$—	$87,000	$204,078	$—	$—	$209,982	$2,721,654
Certificates of deposit	399,783	286,684	249,476	112,273	—	—	—	1,048,216
Borrowings, net	144,500	—	—	135,000	—	—	(338)	279,162
Other liabilities	—	—	—	—	—	—	69,648	69,648
Total liabilities	2,764,877	286,684	336,476	451,351	—	—	279,292	4,118,680
Equity	—	—	—	—	—	—	377,333	377,333
Total liabilities and equity	$2,764,877	$286,684	$336,476	$451,351	$—	$—	$656,625	$4,496,013
Interest rate sensitivity gap	$1,019,537	$(241,933)	$(260,207)	$(200,529)	$88,104	$34,235	$(439,207)	
Cumulative interest rate sensitivity gap	$1,019,537	$777,604	$517,397	$316,868	$404,972	$439,207		
Cumulative interest rate sensitive assets to rate sensitive liabilities	136.9%	125.5%	115.3%	108.3%	110.5%	111.4%	109.2%	
Cumulative gap to total assets	22.7%	17.3%	11.5%	7.0%	9.0%	9.8%		

The cumulative twelve-month ratio of interest rate sensitive assets to interest rate sensitive liabilities decreased to 115.3% as of September 30, 2017, from 120.5% as of December 31, 2016.

In June 2016, the Company entered into a cash flow hedge derivative transaction to fix the interest rate on $100.0 million of the Company’s borrowings for a period of three years. This transaction has the effect on our gap analysis of moving $100.0 million of borrowings from the less than 90 day re-pricing category to the one to three years re-pricing category. For additional information on the cash flow hedge, refer to Note 11, Derivatives and Hedging Activity, to our unaudited condensed consolidated financial statements.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are presented under the caption “Market Risk” in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2017. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2017.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2017, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. During the three months ended September 30, 2017, the Company was not a party to any legal proceedings that the resolution of which management believes would have a material adverse effect on the Company's business, future prospects, financial condition, liquidity, results of operation, cash flows or capital levels.

ITEM 1A. RISK FACTORS

There are risks, many beyond our control, that could cause our results to differ significantly from management's expectations. Any of the risks described in our Annual Report on Form 10-K for the period ended December 31, 2016, or in this Quarterly Report on Form 10-Q could, by itself or together with one or more other factors, adversely affect our business, results of operations or financial condition. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, results of operations or financial condition.

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The table below sets forth information regarding the Company's purchases of its common stock during its fiscal quarter ended September 30, 2017:

	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs*	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs*
July 1, 2017 - July 31, 2017	36,453	$ 23.00	36,453	$ 3,716,466
August 1, 2017 - August 31, 2017	60,500	21.69	60,500	2,404,008
September 1, 2017 - September 30, 2017	10,000	20.55	10,000	2,198,464
Total	106,953	$ 22.03	106,953	$ 2,198,464

* In January 2017, the Company announced that its Board of Directors had approved a share repurchase program authorizing the Company to repurchase up to $5 million of its common stock from time to time on the open market or in privately negotiated transactions.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101	The following materials from TriState Capital Holdings, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2017, formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Financial Condition, (ii) the Unaudited Condensed Consolidated Statements of Income, (iii) the Unaudited Condensed Consolidated Statements of Comprehensive Income, (iv) the Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) the Unaudited Condensed Consolidated Statements of Cash Flows and (vi) the Notes to Unaudited Condensed Consolidated Financial Statements.*

* This information is deemed furnished, not filed.

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SIGNATURES

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

TRISTATE CAPITAL HOLDINGS, INC.

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

By /s/ Mark L. Sullivan
Mark L. Sullivan
Vice Chairman and Chief Financial Officer

Date: October 30, 2017

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