TriState Capital Holdings, Inc.
Form 10-K
February 16, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____ to ____

Commission file number: 001-35913

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

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

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

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

Title of each class	Name of each exchange on which registered
Common Stock, no par value	The Nasdaq Stock Market LLC

Securities registered pursuant to section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes ý No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes ý No

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

As of June 30, 2015, the aggregate market value of the shares of common stock held by non-affiliates, based on the closing price per share of the registrant's common stock as reported on The Nasdaq Global Select Market, was approximately $274,976,000.

As of January 31, 2016, there were 28,386,228 shares of the registrant's common stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement to be filed with the Securities and Exchange Commission for the annual shareholders meeting to be held May 17, 2016, are incorporated by reference into Part III.

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TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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PART I

ITEM 1. BUSINESS

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”), a registered investment advisor; and Chartwell TSC Securities Corp. (“CTSC Securities”), which is applying to be registered as a broker/dealer with the Securities and Exchange Commission (“SEC”) and Financial Industry Regulatory Authority (“FINRA”). Through our bank subsidiary we serve middle-market businesses in our primary markets throughout the states of Pennsylvania, Ohio, New Jersey and New York and we also serve high-net-worth individuals on a national basis through our private banking channel. We market and distribute our banking 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 to institutional, sub-advisory, managed account and private clients on a national basis. Our broker/dealer subsidiary, once registered, will support the distribution and marketing efforts for Chartwell’s proprietary investment products.

On March 5, 2014, TriState Capital Holdings, Inc. through its wholly-owned subsidiary, Chartwell Investment Partners, LLC, completed the acquisition of substantially all of the assets of Chartwell Investment Partners, LP (the “Chartwell acquisition”), an investment management firm. We believe that this acquisition will continue to enhance our recurring fee revenue, provide new product offerings for our national network of financial intermediaries, and leverage our financial services distribution capabilities. As a result of this acquisition, we operate two reportable segments: Bank and Investment Management.

- The Bank segment provides commercial banking and private banking services to middle-market businesses and high-net-worth individuals through our TriState Capital Bank subsidiary. Total assets of the Bank were $3.2 billion as of December 31, 2015.

- The Investment Management segment provides advisory and sub-advisory investment management services to primarily institutional plan sponsors through Chartwell and also supports distribution and marketing efforts for Chartwell’s proprietary investment products through CTSC Securities. On December 16, 2015, the Company entered into a definitive asset purchase agreement to acquire The Killen Group, Inc. (“TKG”) in a transaction that is expected to close in the second quarter of 2016, subject to certain client consents and other customary closing conditions. The privately held investment manager has assets under management of approximately $2.3 billion as of December 31, 2015. Assets under management for this segment were $8.0 billion as of December 31, 2015 and are expected to increase to more than $10 billion after the closing of the TKG acquisition.

For additional financial information by segment since the Chartwell acquisition, refer to Note 23, Segments, to our consolidated financial statements.

Our Business Strategy

Our success has been built upon the vision and focus of our executive management team to combine the sophisticated products, services and risk management efforts of a large financial institution with the personalized service of a community bank. We believe that a results-based culture, combined with a well managed middle-market and private banking business, and our targeted investment management business, will continue to grow and generate attractive returns for shareholders. The following are the key components of our business strategies:

Our Sales and Distribution Culture. We focus on efficient and profitable sales and distribution of investment management services and banking products and services to middle-market businesses and private banking clients. Our relationship managers and distribution professionals have significant experience in the banking and financial services industries and are focused on client service. In our banking business, we monitor gross profit contribution, loan and deposit growth, and asset quality by market and by relationship manager. Our compensation program is designed within our banking business to incentivize our regional presidents and relationship managers to prudently grow their loans, deposits and profitability, while maintaining strong asset quality. In our investment management business, our compensation program is designed to incentivize new assets under management while maximizing the retention of existing clients.

Disciplined Risk Management. We place an uncompromising emphasis on effective risk management as an integral component of our organizational culture. We use our risk management infrastructure to monitor existing operations, support decision-making and improve the success rate of existing products and services as well as new initiatives. A major part of our risk management effort has been our focus on increasing non-interest income, including our expansion into the investment management business through our Chartwell acquisition and the pending TKG acquisition. Also, in our banking business, this has included our focus on growing loans originated through our private banking channel. We believe these loans have lower credit risk because they are typically personally guaranteed by high-net-worth borrowers and/or are secured by readily liquid collateral, such as marketable securities.

Experienced Professionals. Having successful and high quality professionals is critical to continuing to drive prudent growth in our business. In addition to our experienced executive management team and board of directors, we employ highly experienced personnel across our entire organization. Our regional middle-market banking presidents each have at least 25 years of banking experience and our middle-market relationship managers have an average of more than 20 years of banking experience. Chartwell's mission is successfully executed through the dedication of investment professionals who average over 20 years of industry experience. We believe that our distinct business model, culture, and scalable platform enable us to attract and retain high quality professionals. Additionally, our low overhead costs give us the financial capability to attract and incentivize qualified professionals who desire to work in an entrepreneurial and results-oriented organization.

Efficient and Scalable Operating Model. With respect to our banking business, we believe our branchless banking model gives us a competitive advantage by eliminating the overhead and intense management requirements of a traditional branch network. Moreover, we believe that we have a scalable platform and organizational infrastructure that position us to grow our revenue more rapidly than our operating expenses. We also believe that our investment management business has an efficient and scalable business model that focuses on institutional direct clients and wholesale distribution channels to reach retail investors.

Lending Strategy. We generate loans through our middle-market banking and private banking channels. These channels provide risk diversification and offer significant growth opportunities.

- Middle-Market Banking Channel. We target our middle-market business primarily at businesses with revenues between $5.0 million and $300.0 million located within our primary markets. To capitalize on this opportunity, each of our representative offices is led by an experienced regional president so we can understand the unique borrowing needs of the middle-market businesses in their area. They are supported by highly experienced relationship managers with a reputation for success in targeting middle-market business customers and maintaining strong credit quality within their loan portfolios.

- Private Banking Channel. We provide loan products and services nationally to executives and high-net-worth individuals many of whom we source through referral relationships with independent broker/dealers, wealth managers, family offices, trust companies and other financial intermediaries. Our private banking products primarily include loans secured by cash, marketable securities and other asset-based loans. Our relationship managers have cultivated referral arrangements with 119 financial intermediaries. Under these arrangements, the financial intermediaries are able to refer their clients to us for responsive and sophisticated banking services. We believe many of our referral relationships also create cross-selling opportunities with respect to our deposit products and our investment management business. Since inception, we have had no charge-offs related to our loans secured by marketable securities.

As shown in the following table, we have continued to achieve loan growth through each of our banking channels, although in 2015 we grew the loans in our private banking channel more than in our middle-market banking channel. Our middle-market banking channel generated $85.7 million of loan growth for the year ended December 31, 2015.

As of December 31, 2015, loans sourced through our private banking channel represented 47.3% of our loans held-for-investment, and such loans grew by $355.6 million, or 35.9%, for the year ended December 31, 2015. In addition, as of December 31, 2015, $1.2 billion of our private banking loans were secured by cash and marketable securities, which represented an increase of $377.3 million, or 47.0%, for the year ended December 31, 2015. We expect continued strong loan and deposit growth in this channel, in part, because we added 29 new loan referral relationships during the year ended December 31, 2015 for a total of 119 referral relationships at the end of 2015. We have also experienced continued growth in the number of customers resulting from our existing referral relationships.

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	December 31,		2015 Change from 2014	
(Dollars in thousands)	2015	2014	Amount	Percent
Middle-market banking offices:				
Western Pennsylvania	$445,554	$428,206	$17,348	4.1 %
Eastern Pennsylvania	329,767	338,952	(9,185)	(2.7)%
Ohio	259,902	247,131	12,771	5.2 %
New Jersey	291,795	262,027	29,768	11.4 %
New York [1]	169,402	134,434	34,968	26.0 %
Total middle-market banking loans	1,496,420	1,410,750	85,670	6.1 %
Total private banking loans	1,344,864	989,302	355,562	35.9 %
Loans held-for-investment	$2,841,284	$2,400,052	$441,232	18.4 %

[1] Our New York representative office opened for business in August 2012.

Deposit Funding Strategy. Since inception, we have focused on creating and growing diversified, stable, and low all-in cost deposit channels, both in our primary markets and across the United States, without operating a traditional branch network. As of December 31, 2015, we consider nearly 80.0% of our total deposits to be sourced from direct customer relationships. We believe our sources of deposits continue to provide excellent opportunities for growth both within our primary markets and nationally.

We take a multilayered approach to our deposit growth strategy. We believe our relationship managers are an integral part of this approach and, accordingly, we have competitive incentives for them to increase the deposits associated with their relationships. We have relationship managers who are specifically dedicated to deposit generation and treasury management, and we plan to add additional such professionals as appropriate to support our growth. Additionally, we believe that our financial performance and our products and services, which are targeted to our markets, enhance our deposit growth. For additional details regarding our deposit products and services, see "Our Products and Services-Deposits."

Investment Management Strategy. We have executed on our investment management strategy with the March 5, 2014, closing of the Chartwell acquisition and the pending TKG acquisition. We believe that this segment has enhanced our recurring fee revenue, provided new product offerings for our national network of financial intermediaries, and leveraged our financial services distribution capabilities through the financial intermediaries with which our banking business has worked and developed. All of the employees of Chartwell, including the experienced management team, joined our investment management business upon the closing and we expect the same to occur with the TKG employees. In addition, James F. Getz, our Chairman, Chief Executive Officer and President, along with several members of our board of directors, including James J. Dolan, James E. Minnick and Richard B. Seidel, all have significant experience in investing in and operating investment management companies and serve on the Board of Directors of Chartwell. Mr. Getz also serves as Chairman of the Board and Executive Chairman of Chartwell.

Market Reputation. We believe that our strong market reputation has become and will remain a competitive advantage within our primary markets and nationally for our private banking channel and for our investment management business. We believe that we have established a reputation as both a sophisticated lender and a customer-focused financial services institution.

Our Markets

For our middle-market banking loans, our primary markets of Pennsylvania, Ohio, New Jersey and New York include the four major metropolitan statistical areas ("MSA") of Pittsburgh and Philadelphia, Pennsylvania; Cleveland, Ohio and New York, New York (which includes northern New Jersey) in which our headquarters and four representative offices are located. We believe that our primary markets including these MSAs are long-term, attractive markets for the types of products and services that we offer, and we anticipate that these markets will continue to support our projected growth. With respect to our loans and other financial services and products, we selected the locations for our representative offices partially based upon the number of middle-market businesses located in these MSAs and their respective states. As of December 31, 2015, there were nearly 120,000 middle-market businesses in our primary markets with annual sales between $5.0 million and $300.0 million, which represented approximately 17.0% of the national total as of that date, according to OneSource Information Services, Inc. According to SNL Financial, the 2015 aggregate population of the four MSAs in which our headquarters and four representative offices are located was approximately 30 million, which represented approximately 10% of the national population. We believe that the population and business concentrations within our primary markets provide attractive opportunities to grow our business.

In addition to middle-market businesses in our primary markets, our private banking business also serves high-net-worth individuals on a national basis. We primarily source this business through referral relationships with independent broker/dealers, wealth managers, family offices, trust companies and other financial intermediaries. We view our product offerings as being most appealing to those households with $500,000 or more in net worth (not including their primary residence).

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Through our distribution channels, we pursue and create deposit relationships with customers located throughout the United States, as well as in our primary markets, including the four MSAs where our offices are located. Because our deposit operations are centralized in our Pittsburgh headquarters all of our deposits are aggregated and accounted for in that MSA. For these distribution and reporting reasons, we do not consider deposit market share in any MSA or any of our primary markets to be relevant data. However, for perspective on the size of the deposit markets in which we have offices, the total aggregate domestic deposits of banks headquartered within the four MSAs were approximately $1.3 trillion as of December 31, 2015, according to SNL Financial.

Our investment management products are primarily distributed in two markets. These markets and their relative percentage of our assets under management as of December 31, 2015, are as follows: institutional and sub-advisory (90%) and broker/dealers and registered investment advisors (10%).

Institutional and Sub-Advisory. Chartwell maintains a dedicated sales and client service staff to focus on the distribution of its products to a wide variety of institutional and sub-advisory clients, including corporate pension and profit-sharing plans, public pension plans, Taft-Hartley plans, foundations, endowments and registered investment companies. As of December 31, 2015, assets under management in the institutional and sub-advisory market included $4.9 billion in equity products and $2.3 billion in fixed-income products.

Broker/Dealer and Independent Registered Investment Advisors. Chartwell maintains sales staff dedicated to calling on national, regional and independent broker/dealers and registered investment advisors. Broker/dealers and registered investment advisors use Chartwell's products to meet the needs of their customers, who are typically retail and/or high-net-worth investors. As of December 31, 2015, assets under management in the broker/dealer and independent registered investment advisor market included $788 million in equity products and $26 million in fixed-income products.

Our Products and Services

We offer our clients an array of products and services, including loan and deposit products, cash management services, capital market services such as interest rate swaps and investment management products.

- Our loan products include, among others, loans secured by cash or marketable securities, commercial and personal loans, asset-based loans, commercial real estate loans, acquisition financing, and letters of credit.
- Our deposit products include, among others, checking accounts, money market deposit accounts, certificates of deposit, and Promontory's Certificate of Deposit Account Registry Service® ("CDARS®") and Insured Cash Sweep® ("ICS®") services.
- Our cash management and treasury management services include online balance reporting, online bill payment, remote deposit, liquidity services, wire and ACH services, foreign exchange and controlled disbursement.
- Our investment management business provides equity and fixed income advisory and sub-advisory services to third party mutual funds, series trust mutual funds, and to separately managed accounts for a spectrum of clients, but primarily focused on ultra-high-net-worth and institutional clients, including corporations, ERISA plans, Taft-Hartley funds, municipalities, endowments and foundations.

More information about our key products and services, including a discussion about how we manage our products and services within our overall business and enterprise risk strategy, is set forth below.

We expect to continue to develop and implement additional products for our clients, including additional investment management product offerings to our financial intermediary referral sources. For additional information, see "Our Business Strategy-Investment Management Strategy."

Loans

Our primary source of income in our Bank segment 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 real estate properties. Our loan portfolio represents the largest component of our earning assets.

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The following table presents the composition of our loan portfolio as of December 31, 2015.

(Dollars in thousands)	December 31, 2015	Percent of Loans
Private banking loans	$1,344,864	47.3 %
Middle-market banking loans:		
Commercial and industrial	634,232	22.4 %
Commercial real estate	862,188	30.3 %
Total middle-market banking loans	1,496,420	52.7 %
Loans held-for-investment	$2,841,284	100.0 %

Private Banking Loans. Our private banking loans include both personal and commercial loans sourced through our private banking channel, 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, or other financial assets and to a smaller degree, residential property. We also have a small number of unsecured loans and lines of credit in our private banking loan portfolio that have been made to creditworthy borrowers. The primary source of repayment for these loans is the income and assets of the borrower(s). Since a majority of our private banking loans are secured by cash, marketable securities or residential real estate, we believe the credit risk inherent in this segment of our portfolio is lower than the risk associated with other types of loans. We mitigate such risks through active daily monitoring of the collateral, utilizing our proprietary monitoring system.

Our private banking lines of credit predominantly are due on demand or have terms of 364 days. Our term loans (other than mortgage loans) in this category generally have maturities of three to five years. On an accommodative basis, we have made personal residential real estate loans consisting primarily of first and second mortgage loans for residential properties, including jumbo mortgages. Our residential mortgage loans typically have maturities of seven years or less. On a limited basis we originated mortgage loans with maturities of up to ten years and acquired other residential mortgages that had original maturities of up to 30 years. Our personal lines of credit typically have floating interest rates. We examine the personal cash flow and liquidity of our individual borrowers when underwriting our private banking loans not secured by cash or marketable securities. In some cases we require our borrowers to agree to maintain a minimum level of liquidity that will be sufficient to repay the loan.

As of December 31, 2015, we had $1.3 billion of outstanding private banking loans, or approximately 47.3% of loans held-for-investment. The table below includes all loans made through our private banking channel by collateral type as of the dates indicated.

(Dollars in thousands)	December 31, 2015	Percent of Private Banking Loans	Percent of Loans
Private banking loans:			
Secured by cash and marketable securities	$1,180,717	87.8 %	41.6 %
Secured by real estate	134,785	10.0 %	4.7 %
Other	29,362	2.2 %	1.0 %
Total private banking loans	$1,344,864	100.0 %	47.3 %

Commercial and Industrial Loans. Our commercial and industrial loan portfolio primarily includes loans made to service companies or manufacturers generally for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing, acquisitions and recapitalizations. Cash flow from the borrower’s operations provides the primary source of repayment for these loans. The primary risks associated with commercial and industrial loans include potential declines in the value of collateral securing these loans, the highly-leveraged nature and inconsistent earnings of some commercial borrowers and the larger average balances of commercial and industrial loans made to individual borrowers. We work throughout the lending process to manage and mitigate such risks within our commercial and industrial loan portfolio.

Our commercial and industrial loans include both working capital lines of credit and term loans. Working capital lines of credit generally have maturities ranging from one to five years. Availability under our commercial lines of credit is typically limited to a percentage of the value of the assets securing the line. Those assets typically include accounts receivable, inventory and occasionally equipment. Depending on the risk profile of the borrower, we may require periodic accounts receivable and payable agings, as well as borrowing base certificates representing borrowing availability after applying appropriate advance percentage rates to the collateral. Our commercial and industrial term loans generally have maturities between three to five years, and typically do not extend beyond seven years. Our commercial and industrial lines of credit and term loans typically have floating interest rates.

Commercial Real Estate Loans. We concentrate on making commercial real estate loans to experienced borrowers that have an established history of successful projects. The cash flow from income-producing properties or the sale of property from for-sale construction and

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development loans are generally the primary sources of repayment for these loans. The equity sponsors of our borrowers generally provide a secondary source of repayment from their excess global cash flows and liquidity. The primary risks associated with commercial real estate loans include credit risk arising from the dependency of repayment upon income generated from the property securing the loan, the vulnerability of such income to changes in market conditions and difficulty in liquidating collateral securing the loans. We work throughout the lending process to manage and mitigate such risks within our commercial real estate loan portfolio.

A majority of our commercial real estate loans are made to borrowers with projects or properties located within our primary markets. Our relationship managers are experienced lenders who are familiar with the trends within their local real estate markets.

The table below shows the composition of our commercial real estate portfolio as of December 31, 2015.

(Dollars in thousands)	December 31, 2015	Percent of Commercial Real Estate Loans	Percent of Loans
Commercial real estate term loans:			
Income-producing property loans	$497,969	57.7 %	17.5 %
Owner-occupied term loans	117,754	13.7 %	4.1 %
Multifamily/apartment loans	117,435	13.6 %	4.1 %
Total real estate term loans	733,158	85.0 %	25.7 %
Residential construction loans	11,757	1.4 %	0.4 %
Other construction loans	106,863	12.4 %	3.8 %
Land development loans	10,410	1.2 %	0.4 %
Total commercial real estate loans	$862,188	100.0 %	30.3 %

- Real Estate Term Loans. As of December 31, 2015, approximately $733.2 million, or approximately 25.7% of loans held-for-investment, consisted of real estate term loans. Our real estate term loans include credit secured by various types of income-producing properties, owner-occupied term loans and multifamily/apartment loans. In making real estate term loans, we look for income-producing properties that have established cash flows sufficient to service the proposed loan on an amortizing basis. Our real estate term loans generally have maturities of five to seven years and are offered with both fixed and floating interest rates. In addition to providing real estate term loans for investment properties, we also finance owner-occupied commercial properties.

- Construction Loans. As of December 31, 2015, approximately $118.6 million, or approximately 4.2% of loans held-for-investment, consisted of residential and other construction loans. Our residential construction loans are typically for single-family residential properties. Our other construction loans are typically for projects used in manufacturing, warehousing, office, service, retail and multifamily housing. These loans are usually floating-rate loans. Generally, our construction loans have a term of one to three years, but can include an amortizing term loan period of generally three to five years contingent upon the property meeting established debt service coverage levels. Properties related to our construction loans are frequently pre-leased at a level that will generate sufficient cash flow to service the fully advanced construction loan on an amortizing basis upon the completion of construction.

- Land Development Loans. As of December 31, 2015, the remaining $10.4 million, or approximately 0.4% of loans held-for-investment, consisted of land development loans. Our land development loans include loans to finance the purchase and development of land for sale. We make these loans on a limited basis. In making land development loans, we typically require a higher level of equity to be invested by the borrower and strong levels of borrower global cash flows to reduce reliance on land sales for repayment of the loan. These loans are typically structured as lines of credit with one to three year maturities and usually have floating interest rates.

Loan Underwriting

Our focus on maintaining strong asset quality is pervasive throughout all aspects of our lending activities, and it is especially apparent in our loan underwriting function. We are selective in targeting our lending to middle-market businesses, commercial real estate investors and developers and high-net-worth individuals that we believe will meet our credit standards. Our credit standards are determined by our Credit Risk Policy Committee that is made up of senior bank officers, including our Chief Credit Officer, Chief Risk Officer, Bank President, President of Commercial Banking and President of Private Banking.

Our underwriting process is multilayered. Prospective loans are first reviewed by our relationship managers and regional presidents. The prospective commercial and certain private banking loans are then discussed in a pre-screen group composed of the Chief Credit Officer, President of Commercial Banking and all of our regional presidents. Applications for prospective loans that are accepted are

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fully underwritten by our credit administration group in combination with the relationship manager. Finally, the prospective loans are submitted to our Senior Loan Committee for approval, with the exception of certain loans that are fully secured by cash or marketable securities. Members of the Senior Loan Committee include our Chairman and Chief Executive Officer, Vice Chairman and Chief Financial Officer, Vice Chairman, Chief Credit Officer, Bank President, President of Commercial Banking, President of Private Banking and our regional presidents. All of our lending personnel, from our relationship managers to the members of our Senior Loan Committee, have significant experience that benefits our underwriting process.

We maintain high credit quality standards. Each credit approval, renewal, extension, modification or waiver is documented in written form to reflect all pertinent aspects of the transaction. Our underwriting analysis generally includes an evaluation of the borrower's business, industry, operating performance, financial condition and typically includes a sensitivity analysis of the borrower's ability to repay the loan.

Our lending activities are subject to internal exposure limits that restrict concentrations of loans within our portfolio to certain maximum percentages of our total loans and/or our total capital levels. These exposure limits are approved by our Senior Loan Committee and our board of directors based upon recommendations made by the Credit Risk Policy Committee. Our internal exposure limits are established to avoid unacceptable concentrations in a number of areas, including in our different loan categories and in specific industries. In addition, we have established an informal limit on individual loans that is materially lower than our legal lending limit.

Our loan portfolio includes Shared National Credits ("SNC"). SNCs are participations in loans of $20 million or more that are shared by three or more financial institutions. We are typically part of the originating bank group in connection with these loan participations. We utilize the same underwriting criteria for these loans that we use for loans that we originate directly. These loans are to borrowers typically located within our primary markets and are generally made to companies that are known to us and with whom we have direct contact. They offer advantages in a diversified loan portfolio. These loans have helped us to diversify the risk inherent in our loan portfolio by allowing us to access a broader array of corporations with different credit profiles, repayment sources, geographic footprints and with larger revenue bases than those businesses associated with our direct loans.

As of December 31, 2015, we had $401.6 million of SNC loans compared to $451.8 million as of December 31, 2014. Included in these totals were loans to private equity sponsored companies which totaled $58.3 million as of December 31, 2015, a decrease of $70.8 million from $129.0 million as of December 31, 2014. Due to the perceived higher risk nature of these loans, we intend to continue to manage private equity backed SNC loans lower, primarily through attrition.

Loan Portfolio Concentrations

Diversified lending approach. We are committed to maintaining a diversified loan portfolio. We also concentrate on making loans to businesses where we have or can obtain the necessary expertise to understand the credit risks commonly associated with the borrower's industry. We generally avoid lending to businesses that would require a high level of specialized industry knowledge that we do not have.

The following table shows the composition of our commercial loan portfolios by borrower industry as of December 31, 2015.

(Dollars in thousands)	December 31, 2015	Percent of Total Commercial Loans	
Industry:			
Real estate, rental and leasing	$704,177	47.0	%

Service	287,013	19.2	%
Manufacturing	213,387	14.3	%
Construction	76,629	5.1	%
Wholesale trade	45,989	3.1	%
Retail trade	27,867	1.9	%
Information	27,568	1.8	%
Transportation and warehousing	26,965	1.8	%
Mining	22,302	1.5	%
All others	64,523	4.3	%
Total commercial loans	$1,496,420	100.0	%

Borrowers represented within the real estate, rental and leasing category are largely owners and managers of both residential and non-residential commercial real estate income-producing properties. Loans extended to borrowers within the service industries include loans to finance working capital and equipment. Significant trade categories represented within the service industries include, among others,

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financial services, scientific/technical services, health care and hospitality services. Loans extended to borrowers within the manufacturing industry include loans to manufacturers of paper, chemicals, plastics, rubber, glass and clay products.

Geographic criteria. We focus on developing client relationships with companies that have headquarters and/or significant operations within our primary markets.

The table below shows the composition of our commercial and industrial loans and our commercial real estate loans based upon the states where our borrowers are located. Loans to borrowers located in our four primary market states make up 84.4% of our total commercial loans outstanding as of December 31, 2015. When those loans are aggregated with our loans to borrowers located in states that are contiguous to our primary market states, the percentage increases to approximately 91.5% of our commercial loan portfolio.

(Dollars in thousands)	December 31, 2015	Percent of Total Commercial Loans	
Geographic region:			
Pennsylvania	$504,064	33.7	%
Ohio	258,720	17.3	%
New Jersey	260,111	17.4	%
New York	239,305	16.0	%
Contiguous states	106,780	7.1	%
Other states	127,440	8.5	%
Total commercial loans	$1,496,420	100.0	%

Deposits

An important aspect of our business franchise is the ability to gather deposits. Deposits provide the primary source of funding for our lending activities. We offer traditional depository products including checking accounts, money market deposit accounts and certificates of deposit in addition to CDARS® and ICS® reciprocal products. We also offer cash management and treasury management services, including online balance reporting, online bill payment, remote deposit, liquidity services, wire and ACH services and collateral disbursement. Our deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits.

As of December 31, 2015, non-brokered deposits represented approximately 60.8% of our total deposits. Our non-brokered deposit sources primarily include deposits from financial institutions, high-net-worth individuals, family offices, trust companies, wealth management firms, corporations and their executives. We compete for deposits by offering a range of deposit products at competitive rates. We also attract deposits by offering customers a variety of cash management services. We maintain direct customer relationships with many of our depositors whose deposits are considered to be brokered for regulatory purposes, including with many of our CDARS® and ICS® reciprocal depositors. For additional information about our deposit products and our overall funding strategy, see “Our Business Strategy-Deposit Funding Strategy.”

The table below shows the balances of our deposit portfolio by type as of the dates indicated.

	December 31,		2015 Change from 2014		
(Dollars in thousands)	2015	2014	Amount	Percent	
Non-brokered deposits:					
Noninterest-bearing checking accounts	$159,859	$177,606	$(17,747)	(10.0)	%
Interest-bearing checking accounts	132,327	74,727	57,600	77.1	%
Money market deposit accounts	931,779	820,579	111,200	13.6	%

Time deposits	412,086	381,408	30,678	8.0	%
Total non-brokered deposits	1,636,051	1,454,320	181,731	12.5	%
Brokered deposits:					
Interest-bearing checking accounts	3,710	952	2,758	289.7	%
Money market deposit accounts	532,500	424,342	108,158	25.5	%
CDARS® time deposits	468,530	412,339	56,191	13.6	%
Time deposits	49,053	45,000	4,053	9.0	%
Total brokered deposits	1,053,793	882,633	171,160	19.4	%
Total deposits	$2,689,844	$2,336,953	$352,891	15.1	%
Non-brokered deposits to total deposits	60.8 %	62.2 %			

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Investment Management Products and Services

Chartwell Investment Partners manages $8.0 billion in a variety of equity and fixed income investment styles, for over 150 institutional, sub-advisory and private client relationships as of December 31, 2015. A description of each investment style is provided below.

Equity Investment Styles:

- Small Cap Value: Chartwell’s Small Cap Value portfolio employs a traditional value style supplemented with both deep and relative value stocks. Our opportunity set is selected using multiple valuation yardsticks and focuses heavily on company valuation relative to history. Portfolio decisions result from business reviews assessing the prospects of erasing these valuation discounts with a focus on fundamental and event-driven catalysts which we believe the market should recognize. The portfolio aims to be well diversified across all economic sectors and exhibit better growth, profitability and financial strength characteristics than the small cap value benchmark. Our objective is to outperform small cap value benchmarks over the long term while producing lower risk scores versus peers.

- Mid Cap Value: Chartwell’s Mid Cap Value portfolio employs a traditional value style supplemented with both deep and relative value stocks. Our opportunity set is selected using multiple valuation yardsticks and focuses heavily on company valuation relative to history. Portfolio decisions result from business reviews assessing the prospects of erasing these valuation discounts with a focus on fundamental and event-driven catalysts which the market should recognize. The portfolio aims to be well diversified across all economic sectors and exhibit better growth, profitability and financial strength characteristics than the mid cap value benchmark. Our objective is to outperform mid cap value benchmarks over the long term while producing lower risk scores versus peers.

- Small Cap Growth: Our Small Cap Growth portfolio invests in a select set of small companies that have demonstrated strong growth opportunities through increases in earnings per share. More significantly, we look to invest in company that have historically continued to broaden, deepen and enhance their fundamental capabilities, competitive positions, product and service offerings and customer bases. Our plan is to invest in these companies for an intermediate time horizon. Our portfolios focus on a narrow set of such investments.

- Mid Cap Growth: Our Mid Cap Growth portfolio invests in a select set of mid-cap growth oriented companies. We believe these businesses have demonstrated strong increases in earnings per share. More significantly, we look to invest in companies that have historically continued to broaden, deepen and enhance their fundamental capabilities, competitive positions, product and service offerings and customer bases. Our plan is to invest in these companies for an intermediate time horizon. Our portfolios focus on a narrow set of such investments.

- SMID Cap Growth: For clients in our SMID Cap Growth portfolio we invest in a select set of growth companies with small to mid-market caps. These businesses have demonstrated strong increases in earnings per share. Again, we look to invest in companies that have historically continued to broaden, deepen and enhance their fundamental capabilities, competitive positions, product and service offerings and customer bases. Our plan is to invest in these companies for an intermediate time horizon. Our portfolios focus on a narrow set of such investments.

- U.S. Small Cap: The U.S. Small Cap portfolio integrates the efforts of our Small Cap Value and Small Cap Growth investment teams. Our quantitative process is designed to result in a universe of securities that we believe are statistically inexpensive versus the Russell 2000, or which we believe demonstrates superior growth characteristics relative to their economic sector. The decisive elements of the research process are twofold. From a value standpoint, it is the appraisal of the company’s fundamental value that we believe separates those with real value from those that are merely inexpensive. On the growth side our goal is to separate companies with real growth potential from those that are only short-term performers with high valuation metrics. The final portfolio is constructed as a bottom up residual of stock selection from the “best ideas” of both value and growth.

- Dividend Value: Our objective in managing the Dividend Value portfolio is to deliver investment returns that exceed that of the Russell 1000 Value by focusing on what we believe are undervalued stocks with above-average dividend yields. We seek long-term inflation protection by investing in stocks in the top 40% of the market ranked by dividend yield; companies that we believe are capable of consistent dividend growth; and stocks that we believe are undervalued with significant potential for capital appreciation during a full market cycle.

- Covered Call: Our objective in managing the Chartwell Covered Call strategy is to provide market-like returns in rising equity markets while earning superior returns in flat or down equity markets. We seek to attain this objective by combining a portfolio of higher dividend paying stocks which have valuations that do not properly reflect our view of their fundamentals and a

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disciplined call overwriting strategy. We join these two investment disciplines in an effort to create a lower volatility total return solution for clients.

Fixed Income Investment Styles:

- Intermediate/Core/Short Duration Fixed Income: Chartwell's philosophy of investment grade fixed income management stresses security selection, preservation of principal, and compounding of the income stream as keys to consistently adding value in the bond market. We focus our research efforts in the corporate sector of the market. Because the return potential of any bond tends to be asymmetric - with limited capital appreciation potential, but considerably greater capital loss potential - Chartwell targets high quality credits with stable-to improving profiles, rather than chasing "cheap" deteriorating credits.

Chartwell utilizes a disciplined value, bottom-up approach to the fixed income market, with emphasis on building the portfolio through individual security selection. Employing in-depth, fundamental research, our highly experienced six member team assesses individual securities and selects those that it determines provide the best relative value. Each team member is responsible for the analysis and trading of one or more fixed income market sectors, including U.S. Government and Agency, Asset-Backed, Mortgage-Backed, Bank and Finance, Industrial, Utility, and Yankee. Portfolio managers seek to maintain a diversified high quality portfolio that has more favorable yield characteristics than the benchmark index. Within the investment process, approximately 80% of the value is sought through the vigorous security selection process, while the remaining balance is sought to sector allocation and yield curve placement. Our goal is to reduce risk and volatility exposures through credit research; therefore, duration shifts, sector swapping, interest rate bets and macroeconomic forecasting are not a central focus in our bottom-up process. Futures, options and other leveraged derivatives are not utilized in our credit central process.

- Core Plus Fixed Income: With flexibility to adjust to each client’s specific guidelines, Chartwell’s Core Plus product invests across both the U.S. Investment Grade and High Yield markets. By strategically expanding our credit-driven, valued-based opportunity set, the Core Plus product allows a client’s portfolio to take advantage of Chartwell’s broad ranging corporate bond expertise and to benefit from the potential for increased income, total return, and diversification.

- High Yield Fixed Income: Chartwell's philosophy of high yield bond management stresses preservation of principal and compounding of the income stream as keys to adding value in the high yield bond market. We focus on the higher quality tiers of the market, which offer an attractive yield premium but a lower incidence of credit erosion relative to the market as a whole.

In evaluating investment candidates our perspective is that of a lender. We prefer low beta companies with proven, predictable business models, and multiple sources of repayment. We utilize both objective and subjective screens to identify the universe of acceptable investment candidates. In particular, we focus on large capitalization issues demonstrating attributes of financial transparency, stable-to improving cash flow, internal deleveraging capacity, and ample financial flexibility. Chartwell believes that the consistent application of high credit standards and strict trading disciplines is the most predictable route to outperformance in the high yield bond market.

- Short Duration BB-Rated High Yield Fixed Income: Chartwell's philosophy of high yield bond management stresses preservation of principal and compounding of the income stream as keys to adding value in the high yield bond market. Again, our focus is on the higher quality tiers of the market, which offer an attractive yield premium but a lower incidence of credit erosion relative to the market as a whole. We focus on duration of less than three years with maximum maturities of five years.

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The following table shows the composition of our assets under management by investment style as of December 31, 2015.

(Dollars in thousands)	December 31, 2015	Percent of Assets Under Management	
Equity investment styles:			
Small cap value	$1,288,000	16.1	%
Mid cap value	59,000	0.7	%
Small cap growth	1,260,000	15.7	%
Mid cap growth	2,241,000	28.0	%
SMID cap growth	66,000	0.8	%
U.S. small cap	62,000	0.8	%
Dividend value	341,000	4.3	%
Covered call	376,000	4.7	%
Fixed income investment styles:			
Intermediate/core/short duration fixed income	864,000	10.8	%
Core plus fixed income	324,000	4.0	%
High yield fixed income	79,000	1.0	%
Short duration BB-rated high yield fixed income	1,045,000	13.1	%
Total assets under management	$8,005,000	100.0	%

Competition

We operate in a very competitive industry and face significant competition for customers from bank and non-bank competitors, particularly regional and national institutions, in originating loans, attracting deposits and providing other financial services. We compete for loans and deposits based upon the personal and responsive service offered by our highly experienced relationship managers, access to management and interest rates. As a result of our low fixed operating costs, we believe we are able to compete for customers with the competitive interest rates that we pay on deposits and that we charge on our loans.

Our management believes that our most direct competition for deposits comes from commercial banks, savings and loan associations, credit unions, money market funds and brokerage firms, particularly national and large regional banks, which target the same customers we do. Competition for deposit products is generally based on pricing because of the ease with which customers can transfer deposits from one institution to another. Our cost of funds fluctuates with market interest rates and our ability to further reduce our cost of funds may be affected by higher rates being offered by other financial institutions. During certain interest rate environments, additional significant competition for deposits may be expected to arise from corporate and government debt securities and money market mutual funds.

Our competition in making loans comes principally from national, regional and large community banks, insurance companies and full service brokerage firms. Many large national and regional commercial banks have a significant number of branch offices in the areas in which we operate. Aggressive pricing policies and terms of our competitors on middle-market and private banking loans, especially during a period of prolonged low interest rates, may result in a decrease in our loan origination volume and a decrease in our yield on loans. We compete for loans principally through the quality of products and service we provide to middle-market customers and private banking referral relationships, while maintaining competitive interest rates, loan fees and other loan terms.

Our relationship-based approach to business also enables us to compete with other financial institutions in attracting loans and deposits. Our relationship managers and regional presidents have significant experience in the banking industry in the markets they serve and are focused on customer service. By capitalizing on this experience and by tailoring our products and services to the specific needs of our clients, we have been successful in cultivating stable relationships with our customers and also with financial intermediaries who refer their clients to us for banking services. We believe our approach to customer relationships will assist us in continuing to compete effectively for loans and deposits in our primary markets and nationally through our private banking channel.

The investment management business is intensely competitive. In the markets where we compete, there are over 1,000 firms which we consider to be primary competitors. In addition to competition from other institutional investment management firms, Chartwell, along with the active-management industry, competes with passive index funds, exchange traded funds (“ETFs”) and investment alternatives such as hedge funds. We compete for investment management business by delivering excellent investment performance with a committed customer service model.

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Employees

As of December 31, 2015, we had approximately 192 full-time equivalent employees (139 in our banking business and 53 in our investment management business).

Supervision and Regulation

The following is a summary of material laws, rules and regulations governing banks, investment management businesses and bank holding companies, but does not purport to be a complete summary of all applicable laws, rules and regulations. These laws and regulations may change from time to time and the regulatory agencies often have broad discretion in interpreting them. We cannot predict the outcome of any future changes to these laws, regulations, regulatory interpretations, guidance and policies, which may have a material and adverse impact on the financial markets in general, and our operations and activities, financial condition, results of operations, growth plans and future prospects specifically.

General

The common stock of TriState Capital Holdings, Inc. is publicly traded and listed and, as a result, we are subject to securities laws and stock market rules, including oversight from the SEC and the Nasdaq Stock Market Rules. Banking is highly regulated under federal and state law. We are a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and are subject to supervision, regulation and examination by the Federal Reserve. TriState Capital Bank is a commercial bank chartered under the laws of the Commonwealth of Pennsylvania. It is not a member of the Federal Reserve System and is subject to supervision, regulation and examination by the Pennsylvania Department of Banking and Securities and the FDIC.

Our investment management business is subject to extensive regulation in the United States. Chartwell and Chartwell TSC are subject to Federal securities laws, principally the Securities Act of 1933, the Investment Company Act, the Advisers Act, state laws regarding securities fraud and regulations promulgated by various regulatory authorities, including the SEC, FINRA, applicable state laws and stock exchanges. Our investment management business also may be subject to regulation by the U.S. Commodity Futures Trading Commission (“CFTC”) and the National Futures Association (“NFA”). Changes in laws, regulations or governmental policies, both domestically and abroad, and the costs associated with compliance, could materially and adversely affect our business, results of operations, financial condition and/or cash flows.

This system of supervision and regulation establishes a comprehensive framework for our operations. Failure to meet regulatory standards could have a material and adverse impact on our operations and activities, financial condition, results of operations, growth plans and future prospects.

Dodd-Frank Act

On July 21, 2010, the Dodd Frank Financial Reform and Consumer Protection Act (“Dodd-Frank Act”) was enacted. The Dodd-Frank Act aims to restore responsibility and accountability to the financial system by significantly altering the regulation of financial institutions and the financial services industry. We have complied with the portion of rules that have been finalized and become effective. Many of the provisions of the Dodd-Frank Act require rulemaking by federal regulatory agencies over the next several years and have delayed effective dates, which will affect how financial institutions are regulated in the future. The ultimate effect of the Dodd-Frank Act and its implementing regulations on the financial services industry in general, and on us in particular, is still uncertain at this time.

The Dodd-Frank Act, among other things:

- established the Consumer Financial Protection Bureau;
- established the Financial Stability Oversight Council;
- changed the assessment base for federal deposit insurance;
- required the FDIC to make its capital requirements for insured depository institutions countercyclical, so that capital requirements increase in times of economic expansion and decrease in times of economic contraction;
- required bank holding companies and banks to be “well capitalized” and “well managed” in order to acquire banks located outside of their home state and required any bank holding company electing to be treated as a financial holding company to be “well capitalized” and “well managed”;

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- directed the Federal Reserve to establish interchange fees for debit cards under a "reasonable and proportional cost" per transaction standard;
- increased regulation of consumer protections regarding mortgage originations, including originator compensation, minimum repayment standards, and prepayment consideration;
- established the Volcker Rule to restrict proprietary trading and ownership of certain funds by banks; and
- repealed the federal prohibition on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Some of these provisions may have the consequence of increasing our expenses, decreasing our revenues, and changing or limiting the activities in which we engage. The specific impact of all these provisions on our current activities or new financial activities that we may consider in the future, our financial performance and the market in which we operate will depend on the rules the relevant agencies develop, their implementation and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act are subject to further rulemaking and will take effect over several years. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our operations and activities, financial condition, results of operations, growth plans and future prospects.

Volcker Rule Impact on Certain Investment Markets

On December 10, 2013, five federal regulatory agencies (the SEC, CFTC, Federal Reserve, FDIC and OCC) approved and published the final rules for the implementation of the Volcker Rule. The final rules will go into effect in July 2017. However, the conformance period may be subject to two additional one-year extensions by the Federal Reserve. Furthermore, commercial banks and their affiliates (the "Regulated Entities") can apply for an additional five-year extension for certain qualifying investments.

The final Volcker Rule prohibits Regulated Entities from engaging in "proprietary trading" and imposes limitations on the extent to which Regulated Entities are permitted to invest in certain "covered funds" (i.e. hedge funds and private equity funds) and requires that such investments be fully deducted from Tier 1 Capital. It limits a Regulated Entity's aggregate ownership in hedge funds and private equity funds to three percent of Tier I capital. Additionally, Regulated Entities are prohibited from owning three percent or more of any single covered fund.

Importantly for banks, the final rules exempted loans from the proprietary trading restrictions imposed on banks for most other assets. The Volcker Rule, and particularly subsequent interpretations of what constitutes "covered funds" under the final Volcker Rule, could have material adverse effects on our investment management business.

Regulatory Capital Requirements

Capital adequacy. The Federal Reserve monitors the capital adequacy of our holding company, on a consolidated basis, and the FDIC and the Pennsylvania Department of Banking and Securities monitor the capital adequacy of TriState Capital Bank. The regulatory agencies use a combination of risk-based guidelines and a leverage ratio to evaluate capital adequacy and consider these capital levels when taking action on various types of applications and when conducting supervisory activities related to safety and soundness. The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among financial institutions and their holding companies, to account for off-balance sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items, such as letters of credit and unfunded loan commitments, are assigned to broad risk categories, each with appropriate risk weights. Regulatory capital, in turn, is classified into the following “tiers” of capital. Common Equity Tier 1 capital (“CET 1”) includes common equity, retained earnings, and minority interests in equity accounts of consolidated subsidiaries, less goodwill, most intangible assets and certain other assets. “Tier 1” capital includes, among other things, qualifying non-cumulative perpetual preferred stock. “Tier 2” capital includes, among other things, qualifying subordinated debt and allowances for loan and lease losses, subject to limitations. The resulting capital ratios represent capital as a percentage of average assets or total risk-weighted assets, including off-balance sheet items.

With the phase-in of the Basel III requirements beginning January 1, 2015, the FDIC and Federal Reserve regulations currently require banks and bank holding companies generally to maintain four minimum capital standards to be “adequately capitalized”: (1) a tier 1 capital to total average assets ratio (“tier 1 leverage capital ratio”) of at least 4%; (2) a common equity tier 1 capital to risk-weighted assets ratio (“CET 1 risk-based capital ratio”) of at least 4.5%; (3) a tier 1 capital to risk-weighted assets ratio (“tier 1 risk-based capital ratio”) of at least 6%; and (4) a total risk-based capital (tier 1 plus tier 2) to risk-weighted assets ratio (“total risk-based capital ratio”) of at least 8%. In addition, the prompt corrective action standards discussed below, in effect, increase the minimum regulatory capital ratios for banking organizations. These capital requirements are minimum requirements. Higher capital levels may be required if warranted by the particular circumstances or risk profiles of individual institutions, or if required by the banking regulators due to the economic

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conditions impacting our primary markets. For example, FDIC regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities. When phased in, Basel III will replace the prior regulatory capital rules for all banks, savings associations and U.S. bank holding companies with greater than $500.0 million in total assets, and all savings and loan holding companies.

Failure to meet capital guidelines could subject us to a variety of enforcement remedies, including issuance of a capital directive, a prohibition on accepting brokered deposits, other restrictions on our business and the termination of deposit insurance by the FDIC.

The Dodd-Frank Act directs federal banking agencies to establish minimum leverage capital requirements and minimum risk-based capital requirements for depository institution holding companies and non-bank financial companies supervised by the Federal Reserve that are not less than the “generally applicable leverage and risk-based capital requirements” applicable to insured depository institutions, in effect applying the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies. In addition, under the Dodd-Frank Act, the federal banking agencies adopted new capital requirements to address the risks that the activities of an institution poses to the institution and the public and private stakeholders, including risks arising from certain enumerated activities. Capital guidelines may continue to evolve and may have material impacts on us or our banking subsidiary.

Prompt corrective action regulations. Under the prompt corrective action regulations, the FDIC is required and authorized to take supervisory actions against undercapitalized financial institutions. For this purpose, a bank is placed in one of the following five categories based on its capital: “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.”

Under the current prompt corrective action provisions of the FDIC, after adopting the Basel III rules, an insured depository institution generally will be classified in the following categories based on the capital measures indicated:

“Well capitalized”	“Adequately capitalized”
Tier 1 leverage ratio of 5%	Tier 1 leverage ratio of 4%
CET 1 risk-based ratio of 6.5%	CET 1 risk-based ratio of 4.5%
Tier 1 risk-based ratio of 8%	Tier 1 risk-based ratio of 6%, and
Total risk-based ratio of 10%, and	Total risk-based ratio of 8%
Not subject to written agreement, order, capital directive or prompt corrective action directive that requires a specific capital level.	

“Undercapitalized”	“Significantly undercapitalized”
Tier 1 leverage ratio less than 4%	Tier 1 leverage ratio less than 3%
CET 1 risk-based ratio less than 4.5%	CET 1 risk-based ratio less than 3%
Tier 1 risk-based ratio less than 6%, or	Tier 1 risk-based ratio less than 4%, or
Total risk-based ratio less than 8%	Total risk-based ratio less than 6%

“Critically undercapitalized”
Tangible equity to total assets less than 2%

In addition, 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 common equity tier 1 capital 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 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).

The effect of the capital conservation buffer when fully implemented will result in the following minimum capital ratios applicable to us to qualify as adequately capitalized, for banking organizations seeking to avoid the limitations on capital distributions and discretionary bonus payments to executive officers:

- 4.0% tier 1 leverage ratio;
- minimum CET1 risk-based capital ratio of 7.0%;
- minimum tier 1 risk-based capital ratio of 8.5%; and

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- minimum total risk-based capital ratio to 10.5%.

Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Subject to a narrow exception, banking regulators must appoint a receiver or conservator for an institution that is critically undercapitalized. An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. An undercapitalized institution also is generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except under an accepted capital restoration plan or with FDIC approval. The regulations also establish procedures for downgrading an institution to a lower capital category based on supervisory factors other than capital.

Furthermore, a bank holding company must guarantee that a subsidiary depository institution meets its capital restoration plan, subject to various limitations. The bank holding company's obligation to fund a capital restoration plan is limited to the lesser of 5% of an "undercapitalized" subsidiary's assets at the time it became "undercapitalized" or the amount required to meet regulatory capital requirements.

The capital classification of a bank affects the frequency of regulatory examinations, the bank's ability to engage in certain activities and the deposit insurance premiums paid by the bank. As of December 31, 2015, TriState Capital Bank met the requirements to be categorized as "well capitalized" based on the aforementioned ratios for purposes of the prompt corrective action regulations, as currently in effect.

Basel III. The new capital rules prescribe a new standardized approach for risk weightings that expands the risk weighting categories from the prior four Basel I-derived categories (0%, 20%, 50% and 100%) to a larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset classes, including certain commercial real estate mortgages. Additional aspects of the New Capital Rules that are most relevant to us include:

- a formula-based approach referred to as the collateral haircut approach to determine the risk weight of eligible margin loans collateralized by liquid and readily marketable debt or equity securities, where the collateral is marked to fair value daily, and the transaction is subject to daily margin maintenance requirements;

- consistent with the prior risk-based capital rules, assigning exposures secured by single family residential properties to either a 50% risk weight for first-lien mortgages that meet prudential underwriting standards or a 100% risk weight category for all other mortgages;

- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (previously set at 0%);

- assigning a 150% risk weight to all exposures that are non-accrual or 90 days or more past due (previously set at 100%), except for those secured by single family residential properties, which will be assigned a 100% risk weight, consistent with the prior risk-based capital rules;

- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;

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- applying a 250% risk weight (beginning January 1, 2018) to the portion of mortgage servicing rights and deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks that are not deducted from CET1 capital (previously set at 100%); and

- the option to use a formula-based approach referred to as the simplified supervisory formula approach to determine the risk weight of various securitization tranches in addition to the previous “gross-up” method (replacing the credit ratings approach for certain securitization).

Based on our calculations, we expect that TriState Capital Holdings, Inc. and TriState Capital Bank will meet all minimum capital requirements when effective and that we and the Bank would continue to meet all capital requirements as fully phased in without material adverse effects on our business. However, the capital rules may continue to evolve over time and future changes may have a material adverse effect on our business.

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Acquisitions by Bank Holding Companies

We must obtain the prior approval of the Federal Reserve before: (1) acquiring more than five percent of the voting stock of any bank or other bank holding company; (2) acquiring all or substantially all of the assets of any bank or bank holding company; or (3) merging or consolidating with any other bank holding company. The Federal Reserve may determine not to approve any of these transactions if it would result in or tend to create a monopoly or substantially lessen competition or otherwise function as a restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned, the convenience and needs of the community to be served, and the record of a bank holding company and its subsidiary bank(s) in combating money laundering activities.

Scope of Permissible Bank Holding Company Activities

In general, the Bank Holding Company Act limits the activities permissible for bank holding companies to the business of banking, managing or controlling banks and such other activities as the Federal Reserve has determined to be so closely related to banking as to be properly incident thereto.

A bank holding company may elect to be treated as a financial holding company if it and its depository institution subsidiaries are categorized as “well capitalized” and “well managed.” A financial holding company may engage in a range of activities that are (1) financial in nature or incidental to such financial activity or (2) complementary to a financial activity and which do not pose a substantial risk to the safety and soundness of a depository institution or to the financial system generally. These activities include securities dealing, underwriting and market making, insurance underwriting and agency activities, merchant banking and insurance company portfolio investments. Expanded financial activities of financial holding companies generally will be regulated according to the type of such financial activity: banking activities by banking regulators, securities activities by securities regulators and insurance activities by insurance regulators. While we may determine in the future to become a financial holding company, we do not have an intention to make that election at this time.

The Bank Holding Company Act does not place territorial limitations on permissible non-banking activities of bank holding companies. The Federal Reserve has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Source of Strength Doctrine for Bank Holding Companies

Under longstanding Federal Reserve policy which has been codified by the Dodd-Frank Act, we are expected to act as a source of financial strength to, and to commit resources to support, TriState Capital Bank. This support may be required at times when we may not be inclined to provide it. In addition, any capital loans that we make to TriState Capital Bank are subordinate in right of payment to deposits and to certain other indebtedness of TriState Capital Bank. In the event of our bankruptcy, any commitment by us to a federal bank regulatory agency to maintain the capital of TriState Capital Bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Dividends

As a bank holding company, we are subject to certain restrictions on dividends under applicable banking laws and regulations. The Federal Reserve has issued a policy statement that provides that a bank holding company should not pay dividends unless: (1) its net income over the last four quarters (net of dividends paid) has been sufficient to fully fund the dividends; (2) the prospective rate of earnings retention appears to be consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries; and (3) the bank holding company will continue to meet minimum required capital adequacy ratios. Accordingly, a bank holding company should not pay cash dividends that exceed its net income or that can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. The Dodd-Frank Act and Basel III impose additional restrictions on the ability of banking institutions to pay dividends. In addition, in the current financial and economic environment, the Federal Reserve has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

A part of our income could be derived from, and a potential material source of our liquidity could be, dividends from TriState Capital Bank. The ability of TriState Capital Bank to pay dividends to us is also restricted by federal and state laws, regulations and policies. Under applicable Pennsylvania law, TriState Capital Bank may only pay cash dividends out of its accumulated net earnings, subject to certain requirements regarding the level of surplus relative to capital.

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Under federal law, TriState Capital Bank may not pay any dividend to us if the Bank is undercapitalized or the payment of the dividend would cause it to become undercapitalized. The FDIC may further restrict the payment of dividends by requiring TriState Capital Bank to maintain a higher level of capital than would otherwise be required for it to be adequately capitalized for regulatory purposes. Moreover, if, in the opinion of the FDIC, TriState Capital Bank is engaged in an unsafe or unsound practice (which could include the payment of dividends), the FDIC may require, generally after notice and hearing, the Bank to cease such practice. The FDIC has indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe banking practice. The FDIC has also issued policy statements providing that insured depository institutions generally should pay dividends out of current operating earnings.

Incentive Compensation Guidance

The federal banking agencies have issued comprehensive guidance intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of those organizations by encouraging excessive risk-taking. The incentive compensation guidance sets expectations for banking organizations concerning their incentive compensation arrangements and related risk-management, control and governance processes. In addition, under the incentive compensation guidance, a banking organization's federal supervisor may initiate enforcement action if the organization's incentive compensation arrangements pose a risk to the safety and soundness of the organization. Further, provisions of the Basel III regime described above limit discretionary bonus payments to bank and bank holding company executives if the institution's regulatory capital ratios fail to exceed certain thresholds. The scope and content of the U.S. banking regulators' policies on incentive compensation are likely to continue evolving.

Restrictions on Transactions with Affiliates and Loans to Insiders

Federal law strictly limits the ability of banks to engage in transactions with their affiliates, including their bank holding companies. Section 23A and 23B of the Federal Reserve Act, and the Federal Reserve's Regulation W, impose quantitative limits, qualitative standards, and collateral requirements on certain transactions by a bank with, or for the benefit of, its affiliates, and generally require those transactions to be on terms at least as favorable to the bank as transactions with non-affiliates. The Dodd-Frank Act significantly expands the coverage and scope of the limitations on affiliate transactions within a banking organization, including an expansion of the covered transactions to include credit exposures related to derivatives, repurchase agreements and securities lending arrangements and an increase in the amount of time for which collateral requirements regarding covered transactions must be satisfied.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. In addition, the terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital. TriState Capital Bank maintains a policy that does not permit loans to employees, including executive officers.

FDIC Deposit Insurance Assessments

FDIC-insured banks are required to pay deposit insurance assessments to the FDIC. The amount of the deposit insurance assessment for institutions with less than $10.0 billion in assets is based on its risk category, with certain adjustments for any unsecured debt or brokered deposits held by the insured bank. Institutions assigned to higher risk categories (that is, institutions that pose a higher risk of loss to the Deposit Insurance Fund) pay assessments at higher rates than institutions that pose a lower risk. An institution's risk classification is assigned based on a combination of its financial ratios and supervisory ratings, reflecting, among other things, its capital levels and the level of supervisory concern that the institution poses to the regulators. In addition, the FDIC can impose special assessments in certain instances. Deposit insurance assessments fund the Deposit Insurance Fund. The FDIC has in recent years raised assessment rates to increase funding for the Deposit Insurance Fund.

The Dodd-Frank Act changed the way that deposit insurance premiums are calculated, increased the minimum designated reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminated the upper limit for the reserve ratio designated by the FDIC each year, and eliminates the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds.

Additionally, in July 2015, the FDIC published notice of proposed rule-making to modify the FDIC deposit insurance premium assessment methodology for banks under $10 million. In January 2016, the FDIC proposed revised rule-making to address the significant comments that it received to the initial proposal. This rule-making will undergo additional comment before becoming final. It is unclear when or in what form a final revised methodology will become effective. Any revised deposit insurance premium assessment methodology resulting from these proposals may result in material increases to our FDIC deposit insurance premiums. Continued action by the FDIC to replenish and increase the Deposit Insurance Fund, as well as the changes contained in the Dodd-Frank Act, may result in higher

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assessment rates, which could reduce our profitability or otherwise negatively impact our operations, financial condition or future prospects.

Branching and Interstate Banking

Under Pennsylvania law, TriState Capital Bank is permitted to establish additional branch offices within Pennsylvania, subject to the approval of the Pennsylvania Department of Banking and Securities. The Bank is also permitted to establish additional offices outside of Pennsylvania, subject to prior regulatory approval.

TriState Capital Bank currently has only one branch located in the State of New Jersey, and it operates three representative offices, with one each located in the states of Pennsylvania, Ohio and New York. Although our New Jersey office is a “branch” for purposes of applicable state law, we limit its activities to those we conduct at our representative offices. Because our representative offices are not branches for purposes of applicable state law and FDIC regulations, there are restrictions on the types of activities we may conduct through our representative offices. Relationship managers in our representative offices may solicit loan and deposit products and services in their markets and act as liaisons to our headquarters in Pittsburgh, Pennsylvania. However, consistent with our centralized operations and regulatory requirements, we do not disburse or transmit funds, accept loan repayments or accept or contract for deposits or deposit-type liabilities through our representative offices.

Community Reinvestment Act

TriState Capital Bank has a responsibility under the Community Reinvestment Act (“CRA”), and related FDIC regulations to help meet the credit needs of its communities, including low- and moderate-income borrowers. In connection with its examination of TriState Capital Bank, the FDIC is required to assess the Bank’s record of compliance with the CRA. The Bank’s failure to comply with the provisions of the CRA could, at a minimum, result in denial of certain corporate applications, such as for branches or mergers, or in restrictions on its or our activities, including additional financial activities if we elect to be treated as a financial holding company.

Prior to 2013, our compliance with CRA regulations was assessed under the FDIC’s “large bank” test. CRA regulations provide that a financial institution may elect to have its CRA performance evaluated under the strategic plan option. The strategic plan enables the institution to structure its CRA goals and objectives to address the needs of its community consistent with its business strategy, operational focus, capacity and constraints. TriState Capital Bank worked with the FDIC to develop a strategic plan for CRA evaluation that was approved by the FDIC in 2013. For 2013 and 2014, our CRA performance was assessed against the goals established in our CRA strategic plan. In 2015, the FDIC approved our updated CRA strategic plan for the years 2015 through 2017.

TriState Capital Bank received an “outstanding” CRA rating in 2015 and a “satisfactory” CRA rating on each prior CRA examination since inception.

Financial Privacy

The federal banking and securities regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. These regulations affect how consumer information is transmitted through financial services companies and conveyed to outside vendors. In addition, consumers may also prevent disclosure of certain information among affiliated companies that is assembled or used to determine eligibility for a product or service, such as that shown on consumer credit reports and asset and income information from applications. Consumers also have the option to direct banks and other financial institutions not to share information about transactions and experiences with affiliated companies for the purpose of marketing products or services. In addition to applicable federal privacy regulations, TriState Capital Bank is subject to certain state privacy laws.

Anti-Money Laundering and OFAC

Under federal law, including the Bank Secrecy Act and the USA PATRIOT Act of 2001, certain financial institutions must maintain anti-money laundering programs that include established internal policies, procedures and controls; a designated compliance officer; an ongoing employee training program; and testing of the program by an independent audit function. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must meet enhanced standards for due diligence and customer identification in their dealings with foreign financial institutions and foreign customers. Financial institutions must take reasonable steps to conduct enhanced scrutiny of account relationships to guard against money laundering and to report any suspicious transactions, and law enforcement authorities have been granted increased access to financial information maintained by financial institutions.

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The Office of Foreign Assets Control ("OFAC") administers laws and Executive Orders that prohibit U.S. entities from engaging in transactions with certain prohibited parties. OFAC publishes lists of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Generally, if a bank identifies a transaction, account or wire transfer relating to a person or entity on an OFAC list, it must freeze the account or block the transaction, file a suspicious activity report and notify the appropriate authorities.

Bank regulators routinely examine institutions for compliance with these obligations and they must consider an institution's compliance in connection with the regulatory review of applications, including applications for bank mergers and acquisitions. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing and comply with OFAC sanctions, or to comply with relevant laws and regulations, could have serious legal, reputational and financial consequences for the institution.

Safety and Soundness Standards

Federal bank regulatory agencies have adopted guidelines that establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth and compensation, fees and benefits. Additionally, the agencies have adopted regulations that provide the authority to order an institution that has been given notice by an agency that it is not satisfying any of these safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the Federal Deposit Insurance Act. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

In addition to federal consequences for failure to satisfy applicable safety and soundness standards, the Pennsylvania Department of Banking and Securities Code grants the Pennsylvania Department of Banking and Securities the authority to impose a civil money penalty of up to $25,000 per violation against a Pennsylvania financial institution, or any of its officers, employees, directors, or trustees for: (1) violations of any law or department order; (2) engaging in any unsafe or unsound practice; or (3) breaches of a fiduciary duty in conducting the institution's business.

Bank holding companies are also not permitted to engage in unsound banking practices. For example, the Federal Reserve's Regulation Y requires a holding company to give the Federal Reserve prior notice of any redemption or repurchase of its own equity securities, if the consideration to be paid, together with the consideration paid for any repurchases in the preceding year, is equal to 10% or more of the company's consolidated net worth. The Federal Reserve may oppose the transaction if it believes that the transaction would constitute an unsafe or unsound practice or would violate any law or regulation. As another example, a holding company could not impair its subsidiary bank's soundness by causing it to make funds available to non-banking subsidiaries or their customers if the Federal Reserve believed it not prudent to do so. The Federal Reserve has broad authority to prohibit activities of bank holding companies and their nonbanking subsidiaries that present unsafe and unsound banking practices or that constitute violations of laws or regulations.

Consumer Laws and Regulations

TriState Capital Bank is subject to numerous laws and regulations intended to protect consumers in transactions with the Bank. These laws include, among others, laws regarding unfair, deceptive and abusive acts and practices, usury laws, and other federal consumer protection statutes. These federal laws include the Electronic Fund Transfer Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act, the Real Estate Procedures Act of 1974, the S.A.F.E. Mortgage Licensing Act of 2008, the Truth in Lending Act and the Truth in

Savings Act, among others. Many states and local jurisdictions have consumer protection laws analogous, and in addition, to those enacted under federal law. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans and conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general and civil or criminal liability.

In addition, the Dodd-Frank Act created a new independent Consumer Finance Protection Bureau that has broad authority to regulate and supervise retail financial services activities of banks and various non-bank providers. The Consumer Financial Protection Bureau has authority to promulgate regulations, issue orders, guidance and policy statements, conduct examinations and bring enforcement actions with regard to consumer financial products and services. In general, banks with assets of $10.0 billion or less, such as TriState Capital Bank, will continue to be examined for consumer compliance by their primary federal bank regulator. Nevertheless, positions established by the Consumer Financial Protection Bureau may become applicable to us.

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Effect of Governmental Monetary Policies

Our commercial banking business and investment management business are affected not only by general economic conditions but also by U.S. fiscal policy and the monetary policies of the Federal Reserve. Some of the instruments of monetary policy available to the Federal Reserve include changes in the discount rate on member bank borrowings, the fluctuating availability of borrowings at the “discount window,” open market operations, the imposition of and changes in reserve requirements against member banks’ deposits and assets of foreign branches, the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates, and asset purchase programs. These policies influence to a significant extent the overall growth of bank loans, investments, and deposits, as well as the performance of our investment management products and services and the interest rates charged on loans or paid on deposits. We cannot predict the nature of future fiscal and monetary policies or the effect of these policies on our operations and activities, financial condition, results of operations, growth plans or future prospects.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (“Sarbanes-Oxley Act”) implemented a broad range of corporate governance, accounting and reporting measures for companies that have securities registered under the Exchange Act, including publicly-held bank holding companies. Specifically, the Sarbanes-Oxley Act and the various regulations promulgated thereunder, established, among other things: (i) requirements for audit committees, including independence, expertise, and responsibilities; (ii) responsibilities regarding financial statements for the Chief Executive Officer and Chief Financial Officer of the reporting company; (iii) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of the reporting company’s securities by the Chief Executive Officer and Chief Financial Officer in the twelve-month period following the initial publication of any financial statements that later require restatement; (iv) the creation of an independent accounting oversight board; (v) standards for auditors and regulation of audits, including independence provisions that restrict non-audit services that accountants may provide to their audit clients; (vi) disclosure and reporting obligations for the reporting company and their directors and executive officers, including accelerated reporting of stock transactions and a prohibition on trading during pension blackout periods; (vii) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions on nonpreferential terms and in compliance with other bank regulatory requirements; and (viii) a range of civil and criminal penalties for fraud and other violations of the securities laws.

Impact of Current Laws and Regulations

The cumulative effect of these laws and regulations, while providing certain benefits, add significantly to the cost of our operations and thus have a negative impact on our profitability. There has also been a notable expansion in recent years of financial service providers that are not subject to the examination, oversight, and other rules and regulations to which we are subject. Those providers, because they are not so highly regulated, may have a competitive advantage over us and may continue to draw large amounts of funds away from traditional banking institutions, with a continuing adverse effect on the banking industry in general.

Future Legislation and Regulatory Reform

New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of financial institutions operating in the United States. We cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by any new regulation or statute. Future legislation and policies, and the effects of that legislation and those policies, may have a significant influence on our operations and activities, financial condition, results of operations, growth plans or future prospects and the overall growth and distribution of loans, investments and deposits. Such legislation and policies have had a significant effect on the operations and activities, financial condition, results of operations, growth plans and future prospects of commercial banks and investment management businesses in the past and are expected to continue.

Available Information

All of our reports filed electronically with the United States Securities and Exchange Commission ("SEC"), including this Annual Report on Form 10-K for the fiscal year ended December 31, 2015, our Registration Statement on Form S-1, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statements, as well as any amendments to those reports are accessible at no cost on our website at www.tristatecapitalbank.com under "About Us", "Investor Relations", "SEC Documents". These filings are also accessible on the SEC's website at www.sec.gov. You may read and copy any material we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

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ITEM 1A. RISK FACTORS

An investment in our common stock involves a high degree of risk. There are risks, many beyond our control, that could cause our financial condition or results of operations to differ materially from management's expectations. Some of the risks that may affect us are described below. If any of the following risks, by itself or together with one or more other factors, actually occur, our business, financial condition, results of operations and growth prospects could be materially and adversely affected. These risks are not the only risks that we may face. Our business, financial condition, results of operations and growth prospects could also be affected by additional risks that apply to all companies operating in the United States, as well as other risks that are not currently known to us or that we currently consider to be immaterial to our business, financial condition, results of operations and growth prospects. Further, to the extent that any of the information contained herein constitutes forward-looking statements, the risk factors below also are cautionary statements identifying important factors that could cause actual results to differ materially from those expressed in any such forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" on page 49.

Risks Relating to our Business

We may not be able to adequately measure and limit our credit risk associated with our loan portfolio, which could lead to unexpected losses.

The business of lending is inherently risky, including risks that the principal of or interest on any loan will not be repaid timely or at all or that the value of any collateral supporting the loan will be insufficient to cover our outstanding exposure. These risks may be affected by the strength of the borrower's business sector and local, regional and national market, and economic conditions. Our risk management practices, such as monitoring the concentration of our loans within specific industries and our credit approval practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. Finally, many of our loans are made to middle-market businesses that may be less able to withstand competitive, economic and financial pressures than larger borrowers. A failure to effectively measure and limit the credit risk associated with our loan portfolio could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our allowance for loan losses may prove to be insufficient to absorb losses inherent in our loan portfolio, which could have a material adverse effect on our financial condition and results of operations.

We maintain an allowance for loan losses that represents management's judgment of probable losses inherent in our loan portfolio. The level of the allowance reflects management's continuing evaluation of historical default and loss experience in our portfolio, general economic conditions, diversification and seasoning of the loan portfolio, identified credit problems, delinquency levels and adequacy of collateral. The determination of the appropriate level of the allowance for loan losses is inherently highly subjective and requires us to make significant estimates of and assumptions regarding current credit risks and future trends, all of which may undergo material changes. Inaccurate management assumptions, continuing deterioration of economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require us to increase our allowance for loan losses. In addition, our regulators, as an integral part of their periodic examination, review the adequacy of our allowance for loan losses and may direct us to make additions to the allowance based on their judgments about information available to them at the time of their examination. Further, if actual charge-offs in future periods exceed the amounts allocated to the allowance for loan losses, we may need additional provision for loan losses to restore the adequacy of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could have a material adverse effect on our business, financial condition, results of operations and future prospects.

A material portion of our loan portfolio is comprised of commercial loans secured by equipment or other business assets, the deterioration in value of which could increase our exposure to future probable losses.

Historically, a material portion of our loans held-for-investment have been comprised of commercial loans to businesses collateralized by general business assets including, among other things, accounts receivable, inventory and equipment. These commercial and industrial loans are typically larger in amount than loans to individuals and, therefore, have the potential for larger losses on a single loan basis. Historically, losses in our commercial and industrial credits have been higher than losses in other segments of our loan portfolio. Significant adverse changes in various industries could cause rapid declines in values and collectability associated with those business assets resulting in inadequate collateral coverage that may expose us to future losses. An increase in specific reserves and charge-offs related to our commercial and industrial loan portfolio could have a materially adverse effect on our business, financial condition, results of operations and future prospects.

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Because many of our customers are commercial enterprises, they may be adversely affected by any decline in general economic conditions in the United States which, in turn, could have a negative impact on our business.

Many of our customers are commercial enterprises whose business and financial condition are sensitive to changes in the general economy of the United States. Our businesses and operations are, in turn, sensitive to these same general economic conditions. If the U.S. economy does not continue to recover from the recession that lasted from 2007 to 2009 or experiences worsening economic conditions, our growth and profitability could be constrained. In addition, economic conditions in foreign countries, including uncertainty over the stability of the euro currency, could affect the stability of global financial markets, which could hinder the U.S. economic recovery. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, including a lack of liquidity and depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of these factors are detrimental to the business of our customers and could adversely impact demand for our credit products as well as our credit quality. Our business is also sensitive to monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and difficult to predict. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our non-owner-occupied commercial real estate loan portfolio exposes us to credit risks that may be greater than the risks related to other types of loans.

Our loan portfolio includes non-owner-occupied commercial real estate loans for individuals and businesses for various purposes, which are secured by commercial properties, as well as real estate construction and development loans. As of December 31, 2015, we had outstanding loans secured by non-owner-occupied commercial properties of $744.4 million, or 26.2%, of our loans held-for-investment. These loans typically involve repayment dependent upon income generated, or expected to be generated, by the property securing the loan in amounts sufficient to cover operating expenses and debt service. The availability of such income for repayment may be adversely affected by changes in the economy or local market conditions. These loans expose a lender to greater credit risk than loans secured by other types of collateral because the collateral securing these loans are typically more difficult to liquidate. Additionally, non-owner-occupied commercial real estate loans generally involve relatively large balances to single borrowers or related groups of borrowers. Unexpected deterioration in the credit quality of our non-owner-occupied commercial real estate loan portfolio could require us to increase our provision for loan losses, which would reduce our profitability and have a material adverse effect on our business, financial condition, results of operations and future prospects.

We make loans to businesses backed by private equity firms. These loan relationships may have repayment and other characteristics that are different than those of traditional business loans, which could have an adverse effect on our asset quality and profitability.

As of December 31, 2015, we had $131.7 million in loans to private equity backed businesses, which represented 4.6% of our loans held-for-investment compared to $231.3 million, or 9.6%, as of December 31, 2014. These loan relationships may have repayment characteristics that are different than those of our traditional, owner-operated businesses. These loans often are for purposes of financing private equity groups’ acquisitions of companies that become our borrowers. Acquisition-related loans are generally secured by all business assets, but often have a weaker secondary source of repayment resulting in greater reliance upon the cash flow generated by the borrower for repayment, which may be unpredictable. Because private equity groups acquire businesses primarily for financial interests, they may behave differently than our other commercial borrowers. Of these loans to private equity backed businesses as of December 31, 2015, $58.3 million, or 2.1% of our loans held-for-investment, were SNC loans in which we were not the lead bank compared to $129.0 million, or 5.4%, as of December 31, 2014. In certain circumstances, our lending through participation loans in which we are not the agent bank to private equity backed businesses can present additional risks because the agent bank or bank group may make different decisions or otherwise may not be able to respond as a group as quickly or as definitively as we might on our own in the event that a private equity backed borrower becomes financially or operationally challenged. Because the different characteristics of this segment of our loan portfolio could negatively impact our profitability or asset quality, which in turn, could have a material adverse effect on our business, financial condition, results of operation and future prospects, we have over the past several years substantially decreased, the balance of these loans and the percentage of our total loans they represent. We intend to continue reducing the portion of our loan portfolio consisting of these private equity backed SNC loans in large part by further diversifying through growth in loans from our private banking channel and non-private equity backed commercial loans. However, there can be no guaranty we will be successful in our efforts to further diversify the portfolio.

Our private banking business could be negatively impacted by a prolonged downturn in the securities markets.

Marketable-securities-backed private banking loans represent a material portion of our business and are the fastest growing part of our loan portfolio. We expect to continue to increase the percentage of our loan portfolio represented by marketable-securities-backed private banking loans in the future. We believe our risk management practices appropriately mitigate the risk of fluctuations in the market value of securities that collateralize these loans. Nevertheless, a sharp or prolonged decline in the value of the collateral that secures these loans could materially adversely affect this segment of our loan portfolio and, as a result, could materially adversely affect our business.

A prolonged downturn in the real estate market, especially in our primary markets, could result in losses and adversely affect our profitability.

Historically, a material portion of our loans have been comprised of loans with real estate as a primary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. The U.S. recession from 2007 to 2009 adversely affected real estate market values across the country, including in our primary market areas. Future declines in real estate values could impair the value of our collateral and our ability to sell the collateral upon any foreclosure, which would likely require us to increase our provision for loan losses. In the event of a default with respect to any of these loans, the amounts we receive upon sale of the collateral may be insufficient to recover the outstanding principal and interest on the loan. If we are required to re-value the collateral securing a loan to satisfy the debt during a period of reduced real estate values or to increase our allowance for loan losses, our profitability could be adversely affected, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

A material portion of our loan portfolio is comprised of participation transaction interests, which could have an adverse effect on our ability to monitor the lending relationships and lead to an increased risk of loss.

We achieved a significant portion of our loan growth and diversity in our loan portfolio in our initial years of operation by participating in loans originated by other institutions (including shared national credits) in which other lenders serve as the agent bank. As of December 31, 2015, $401.6 million, or 14.1% of our loans held-for-investment, consisted of SNC loans in which we were not the lead bank. This SNC structure may reduce our control over the monitoring and management of these relationships, particularly participations with large bank groups, which could lead to increased risk of loss, which could have a material adverse effect on our business, financial condition, results of operations and future prospects. As a result, we have reduced this component of our loan portfolio from $451.8 million, or 18.8% of our loans held-for-investment as of December 31, 2014, and we intend to continue to further diversify our portfolio through growth in loans from our private banking channel and direct commercial loans. However, there can be no guaranty we will be successful in our efforts to further diversify the portfolio.

Our loan portfolio contains large loans, and deterioration in the financial condition of these large loans could have a material adverse impact on our asset quality and profitability.

If only a few of our largest borrowers become unable to repay their loan obligations as a result of economic or market conditions or personal circumstances, our non-performing loans and our provision for loan losses could increase significantly, which could have a material adverse effect on our business, financial condition, results of operations and future prospects. We intend to continue to further diversify our portfolio with increased focus on growth in loans from our private banking channel and direct commercial loans which often have smaller loan balances. However, there can be no guaranty we will be successful in our efforts to further diversify the portfolio.

Our lending limit may restrict our growth and prevent us from effectively implementing our business strategy.

We are limited in the amount we can loan to a single borrower by the amount of our capital. Generally, under current law, we may lend up to 15.0% of our unimpaired capital and surplus to any one borrower. We have also established an informal limit on loans to any one borrower of $10.0 million. Based upon our current capital levels, the amount we may lend is significantly less than that of many of our competitors and may discourage potential borrowers who have credit needs in excess of our lending limit from doing business with us. We accommodate larger loans by selling participations in those loans to other financial institutions, but this strategy may not always be available. If we are unable to compete effectively for loans from our target customers, we may not be able to effectively implement our business strategy, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We must maintain and follow high loan underwriting standards to grow safely.

Our ability to grow our assets safely depends on maintaining disciplined and prudent underwriting standards and ensuring that our relationship managers and lending personnel follow those standards. The weakening of these standards for any reason, such as to seek higher yielding loans, or a lack of discipline or diligence by our employees in underwriting and monitoring loans, may result in loan defaults, foreclosures and additional charge-offs and may necessitate that we significantly increase our allowance for loan losses, any of which could adversely affect our net income. Relatedly, as we attempt to uphold those standards in an increasingly competitive lending environment, we may experience increased refinancing of existing loans and reduced new loan growth. As a result, our business, results of operations, financial condition or future prospects could be adversely affected.

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We rely heavily on our executive management team and other key employees, and we could be adversely affected by the unexpected loss of their services.

Our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We currently do not have any employment or non-compete agreements with any of our executive officers or key employees other than certain non-solicitation and restrictive agreements that we received from certain key employees in connection with our investment management business. We may not be successful in retaining our key employees, and the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our primary markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our business has grown rapidly, and we may not be able to maintain our historical rate of growth, which could have a material adverse effect on our ability to successfully implement our business strategy.

Our business has grown rapidly. Although rapid business growth can be a favorable business condition, financial institutions that grow rapidly can experience significant difficulties as a result of rapid growth. We seek to grow safely and consistently. This requires us to manage several different elements simultaneously. Successful growth in our banking business requires that we follow adequate loan underwriting standards, balance loan and deposit growth without increasing interest rate risk or compressing our net interest margin, maintain adequate capital at all times, produce investment performance results competitive with our peers and benchmarks, further diversify our revenue sources, meet the expectations of our clients, and hire and retain qualified employees. If we do not manage our growth successfully, then our business, results of operations or financial condition may be adversely affected.

We may not be able to sustain our historical rate of growth or continue to grow our business at all. Because of factors such as the uncertainty in the general economy and the recent government intervention in the credit markets, it may be difficult for us to repeat our historic earnings growth as we continue to expand. Failure to grow or failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations, and could adversely affect our ability to successfully implement our business strategy.

Our utilization of brokered deposits could adversely affect our liquidity and results of operations.

Since our inception, we have utilized both brokered and non-brokered deposits as a source of funds to support our growing loan demand and other liquidity needs. As a bank regulatory supervisory matter, reliance upon brokered deposits as a significant source of funding is discouraged. Brokered deposits may not be as stable as other types of deposits, and, in the future, those depositors may not renew their deposits when they mature, or we may have to pay a higher rate of interest to keep those deposits or may have to replace them with other deposits or with funds from other sources. Additionally, if TriState Capital Bank ceases to be categorized as “well capitalized” for bank regulatory purposes, it will not be able to accept, renew or roll over brokered deposits without a waiver from the FDIC. Our inability to maintain or replace these brokered deposits as they mature could adversely affect our liquidity and results of operations. Further, paying higher interest rates to maintain or replace these deposits could adversely affect our net interest margin and our results of operations or financial condition.

Liquidity risk could impair our ability to fund operations and meet our obligations as they become due.

Our ability to implement our business strategy will depend on our liquidity and ability to obtain funding for loan originations, working capital and other general purposes. An inability to raise funds through deposits, borrowings and other sources could have a substantial negative effect on our liquidity. Our preferred source of funds for our banking business consists of customer deposits; however, we rely on other sources such as brokered deposits and Federal Home Loan Bank (“FHLB”) advances. Such account and deposit balances can decrease when customers perceive alternative investments as providing a better risk/return trade off. If customers move money out of bank deposits and into other investments, we may increase our utilization of brokered deposits, FHLB advances and other wholesale funding sources necessary to fund desired growth levels.

We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities and other sources of liquidity, respectively, to ensure that we have adequate liquidity to fund our banking operations. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse effect on our liquidity, financial condition, results of operations and future prospects.

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We are subject to interest rate risk that could negatively impact the profitability of our banking business.

Our profitability, like that of most financial institutions, depends to a large extent on our net interest income, which is the difference between our interest income on interest-earning assets, such as loans and investment securities, and our interest expense on interest-bearing liabilities, such as deposits and borrowings. One of the ways in which we attempt to manage interest rate risk is by maintaining a largely asset sensitive balance sheet combined with longer-term deposits, but conditions could prevent us from successfully implementing this strategy in the future.

Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and securities and the interest we pay on deposits and borrowings, but such changes could also affect our ability to originate loans and obtain deposits, the fair value of our financial assets and liabilities, and the average duration of our assets. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore net income, could be adversely affected.

Our loans are predominantly variable rate loans, with the majority being based on LIBOR. While there is a low probability that interest rates will decline materially from current levels, a continuation of the current levels of historically low interest rates could cause the spread between our loan yields and our deposit rates paid to compress our net interest margin and our net income could be adversely affected. Further, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Further, short-term interest rates are currently very low by historical standards. These low rates have reduced our cost of funding over time. We do not believe that we can continue to use these low rates to reduce our cost of funding by the levels we have in past years. As a result, our business, results of operations, financial condition or future prospects may be adversely affected, perhaps materially.

In addition, an increase in interest rates could also have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations. These circumstances could not only result in increased loan defaults, foreclosures and charge-offs, but also necessitate further increases to our allowance for loan losses, each of which could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Prolonged lower interest rates may adversely affect our net income.

Prolonged lower interest rates may have an adverse impact on the composition of our earning assets, our net interest margin, our net interest income and our net income. Among other things, a period of prolonged lower rates may cause prepayments to increase as our banking clients seek to refinance loans they currently have with us. Such prepayments and refinancing activity can result in a decrease in the weighted average yield of our earning assets. As a result, our business, results of operations or financial condition may be adversely affected, perhaps materially.

Our banking business is concentrated in, and largely dependent upon, the continued growth and welfare of the general geographic markets in which we operate.

Our commercial banking operations are concentrated in Pennsylvania, New Jersey, New York, and Ohio. As a result, our financial condition and results of operations and cash flows are affected by changes in the economic conditions of any of those states or the regions of which they are a part. Our success depends to a significant extent upon the business activity, population, income levels, deposits and real estate activity in these markets. Among other things that could affect those markets is a diminution in shale gas exploration and production resulting from low energy prices. Shale gas exploration and production is a significant force in driving the economies of Western Pennsylvania and Northeastern Ohio, two of our significant commercial banking markets. Although we do not make loans to companies directly engaged in oil and gas exploration and production, adverse conditions that affect these market areas could reduce our growth rate, affect the ability of our customers to repay their loans, affect the value of collateral underlying loans, impact our ability to attract deposits and generally affect our financial conditions and results of operations. Because of our geographic concentration, we may be less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

Our investment management business may be negatively impacted by competition, changes in economic and market conditions, changes in interest rates and investment performance.

Our investment management business may be negatively impacted by competition, changes in economic and market conditions, changes in interest rates and investment performance. As a result of our Chartwell acquisition, a material portion of our earnings is derived from our investment management business, and the proportion of our earnings represented by our investment management business is expected to increase upon the closing of our pending acquisition of the assets of TKG. The investment management business is intensely competitive. In the markets where we compete, there are over 1,000 firms which we consider to be primary competitors. In addition to competition

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from other institutional investment management firms, Chartwell and TKG, along with the active-management industry, compete with passive index funds, ETFs and investment alternatives such as hedge funds. Our ability to successfully attract and retain investment management clients will depend on, among other things, our ability to compete with our competitors' investment products, level of investment performance, fees, client services, marketing and distribution capabilities. Our ability to retain investment management clients may be impaired by the fact that investment management contracts are typically terminable in nature. Most of our clients may withdraw funds from under our management at their discretion at any time for any reason, including the performance of the investment advice, a change in the client's investment strategy or other factors. If we cannot effectively compete to attract and retain customers, our business, results of operations or financial condition may be adversely affected.

Additionally, it is possible our management fees could be reduced for a variety of reasons, including among other things, pressure on them resulting from competition in the investment management sector or regulatory changes, and that we may from time to time reduce or waive investment management fees, or limit total expenses, on certain products or services offered as part of the our investment management business for particular time periods to manage fund expenses, or for other reasons, and to help retain or increase managed assets. If our revenues decline without a commensurate reduction in our expenses, our net income from our investment management business would be reduced, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our investment management business may be negatively impacted by changes in general economic and market conditions. The financial markets and businesses operating in the securities industry are highly volatile (meaning that performance results can vary greatly within short periods of time) and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond our control. We cannot guaranty that broad market performance will be favorable in the future. Declines in the financial markets or a lack of sustained growth may result in declines in the performance of the investment management business and the level of assets under management. Because the revenues of our investment management business are, to a large extent, fees based on assets under management, such declines could have a material adverse effect on that business.

Further, changes in interest rates could also adversely affect our investment management business, which will comprise a material part of our earnings, by decreasing the net asset values of our assets under management and potentially causing investors to shift assets in ways that negatively impact the fees generated by that business.

Success in the investment management business is largely dependent on investment performance relative to market conditions and the performance of competing products. Good performance generally assists retention and growth of managed assets, resulting in additional revenues. Conversely, poor performance tends to result in decreased sales and increased redemptions with corresponding decreases in revenues to the investment management business. It also could adversely impact any performance-based fees for which we are eligible in that business. Poor performance could, therefore, have a material adverse effect on our business, results of operations or business prospects. A significant and prolonged decline in the assets under management of our investment management business could have a material adverse effect on our future revenues and, to a lesser extent, net income, due to related reductions to distribution expenses associated with these funds.

The termination or failure to renew fund agreements could have adverse effects on our investment management business.

A material portion of our earnings is derived from investment management agreements and sub-advisor investment management agreements related to multiple sponsored funds. Investment management agreements are, as required by law, terminable upon 60 days' notice. In addition, investment management agreements of this nature must be approved and renewed annually by each fund's board of directors or trustees, including independent members of the board, or its shareholders, as required by law. Failure to renew, changes resulting in lower fees, or termination of a significant number of these agreements could have a material adverse impact on our business.

We face significant competitive pressures that could impair our growth, decrease our profitability or reduce our market share.

We operate in the highly competitive financial services industry and face significant competition for customers from bank and non-bank competitors, particularly regional and nationwide institutions, in originating loans, attracting deposits, providing financial management products and services and providing other financial services. Our competitors are generally larger and may have significantly more resources, greater name recognition, and more extensive and established branch networks or geographic footprints than we do. Because of their scale, many of these competitors can be more aggressive than we can on loan, deposit and financial services pricing. In addition, many of our non-bank and non-institutional financial management competitors have fewer regulatory constraints and may have lower cost structures. We expect competition to continue to intensify due to financial institution consolidation; legislative, regulatory and technological changes; and the emergence of alternative banking sources and investment management products and services. Additionally, technology has lowered barriers to entry.

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Our ability to compete successfully will depend on a number of factors, including, among other things:

- our ability to build and maintain long-term customer relationships while ensuring high ethical standards and safe and sound business practices;
- the scope, relevance, performance and pricing of products and services that we offer;
- customer satisfaction with our products and services;
- industry and general economic trends; and
- our ability to keep pace with technological advances and to invest in new technology.

Increased competition could require us to increase the rates we pay on deposits or lower the rates we offer on loans or fees we charge on investment management products and services, which could reduce our profitability. Our failure to compete effectively in our primary markets could cause us to lose market share and could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our ability to maintain our reputation is critical to the success of our business.

Our business plan emphasizes building and maintaining strong relationships with our clients. We have benefited from strong relationships with and among our customers, and also from our relationships with financial intermediaries. As a result, our reputation is one of the most valuable components of our business.

Our growth over the past several years has depended on attracting new customers from competing financial institutions and increasing our market share, primarily by the involvement in our primary markets and word-of-mouth advertising, rather than on growth in the market for financial services in our primary markets. As such, we strive to enhance our reputation by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities and markets that we serve and delivering superior service to our customers. If our reputation is negatively affected by the actions of our employees or otherwise, our existing relationships may be damaged. We could lose some of our existing customers, including groups of large customers who have relationships with each other, and we may not be successful in attracting new customers. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Deterioration in the fiscal position of the U.S. federal government and downgrades in U.S. Treasury and federal agency securities could adversely affect us and our banking operations.

The business environment in the markets in which we operate and in the United States as a whole have a significant effect on our financial performance, the ability of borrowers to pay interest on and repay the principal of outstanding loans, the value of collateral securing those loans, and demand for loans and other products and services we offer and whose success we rely on to drive our future growth. Some elements of the business environment that affect our financial performance include short-term and long-term interest rates, the prevailing yield curve, inflation, monetary supply, fluctuations in the debt and equity capital markets, and the strength of the domestic economy and the local economies in the markets in which we operate. Unfavorable market conditions can result in a deterioration of the credit quality of borrowers, an increase in the number of loan delinquencies, defaults and charge-offs, additional provisions for loan losses, adverse asset values and a reduction in assets under management. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation, changes in interest rates, high unemployment, natural disasters, state or local government insolvency, or a combination of these or other factors.

Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers and investors in the United States. Any unfavorable change in the general business environment in which we operate, in the United States as a whole or abroad could adversely affect our business, results of operations, financial condition or future prospects.

The long-term outlook for the fiscal position of the U.S. federal government is uncertain, as illustrated by the 2011 downgrade by certain rating agencies of the credit rating of the U.S. federal government. In addition to causing economic and financial market disruptions, any future downgrade, failures to raise the U.S. statutory debt limit, or deterioration in the fiscal outlook of the U.S. federal government, could, among other things, materially adversely affect the market value of the U.S. and other government and governmental agency securities that we may hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms. It also could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect our profitability. The adverse consequences of any downgrade could also extend to those to whom we extend credit and could adversely affect their ability to repay their loans. In addition, any resulting decline in the financial markets could affect the value of marketable securities that serve as collateral for our loans, which would, in turn, adversely affect our credit quality and could impede the growth that we expect to achieve within this segment of our loan portfolio. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and future prospects.

The fair value of our investment securities can fluctuate due to factors outside of our control.

We hold an investment securities portfolio. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect to the securities, defaults by the issuer or with respect to the underlying securities, changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other-than-temporary impairments and realized or unrealized losses in future periods, which could have a material adverse effect on our business, results of operations, financial condition and future prospects. The process for determining whether impairment of a security is other-than-temporary often requires complex, subjective judgments about whether there has been a significant deterioration in the financial condition of the issuer, whether management has the intent or ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value, the future financial performance and liquidity of the issuer and any collateral underlying the security, and other relevant factors.

Any future reductions in our credit ratings may increase our funding costs or impair our ability to effectively compete for business and clients.

We have used and may in the future use debt as a funding source. One or more rating agencies regularly evaluate us and their ratings of our long-term debt based on a number of factors, including our financial strength and conditions affecting the financial services industry generally. In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix and level and quality of earnings, and we may not be able to maintain our current credit ratings. Our ratings remain subject to change at any time, and it is possible that any rating agency will take action to downgrade us in the future.

Any future decrease in our credit ratings by one or more rating agencies could impact our access to the capital markets or short-term funding or increase our financing costs, and thereby adversely affect our financial condition and liquidity. Our clients and counterparties may also be sensitive to the risks posed by a ratings downgrade and may terminate their relationships with us, may be less likely to engage in transactions with us, or may only engage in transactions with us at a substantially higher cost. We cannot predict whether client relationships or opportunities for future relationships could be adversely affected by clients who choose to do business with a higher-rated institution. The inability to retain clients or to effectively compete for new business may have a material and adverse effect on our business, results of operations or financial condition.

Additionally, rating agencies have themselves been subject to scrutiny arising from the financial crisis such that the rating agencies may make or may be required to make substantial changes to their ratings policies and practices. Such changes may, among other things, adversely affect the ratings of our securities or other securities in which we have an economic interest.

Our financial results depend on management’s selection of accounting methods and certain assumptions and estimates.

Our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with GAAP and with general practices within the financial services industry. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of related revenues and expenses. Certain accounting policies inherently are based to a greater extent on estimates, assumptions and judgments of management and, as such, have a greater possibility of producing results that could be materially different than originally reported. They require management to make subjective or complex judgments, estimates or assumptions, and changes in those estimates or assumptions could have a significant impact on our consolidated financial statements. These critical accounting policies include: the allowance for loan losses, accounting for investment securities, evaluation of goodwill and other intangible assets, accounting for income taxes and the determination of fair value for financial instruments. Due to the uncertainty of estimates involved in these matters, we may be required to significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided, significantly increase our accrued tax liability or otherwise incur charges that could have a material adverse effect on our business, financial condition, results of operations and future prospects.

By engaging in derivative transactions, we are exposed to additional credit and market risk in our banking business.

We use interest rate swaps to help manage our interest rate risk in our banking business from recorded financial assets and liabilities when they can be demonstrated to effectively hedge a designated asset or liability and the asset or liability exposes us to interest rate risk or risks inherent in customer related derivatives. We use other derivative financial instruments to help manage other economic risks,

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such as liquidity and credit risk, including exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of our known or expected cash receipts principally related to our fixed-rate loan assets. We also have derivatives that result from a service we provide to certain qualifying customers approved through our credit process, and therefore, are not used to manage interest rate risk in our assets or liabilities. Hedging interest rate risk is a complex process, requiring sophisticated models and routine monitoring, and is not a perfect science. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation will generally be offset by income or loss on the derivative instruments that are linked to the hedged assets and liabilities. By engaging in derivative transactions, we are exposed to credit and market risk. If the counterparty fails to perform, credit risk exists to the extent of the fair value gain in the derivative. Market risk exists to the extent that interest rates change in ways that are significantly different from what we expected when we entered into the derivative transaction. The existence of credit and market risk associated with our derivative instruments could adversely affect our net interest income and, therefore, could have an adverse effect on our business, financial condition, results of operations and future prospects.

We may be adversely affected by the soundness of other financial institutions.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, and other relationships. We have exposure to different industries and counterparties, and through transactions with counterparties in the financial services industry, including broker/dealers, commercial banks, investment banks, and other financial intermediaries. In addition, we participate in loans originated by other financial institutions (including shared national credits) in which other lenders serve as the lead bank. Further, our private banking channel relies on relationships with a number of other financial institutions for referrals. As a result, declines in the financial condition of, or even rumors or questions about, one or more financial institutions, financial service companies or the financial services industry generally, may lead to market-wide liquidity, asset quality or other problems and could lead to losses or defaults by us or by other institutions. These problems, losses or defaults could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We rely on third parties to provide key components of our business infrastructure, and a failure of these parties to perform for any reason could disrupt our operations.

Third parties provide key components of our business infrastructure such as data processing, internet connections, network access, core application processing, statement production and account analysis. Our business depends on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party servicers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with our third-party service providers could entail significant delay and expense. If we are unable to efficiently replace ineffective service providers, or if we experience a significant, sustained or repeated, system failure or service denial, it could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We utilize the information systems of third parties to monitor the value of and control marketable securities that collateralize our loans, and a failure of those systems or third parties could adversely affect our ability to assess and manage the risk in our loan portfolio.

A significant portion of our loan portfolio is secured by marketable securities that are held by third-party custodians or other financial services or wealth management firms. We utilize the systems of these third parties to provide information to us so that we can quickly and accurately monitor changes in value of the securities that serve as collateral. We also rely on these parties to provide control over marketable securities for purposes of perfecting our security interests and retaining the collateral in the applicable accounts. While we have been careful in selecting the third-parties with which we do business, we do not control their actions, their systems or the information that they provide to us. Any problems caused by these third parties, including as a result of their failure to provide services or information to us for any reason, or their performing services poorly or providing us with incorrect information, could adversely affect our ability to deliver products and services to our customers or could adversely affect our ability to manage, appropriately assess and react to risk in our loan portfolio, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and future prospects.

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We could be subject to losses, regulatory action or reputational harm due to fraudulent and negligent acts on the part of loan applicants, our borrowers, our employees and vendors.

In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements, property appraisals, title information, employment and income documentation, account information and other financial information. We may also rely on representations of clients and counterparties as to the accuracy and completeness of such information and, with respect to financial statements, on reports of independent auditors. Any such misrepresentation or incorrect or incomplete information may not be detected prior to funding a loan or during our ongoing monitoring of outstanding loans. In addition, one or more of our employees or vendors could cause a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our loan documentation, operations or systems. Any of these developments could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Our growth and expansion strategy may involve strategic investments or acquisitions, and we may not be able to overcome risks associated with such transactions.

We are scheduled to close our pending acquisition of TKG in the second quarter of 2016. Additionally, although we plan to continue to grow our business organically, we may seek opportunities to invest in or acquire investment management businesses that we believe would complement our existing business model. Our pending TKG acquisition and any potential future investment or acquisition activities could be material to our business and involve a number of risks, including the following:

- incurring time and expense associated with identifying and evaluating potential investments or acquisitions and negotiating potential transactions, resulting in our attention being diverted from the operation of our existing business;
- the limited experience of our management team in working together on acquisitions and related integration activities;
- the time, expense and difficulty of integrating the operations and personnel and standards, procedures and policies of the combined businesses;
- an inability to realize expected synergies or returns on investment;
- potential disruption of our ongoing banking business; and
- a loss of key employees or key customers following an investment or acquisition.

We may not be successful in overcoming these risks or any other problems encountered in connection with pending or potential investments or acquisitions. Our inability to overcome these risks could have an adverse effect on our ability to implement our business strategy and enhance shareholder value, which, in turn, could have a material adverse effect on our business, financial condition, results of operations and future prospects.

New lines of business or new products and services may subject us to additional risks.

From time to time, we may develop and grow new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations and financial condition. All service offerings, including current offerings and those which may be provided in the future may become more risky due to changes in economic, competitive and market conditions beyond our control.

The value of our goodwill and other intangible assets may decline in the future.

In connection with our Chartwell acquisition we recognized, and in connection with our pending TKG acquisition we will recognize, intangible assets including customer relationship intangible assets and goodwill in our consolidated statement of financial condition. We may not realize the value of these assets. Management performs an annual review of the carrying values of goodwill and indefinite-lived intangible assets and periodic reviews of the carrying values of all other assets to determine whether events and circumstances indicate

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that an impairment in value may have occurred. A variety of factors could cause the carrying value of an asset to become impaired. Should a review indicate impairment, a write-down of the carrying value of the asset would occur, resulting in a non-cash charge which would adversely affect our results of operations for the period.

Unauthorized access, cyber-crime and other threats to data security may require significant resources, harm our reputation, and adversely affect our business.

We necessarily collect, use and hold personal and financial information concerning individuals and businesses with which we have a relationship. Threats to data security, including unauthorized access, and cyber-attacks, rapidly emerge and change, exposing us to additional costs for protection or remediation and competing time constraints to secure our data in accordance with customer expectations and statutory and regulatory privacy and other requirements. It is difficult or impossible to defend against every risk being posed by changing technologies, as well as criminal intent on committing cyber-crime. Increasing sophistication of cyber-criminals and terrorists make keeping up with new threats difficult and could result in a breach. Controls employed by our information technology department and our other employees and vendors could prove inadequate. We could also experience a breach due to intentional or negligent conduct on the part of employees or other internal sources, software bugs or other technical malfunctions, or other causes. As a result of any of these threats, our customer accounts may become vulnerable to account takeover schemes or cyber-fraud. Our systems and those of our third-party vendors may also become vulnerable to damage or disruption due to circumstances beyond our or their control, such as from catastrophic events, power anomalies or outages, natural disasters, network failures, and viruses and malware.

A breach of our security that results in unauthorized access to our data could expose us to a disruption or challenges relating to our daily operations as well as to data loss, litigation, damages, fines and penalties, significant increases in compliance costs, and reputational damage. In addition, our investment management business could be harmed by cyber incidents affecting issuers in which its customers' assets are invested. Any such breaches of security or cyber incidents could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Systems and technology.

We utilize software and related technologies throughout our business including proprietary systems and those provided by outside service providers. Our service providers and customers, and third parties on which such service providers and customers rely, also utilize software and related technologies in their businesses. Unanticipated issues could occur and it is not possible to predict with certainty all of the adverse effects that could result from our failure or the failure of a third party to address computer system or software problems. Data or model imprecision, software or other technology malfunctions, programming inaccuracies and similar or other circumstances or events may impair the performance of systems and technology. Accordingly, there can be no assurance that potential system interruptions, other technology-related issues or the cost necessary to rectify the problems would not have a material adverse effect on our business including, but not limited to, business prospects, results of operations, financial condition and future prospects.

We may take filing positions or follow tax strategies that may be subject to challenge.

The amount of income taxes that we are required to pay on our earnings is based on federal and state legislation and regulations. We provide for current and deferred taxes in our financial statements based on our results of operations, business activity, legal structure and interpretation of tax statutes. We may take filing positions or follow tax strategies that are subject to audit and may be subject to challenge. Our net income may be reduced if a federal, state or local authority assessed charges for taxes that have not been provided for in our consolidated financial statements. Taxing authorities could change applicable tax laws, challenge filing positions or assess taxes and interest charges. If taxing authorities take any of these actions, our business, results of operations, financial condition, could be adversely affected, perhaps materially.

The market in which we operate is susceptible to storms and other natural disasters and adverse weather which could result in a disruption of our operations and increases in loan losses.

A significant portion of our business is generated from markets that have been, and may continue to be, damaged by major storms and other natural disasters and adverse weather. Natural disasters can disrupt our operations, cause widespread property damage, and severely depress the local economies in which we operate. If the economies in our primary markets experience an overall decline as a result of a natural disaster, adverse weather, or other disaster, demand for loans and our other products and services could be reduced. In addition, the rates of delinquencies, foreclosures, bankruptcies and losses on loan portfolios may increase substantially, as uninsured property losses or sustained job interruption or loss may materially impair the ability of borrowers to repay their loans. Moreover, the value of real estate or other collateral that secures the loans could be materially and adversely affected by a disaster. A disaster could, therefore, result in decreased revenue and loan losses that have a material adverse effect on our business, financial condition, results of operations and future prospects.

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Our operations and clients are concentrated in large metropolitan areas in the United States, which could be the target of terrorist attacks.

A significant portion of our operations and our clients, as well as the properties securing our loans outstanding are located in large metropolitan areas in the United States. These areas have been and may continue to be the target of terrorist attacks. A successful, major terrorist attack in one of our primary markets could severely disrupt our operations and the ability of our clients to do business with us, and cause losses to loans secured by properties in these areas. Such an attack could therefore have a material adverse effect on our business, results of operations, financial condition and future prospects.

We are subject to environmental liability risk associated with our lending activities.

In the course of our business, we may purchase real estate, or we may foreclose on and take title to real estate. As a result, we could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination or may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Any significant environmental liabilities could cause a material adverse effect on our business, financial condition, results of operations and future prospects.

Risks Relating to Regulations

We operate in a highly regulated environment, which could have a material and adverse impact on our operations and activities, financial condition, results of operations, growth plans and future prospects.

Banking is highly regulated under federal and state law. We are subject to extensive regulation and supervision that governs almost all aspects of our operations. As a registered bank holding company, we are subject to supervision, regulation and examination by the Federal Reserve. As a commercial bank chartered under the laws of Pennsylvania, TriState Capital Bank is subject to supervision, regulation and examination by the Pennsylvania Department of Banking and Securities and the FDIC. Our investment management business is subject to extensive regulation in the United States. Chartwell, Chartwell TSC and TKG (which we are to acquire in the second quarter of 2016) are subject to Federal securities laws, principally the Securities Act of 1933, the Investment Company Act, the Advisers Act, state laws regarding securities fraud and regulations promulgated by various regulatory authorities, including the SEC, FINRA, applicable state laws and stock exchanges. Our investment management business also may be subject to regulation by the CFTC and NFA. The investment management business also is affected by the regulations governing banks and other financial institutions.

The primary goals of the bank regulatory scheme are to maintain a safe and sound banking system and to facilitate the conduct of sound monetary policy. This system is intended primarily for the protection of the FDIC's Deposit Insurance Fund and bank depositors, rather than our shareholders and creditors. The banking agencies have broad enforcement power over bank holding companies and banks, including the authority, among other things, to enjoin "unsafe or unsound" practices, require affirmative action to correct any violation or practice, issue administrative orders that can be judicially enforced, direct increases in capital, direct the sale of subsidiaries or other assets, limit dividends and distributions, restrict growth, assess civil monetary penalties, remove officers and directors, and, with respect to banks, terminate our charter, terminate our deposit insurance or place the Bank into conservatorship or receivership. In general, these enforcement actions may be initiated for violations of laws and regulations or unsafe or unsound practices.

The securities industry, including the investment management segment of it, has experienced increased scrutiny from a variety of regulators, including the SEC, FINRA and state attorneys general. Penalties and fines sought by regulatory authorities have increased substantially over the last several years. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of financial services, including, but not limited to, the authority to fine us and to grant, cancel, restrict or otherwise impose conditions on the right to carry on particular businesses. We also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. governmental regulatory authorities, FINRA or other self-regulatory organizations that supervise the banks and financial markets.

Compliance with the myriad laws and regulations applicable to our organization can be difficult and costly. In addition, these laws, regulations and policies are subject to continual review by governmental authorities, and changes to these laws, regulations and policies, including changes in interpretation or implementation of these laws, regulations and policies, could affect us in substantial and unpredictable ways and often impose additional compliance costs. Further, any new laws, rules and regulations, such as the Dodd- Frank Act, could make compliance more difficult or expensive. All of these laws and regulations, and the supervisory framework applicable to our industry, could have a material adverse impact on our operations and activities, financial condition, results of operations, growth

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plans and future prospects. In addition, substantial legal liability or significant regulatory action against us could have adverse financial effects on us or cause reputational harm to us, which could harm our business prospects.

The Dodd-Frank Act comprehensively reformed the regulation of financial institutions, products and services. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. While a significant number of regulations have already been promulgated to implement the Dodd-Frank Act, many of the details and much of the impact of the Dodd-Frank Act may not be known for lengthy periods, which could have a material adverse effect on the financial services industry, generally and our company in particular. Certain provisions of the Dodd-Frank Act that affect deposit insurance assessments, the payment of interest on demand deposits and interchange fees could increase the costs associated with TriState Capital Bank's deposit-generating activities, as well as place limitations on the revenues that those deposits may generate. In addition, the Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB"). The CFPB has the authority to prescribe rules for all depository institutions governing the provision of consumer financial products and services, which may result in rules and regulations that reduce the profitability of such products and services or impose greater costs on us and our subsidiaries.

Federal and state bank regulators periodically examine our business and we may be required to remediate adverse examination findings.

The Federal Reserve, the FDIC and the Pennsylvania Department of Banking and Securities periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a bank regulatory agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate TriState Capital Bank's charter or deposit insurance and place the Bank into receivership or conservatorship. Any regulatory action against us could have a material adverse effect on our business, results of operations, financial condition and future prospects.

The Bank's FDIC deposit insurance premiums and assessments may increase.

The deposits of TriState Capital Bank are insured by the FDIC up to legal limits and, accordingly, subject it to the payment of FDIC deposit insurance assessments. The Bank's regular assessments are determined by its risk category, which is based on a combination of its financial ratios and supervisory ratings, which, among other things, generally demonstrates its regulatory capital levels and level of supervisory concern. High levels of bank failures since 2007 and increases in the statutory deposit insurance limits have increased costs to the FDIC in resolving bank failures and have put significant pressure on the Deposit Insurance Fund. In order to maintain a strong funding position and restore the reserve ratios of the Deposit Insurance Fund, the FDIC increased deposit insurance assessment rates and charged a special assessment to all FDIC-insured financial institutions. Additionally, in July 2015, the FDIC published notice of proposed rule-making to modify the FDIC deposit insurance premium assessment methodology for banks under $10 million. In January 2016, the FDIC proposed revised rule-making to address the significant comments that it received to the initial proposal. This rule-making will undergo additional comment before becoming final. It is unclear when or in what form a final revised methodology will become effective. Any revised deposit insurance premium assessment methodology resulting from these proposals may result in material increases to our FDIC deposit insurance premiums. Further increases in assessment rates or special assessments may occur in the future, especially if there are significant additional financial institution failures. Any material decline in our examination ratings could also increase our deposit insurance premiums. Any future special assessments, increases in assessment rates or required prepayments in FDIC insurance premiums could reduce our profitability or limit our ability to pursue certain business opportunities, which could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Regulatory capital rules.

In December 2010, the Basel Committee released a final framework for a strengthened set of capital requirements, known as Basel III. In July 2013, final rules implementing the Basel III capital accord were adopted by the federal banking agencies. When fully phased in, Basel III, which began phasing in on January 1, 2015, will replace 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 that are on the whole more stringent that the standards in effect prior to Basel III. To date the overall net impact of applying Basel III regulatory rules to the Company and TriState Capital Bank was an increase to the risk-based capital ratios effective January 1, 2015 which primarily resulted from reduced risk-weighted capital treatment for certain of the Bank’s private banking non-purpose margin loans, which are over-collateralized by liquid and marketable securities that are priced and monitored daily.

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We expect that the Company and the Bank will meet all minimum capital requirements when effective and that the Company and the Bank would also meet all capital requirements as if fully phased in without material adverse effects on our business. However, if the capital rules continue to evolve over time or if our application of the capital rules is challenged or reversed, our business, operating performance or financial prospects may be materially adversely affected.

Newly Proposed Liquidity Requirements.

Historically, the regulation and monitoring of bank holding company and bank liquidity has been addressed as a supervisory matter, without required formulaic measures. The Basel III liquidity framework requires bank holding companies and banks to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management or supervisory purposes, going forward will be required by regulation. One test, referred to as the liquidity coverage ratio (“LCR”), is designed to ensure that a banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity’s expected net cash outflow for a 30-day time horizon under a liquidity stress scenario. The other test, referred to as the net stable funding ratio, is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements will likely encourage banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and may increase the use of long-term debt as a funding source. The liquidity rules released by applicable regulators do not apply to us because we are below $50 billion in assets and because we are not internationally active. However, it is possible that the federal banking agencies could apply an LCR requirement directly to banks such as our bank in the future, or that the FDIC could apply an LCR requirement to us as a supervisory matter.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution’s performance under the Community Reinvestment Act or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution’s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act, the USA PATRIOT Act of 2001, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and file suspicious activity and currency transaction reports when appropriate. In addition to other bank regulatory agencies, the federal Financial Crimes Enforcement Network of the Department of the Treasury is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the state and federal banking regulators, as well as the U.S. Department of Justice, Consumer Financial Protection Bureau, Drug Enforcement Administration, and Internal Revenue Service. We are also subject to increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control of the Department of the Treasury regarding, among other things, the prohibition of transacting business with, and the need to freeze assets of, certain persons and organizations identified as a threat to the national security, foreign policy or economy of the United

States. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including any acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and future prospects.

We are a holding company and we depend upon our subsidiaries for liquidity. Applicable laws and regulations, including capital and liquidity requirements, may restrict our ability to transfer funds from our subsidiaries to us or other subsidiaries.

TriState Capital Holdings, Inc., as the parent company, is a separate and distinct legal entity from our banking and nonbank subsidiaries. We evaluate and manage liquidity on a legal entity basis. Legal entity liquidity is an important consideration as there are legal and other limitations on our ability to utilize liquidity from one legal entity to satisfy the liquidity requirements of another, including the parent company. For instance, the parent company depends on distributions and other payments from our banking and nonbank subsidiaries to fund all payments on our other obligations, including debt obligations. Our bank and investment management subsidiaries are subject to laws that restrict dividend payments, or authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to the parent company or other subsidiaries. In addition, our bank and investment management subsidiaries are subject to restrictions on their

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ability to lend or transact with affiliates and to minimum regulatory capital and liquidity requirements, as well as restrictions on their ability to use funds deposited with them in bank or brokerage accounts to fund their businesses. These limitations may hinder our ability to implement our business strategy and enhance shareholder value which, in turn, could have a material adverse effect on our business, financial condition, results of operations and future prospects.

Risks Relating to an Investment in our Common Stock

Shares of our common stock are not an insured deposit.

Shares of our common stock are not bank deposits and are not insured or guaranteed by the FDIC or any other government agency. An investment in our common stock has risks, and you may lose your entire investment.

An active, liquid market for our common stock may not be sustained.

Our common stock is listed on Nasdaq, but we may be unable to meet continued listing standards. In addition, an active, liquid trading market for our common stock may not be sustained. A public trading market having the desired characteristics of depth, liquidity and orderliness depends upon the presence in the marketplace and independent decisions of willing buyers and sellers of our common stock, over which we have no control. Without an active, liquid trading market for our common stock, shareholders may not be able to sell their shares at the volume, prices and times desired. Moreover, the lack of an established market could materially and adversely affect the value of our common stock.

Future sales of our common stock may adversely affect our stock price.

The market price of our common stock may be adversely affected by the sale of a significant quantity of our outstanding common stock (including any securities convertible into or exercisable or exchangeable for common stock), or the perception that such a sale could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to raise additional capital by selling equity securities in the future at a time and price that we deem appropriate.

The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired.

The market price of our common stock may be highly volatile, which may make it difficult to resell shares of our common stock at the volume, prices and times desired. There are many factors that may impact the market price and trading volume of our common stock, including, without limitation:

- actual or anticipated fluctuations in our operating results, financial condition or asset quality;
- changes in economic or business conditions;
- the effects of, and changes in, trade, monetary and fiscal policies, including the interest rate policies of the Federal Reserve;
- publication of research reports about us, our competitors, or the financial services industry generally, or changes in, or failure to meet, securities analysts' estimates of our financial and operating performance, or lack of research reports by industry analysts or ceasing of coverage;

- operating and stock price performance of companies that investors deemed comparable to us;
- additional or anticipated sales of our common stock or other securities by us or our existing shareholders;
- additions or departures of key personnel;
- perceptions in the marketplace regarding our competitors and/or us;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving our competitors or us;
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services; and

- other news, announcements or disclosures (whether by us or others) related to us, our competitors, our core market or the financial services industry.

The stock market and, in particular, the market for financial institution stocks have experienced substantial fluctuations in recent years, which in many cases have been unrelated to the operating performance and prospects of particular companies. In addition, significant fluctuations in the trading volume in our common stock may cause significant price variations to occur. Increased market volatility may materially and adversely affect the market price of our common stock, which could make it difficult to sell your shares at the volume, prices and times desired.

The market price of our common stock could decline significantly due to actual or anticipated issuances or sales of our common stock in the future.

Actual or anticipated issuances or sales of substantial amounts of our common stock could cause the market price of our common stock to decline significantly and make it more difficult for us to sell equity or equity-related securities in the future at a time and on terms that we deem appropriate. The issuance of any shares of our common stock in the future also would, and equity-related securities could, dilute the percentage ownership interest held by shareholders prior to such issuance. We may issue additional equity securities, or debt securities convertible into or exercisable or exchangeable for equity securities, from time to time to raise additional capital, support growth or to make acquisitions. Further, we expect to issue stock options or other stock awards to retain and motivate our employees, executives and directors. These issuances of securities could dilute the voting and economic interests of our existing shareholders.

Securities analysts may not initiate or continue coverage on our common stock.

The trading market for our common stock depends in part on the research and reports that securities analysts publish about us and our business. We do not have any control over these securities analysts, and they may not cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. To the extent that we are covered by securities analysts, and our common stock is the subject of an unfavorable report, the price of our common stock may decline. If one or more of these analysts cease to cover us or fail to publish regular reports on us, we could lose visibility in the financial markets, which could cause the price or trading volume of our common stock to decline.

Our current management and board of directors have significant control over our business.

Our directors and executive officers beneficially own a material portion of our outstanding common stock. Consequently, our directors and executive officers, acting together, may be able to significantly affect the outcome of the election of directors and the potential outcome of other matters submitted to a vote of our shareholders, such as mergers, the sale of substantially all of our assets and other extraordinary corporate matters. The interests of these insiders could conflict with the interest of our shareholders, including you.

The rights of holders of our common stock will be subordinate to the rights of holders of any debt securities that we may issue and may be subordinate to the rights of holders of any class of preferred stock that we may issue in the future.

Our board of directors has the authority to issue debt securities or an aggregate of up to 150,000 shares of preferred stock on the terms it determines without shareholder approval. Any debt or shares of preferred stock that we may issue in the future could be senior to our common stock. Because our decision to issue debt or equity securities or incur other borrowings in the future will depend on market conditions and other factors beyond our control, the amount, timing, nature or success of our future capital raising efforts is uncertain. Thus, holders of our common stock bear the risk that our future issuances of debt or equity securities or our incurrence of other borrowings will negatively affect the market price of our common stock.

Fulfilling our public company financial reporting and other regulatory obligations is expensive and time consuming.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are required to implement specific corporate governance practices and adhere to a variety of reporting requirements under the Sarbanes-Oxley Act and the related rules and regulations of the SEC as well as Nasdaq Stock Market Rules. In particular, we are required to file with the SEC annual, quarterly and current reports with respect to our business and financial condition. Compliance with these requirements places significant demands on our legal, accounting and finance staff and on our accounting, financial and information systems and has increased our legal and accounting compliance costs as well as our compensation expense because we have and may to continue to hire additional accounting, finance, legal and internal audit staff to comply with these reporting requirements. These expenses may further increase in the future. As a public company we also may need to enhance our investor relations, marketing and corporate communications functions. These additional efforts may divert management's attention from other business concerns, which could have an adverse effect on our business, financial condition, results of operations and future prospects.

We are an "emerging growth company," and the reduced regulatory and reporting requirements applicable to emerging growth

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companies may make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act"). For as long as we continue to be an emerging growth company we may to take advantage of reduced regulatory and reporting requirements that are otherwise generally applicable to public companies. These include, without limitation, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation, and exemptions from the requirements of holding non-binding advisory votes on executive compensation and golden parachute payments. We have generally elected to take advantage of these reduced requirements. The JOBS Act also permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. However, we have irrevocably "opted out" of this provision, and we will comply with new or revised accounting standards to the same extent that compliance is required for non-emerging growth companies.

We may take advantage of these provisions for up to five years, unless we earlier cease to be an emerging growth company, which would occur if our annual gross revenues exceed $1.0 billion, if we issue more than $1.0 billion in non-convertible debt in a three year period, or if the market value of our common stock held by non-affiliates exceeds $700.0 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. Investors may find our common stock less attractive to the extent that we rely on the exemptions, which may result in a less active trading market and increased volatility in our stock price.

We do not intend to, and would face regulatory restrictions on our ability to, pay dividends in the foreseeable future.

We have not paid any dividends on our common stock since inception, and we do not intend to pay dividends for the foreseeable future. Instead, we anticipate that all of our future earnings will be used for working capital, to support our operations and to finance the growth and development of our business. In addition, we are subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. Finally, because TriState Capital Bank is our most significant asset, our ability to pay dividends to our shareholders depends in large part on our receipt of dividends from the Bank, which is also subject to restrictions on dividends as a result of banking laws, regulations and policies.

Our corporate governance documents, and certain corporate and banking laws applicable to us, could make a takeover more difficult.

Certain provisions of our amended and restated articles of incorporation, our bylaws, as amended, and corporate and federal banking laws, could make it more difficult for a third party to acquire control of our organization or conduct a proxy contest, even if those events were perceived by many of our shareholders as beneficial to their interests. These provisions, and the corporate and banking laws and regulations applicable to us:

- empower our board of directors, without shareholder approval, to issue our preferred stock, the terms of which, including voting power, are set by our board of directors;
- divide our board of directors into four classes serving staggered four-year terms;
- eliminate cumulative voting in elections of directors;
- require the request of holders of at least 10% of the outstanding shares of our capital stock entitled to vote at a meeting to call a special shareholders' meeting;
-

require at least 60 days' advance notice of nominations for the election of directors and the presentation of shareholder proposals at meetings of shareholders; and

- require prior regulatory application and approval of any transaction involving control of our organization.

These provisions may discourage potential acquisition proposals and could delay or prevent a change in control, including circumstances in which our shareholders might otherwise receive a premium over the market price of our shares.

There are substantial regulatory limitations on changes of control of bank holding companies.

With certain limited exceptions, federal regulations prohibit a person or company or a group of persons deemed to be "acting in concert" from, directly or indirectly, acquiring more than 10% (5% if the acquirer is a bank holding company) of any class of our voting stock or obtaining the ability to control in any manner the election of a majority of our directors or otherwise direct the management or policies of our company without prior notice or application to and the approval of the Federal Reserve. Accordingly, prospective investors need to be aware of and comply with these requirements, if applicable, in connection with any purchase of shares of our common stock. These

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provisions effectively inhibit certain mergers or other business combinations, which, in turn, could adversely affect the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our main office consists of leased office space located at One Oxford Centre, Suite 2700, 301 Grant Street, Pittsburgh, Pennsylvania. We also lease office space for each of our four representative offices in the metropolitan areas of Philadelphia, Pennsylvania; Cleveland, Ohio; Edison, New Jersey; and New York, New York and we lease office space for Chartwell Investment Partners, LLC in Berwyn, Pennsylvania. The leases for our facilities have terms expiring at dates ranging from 2016 to 2022, although certain of the leases contain options to extend beyond these dates. We believe that our current facilities are adequate for our current level of operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time the Company is a party to various litigation matters incidental to the conduct of its business. During the year ended December 31, 2015, the Company was not a party to any legal proceedings 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 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on The Nasdaq Global Select Market under the symbol "TSC". On January 31, 2016, there were approximately 127 holders of record of our common stock, listed with our registered agent.

No cash dividends have ever been paid by us on our common stock, and we do not anticipate paying any cash dividends in the foreseeable future. Our principal source of funds to pay cash dividends on our common stock would be cash dividends from our Bank and Chartwell subsidiaries. The payment of dividends by our bank is subject to certain restrictions imposed by federal and state banking laws, regulations and authorities.

The following table presents the range of high and low bid prices reported on The Nasdaq Global Select Market for each of the quarters of 2015 and 2014.

	Market Price Range	
	High	Low
2015		
Fourth Quarter	$14.44	$11.53
Third Quarter	$13.73	$11.35
Second Quarter	$13.60	$10.26
First Quarter	$10.87	$9.01
2014		
Fourth Quarter	$10.92	$8.99
Third Quarter	$14.36	$8.92
Second Quarter	$14.91	$12.66
First Quarter	$14.43	$11.60

Stock Performance Graph

The following graph sets forth the cumulative total stockholder return for the Company's common stock beginning on May 9, 2013, the date of the Company's initial public offering, through December 31, 2015, compared to an overall stock market index (Russell 2000 Index) and the Company's peer group index (Nasdaq Bank Index). The Russell 2000 Index and Nasdaq Bank Index are based on total returns assuming reinvestment of dividends. The graph assumes an investment of $100 on May 9, 2013. The performance graph represents past performance and should not be considered to be an indication of future performance.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Recent Sales of Unregistered Securities

None.

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ITEM 6. SELECTED FINANCIAL DATA

You should read the selected financial data set forth below in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes included elsewhere in this Form 10-K. We have derived the selected statements of income data for the years ended December 31, 2015, 2014 and 2013, and the selected balance sheet data as of December 31, 2015 and 2014, from our audited consolidated financial statements included elsewhere in this Form 10-K. We have derived the selected statements of income data for the years ended December 31, 2012 and 2011, and the selected balance sheet data as of December 31, 2013, 2012 and 2011, from our audited consolidated financial statements not included in this Form 10-K. The performance, asset quality and capital ratios are unaudited and derived from the audited financial statements as of and for the years presented. Average balances have been computed using daily averages. Our historical results may not be indicative of our results for any future period.

	As of and for the Years Ended December 31,				
(Dollars in thousands)	2015	2014	2013	2012	2011
Period-end balance sheet data:					
Cash and cash equivalents	$96,676	$105,710	$146,558	$200,080	$235,464
Total investment securities	215,609	206,163	227,844	191,187	163,392
Loans held-for-investment	2,841,284	2,400,052	1,860,775	1,641,628	1,406,995
Allowance for loan losses	(17,974)	(20,273)	(18,996)	(17,874)	(16,350)
Loans held-for-investment, net	2,823,310	2,379,779	1,841,779	1,623,754	1,390,645
Goodwill and other intangibles, net	50,816	52,374	—	—	—
Other assets	116,452	102,831	74,328	58,108	43,949
Total assets	$3,302,863	$2,846,857	$2,290,509	$2,073,129	$1,833,450
Total deposits	$2,689,844	$2,336,953	$1,961,705	$1,823,379	$1,637,126
Borrowings	255,000	165,000	20,000	20,000	—
Other liabilities	32,042	39,514	14,859	12,026	11,872
Total liabilities	2,976,886	2,541,467	1,996,564	1,855,405	1,648,998
Preferred stock - Series A and B (CPP)	—	—	—	—	23,708
Preferred stock - Series C (convertible)	—	—	—	46,011	—
Common shareholders' equity	325,977	305,390	293,945	171,713	160,744
Total shareholders' equity	325,977	305,390	293,945	217,724	184,452
Total liabilities and shareholders' equity	$3,302,863	$2,846,857	$2,290,509	$2,073,129	$1,833,450
Income statement data:					
Interest income	$83,207	$77,913	$72,851	$71,034	$65,367
Interest expense	15,643	12,251	11,067	13,674	17,986
Net interest income	67,564	65,662	61,784	57,360	47,381
Provision for loan losses	13	10,159	8,187	8,185	5,339
Net interest income after provision for loan losses	67,551	55,503	53,597	49,175	42,042
Non-interest income:					
Investment management fees	29,618	25,062	—	—	—
Net gain on the sale of investment securities available-for-sale	33	1,428	797	1,114	1,323
Other non-interest income	6,221	5,231	5,001	5,085	2,585
Total non-interest income	35,872	31,721	5,798	6,199	3,908
Non-interest expense:					
Intangible amortization expense	1,558	1,299	—	—	—
Acquisition earnout expense	—	1,614	—	—	—

Other non-interest expense	68,485	61,414	40,815	37,865	33,994
Non-interest expense	70,043	64,327	40,815	37,865	33,994
Income before tax	33,380	22,897	18,580	17,509	11,956
Income tax expense (benefit)	10,892	6,969	5,713	6,837	4,738
Net income	$22,488	$15,928	$12,867	$10,672	$7,218
Preferred stock dividends and discount amortization on Series A and B	—	—	—	1,525	1,518
Net income available to common shareholders	$22,488	$15,928	$12,867	$9,147	$5,700

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	As of and for the Years Ended December 31,				
(Dollars in thousands, except per share data)	2015	2014	2013	2012	2011
Per share and share data:					
Earnings per share:					
Basic	$0.81	$0.56	$0.49	$0.47	$0.33
Diluted	$0.80	$0.55	$0.48	$0.47	$0.33
Book value per common share	$11.62	$10.88	$10.25	$9.84	$9.21
Book value per share with preferred converted to common (1)	$11.62	$10.88	$10.25	$9.75	$9.21
Tangible book value per share with preferred converted to common (1)	$9.81	$9.02	$10.25	$9.75	$9.21
Common shares outstanding, at end of period	28,056,195	28,060,888	28,690,279	17,444,730	17,444,730
Common shares outstanding with preferred converted to common, at end of period (1)	28,056,195	28,060,888	28,690,279	22,322,779	17,444,730
Average common shares outstanding					
Basic	27,771,345	28,628,631	24,589,811	17,394,491	17,380,185
Diluted	28,237,453	29,017,906	26,743,023	19,358,624	17,401,404
Performance ratios:					
Return on average assets	0.74 %	0.61 %	0.59 %	0.55 %	0.41 %
Return on average equity	7.13 %	5.25 %	4.84 %	5.24 %	3.97 %
Net interest margin (2)	2.35 %	2.62 %	2.92 %	3.00 %	2.72 %
Bank efficiency ratio (1)	62.30 %	59.93 %	59.98 %	60.61 %	68.00 %
Efficiency ratio (1)	65.65 %	63.96 %	59.84 %	60.64 %	68.03 %
Non-interest expense to average assets	2.32 %	2.44 %	1.88 %	1.94 %	1.92 %
Asset quality:					
Non-performing loans	$16,660	$30,232	$20,293	$22,483	$16,428
Non-performing assets	$18,390	$31,602	$21,706	$22,773	$16,428
Other real estate owned	$1,730	$1,370	$1,413	$290	$—
Non-performing assets to total assets	0.56 %	1.11 %	0.95 %	1.10 %	0.90 %
Allowance for loan losses to loans	0.63 %	0.84 %	1.02 %	1.09 %	1.16 %
Allowance for loan losses to non-performing loans	107.89 %	67.06 %	93.61 %	79.50 %	99.53 %
Net charge-offs (recoveries)	$2,312	$8,882	$7,065	$6,661	$6,100
Net charge-offs (recoveries) to average total loans	0.09 %	0.41 %	0.41 %	0.43 %	0.46 %
Revenue:					
Total revenue (1)	$103,403	$95,955	$66,785	$62,445	$49,966
Pre-tax, pre-provision net revenue (1)	$33,360	$31,628	$25,970	$24,580	$15,972
Capital ratios:					
Average equity to average assets	10.43 %	11.53 %	12.23 %	10.44 %	10.27 %
Tier 1 leverage ratio	9.05 %	9.21 %	13.12 %	10.35 %	10.18 %
Comment equity tier 1 risk-based capital ratio	12.20 %	N/A	N/A	N/A	N/A
Tier 1 risk-based capital ratio	12.20 %	9.24 %	13.45 %	10.95 %	10.63 %
Total risk-based capital ratio	13.88 %	11.02 %	14.34 %	11.88 %	11.60 %

Assets under management	$8,005,000	$7,714,000	$—	$—	$—

(1) These measures are not measures recognized under GAAP and are therefore considered to be non-GAAP financial measures. See “Non-GAAP Financial Measures” for a reconciliation of these measures to their most directly comparable GAAP measures.
(2) Net interest margin is calculated on a fully taxable equivalent basis.

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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 “common shares outstanding with preferred converted to common,” “book value per share with preferred converted to common,” “tangible common equity,” “tangible book value per share with preferred converted to common,” “total revenue,” “pre-tax, pre-provision net revenue,” and “efficiency ratio.” Although we believe these non-GAAP financial measures provide a greater understanding of our business, these measures are not necessarily comparable to similar measures that may be presented by other companies.

“Common shares outstanding with preferred converted to common” is defined as shares of our common stock issued and outstanding, inclusive of our issued and outstanding Series C preferred stock. We believe this measure is important to many investors who are interested in changes from period to period in our shares of common stock issued and outstanding giving effect to the conversion of shares of our Series C preferred stock which were convertible at the option of the holder and were converted to common stock immediately prior to the closing of the initial public offering, which closed on May 14, 2013. Convertible shares of preferred stock had the effect of not impacting shares of common stock issued and outstanding until they were converted, at which point they added to the number of shares of common stock issued and outstanding.

“Book value per share with preferred converted to common” is defined as book value, divided by shares of common stock issued and outstanding with preferred stock converted to common stock. We believe this measure is important to many investors who are interested in changes from period to period in book value per share inclusive of shares of preferred stock that could be converted to shares of common stock. Prior to conversion, convertible shares of preferred stock had the effect of not impacting book value per common share, but reduced our book value per share with preferred converted to common.

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

“Tangible book value per share with preferred converted to common” is defined as book value, excluding the impact of goodwill, if any, divided by common shares outstanding with preferred converted to common. 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 and inclusive of shares of preferred stock that could be converted to shares of common stock. Goodwill is an intangible asset that is recorded in a business purchase combination. Prior to conversion, convertible shares of preferred stock had the effect of not impacting tangible book value per common share, but reduced our tangible book value per share with preferred converted to common.

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

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

“Efficiency ratio” is defined as non-interest expense, excluding non-recurring acquisition related expenses 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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(Dollars in thousands, except per share data)	December 31, 2015	2014	2013	2012	2011
Book value per share with preferred converted to common:					
Common shareholders' equity	$325,977	$305,390	$293,945	$171,713	$160,744
Preferred stock (convertible)	—	—	—	46,011	—
Total common shareholders' equity and preferred stock, Series C	$325,977	$305,390	$293,945	$217,724	$160,744
Preferred shares outstanding	—	—	—	48,780.488	—
Conversion factor	—	—	—	100	—
Preferred shares converted to common shares outstanding	—	—	—	4,878,049	—
Common shares outstanding	28,056,195	28,060,888	28,690,279	17,444,730	17,444,730
Common shares with preferred shares converted to common	28,056,195	28,060,888	28,690,279	22,322,779	17,444,730
Book value per share with preferred converted to common	$11.62	$10.88	$10.25	$9.75	$9.21
Tangible book value per share with preferred converted to common:					
Total common shareholders' equity and preferred stock, Series C	$325,977	$305,390	$293,945	$217,724	$160,744
Less: effects of intangible assets	50,816	52,374	—	—	—
Tangible common equity	$275,161	$253,016	$293,945	$217,724	$160,744
Common shares with preferred shares converted to common	28,056,195	28,060,888	28,690,279	22,322,779	17,444,730
Tangible book value per share with preferred converted to common	$9.81	$9.02	$10.25	$9.75	$9.21

(Dollars in thousands)	Years Ended December 31, 2015	2014	2013	2012	2011
Pre-tax, pre-provision net revenue:					
Net interest income	$67,564	$65,662	$61,784	$57,360	$47,381
Total non-interest income	35,872	31,721	5,798	6,199	3,908
Less: net gain on the sale of investment securities available-for-sale	33	1,428	797	1,114	1,323
Total revenue	103,403	95,955	66,785	62,445	49,966
Less: total non-interest expense	70,043	64,327	40,815	37,865	33,994
Pre-tax, pre-provision net revenue	$33,360	$31,628	$25,970	$24,580	$15,972
Efficiency ratio:					
Total non-interest expense	$70,043	$64,327	$40,815	$37,865	$33,994
Less: non-recurring acquisition related expenses	601	1,659	854	—	—
Less: intangible amortization expense	1,558	1,299	—	—	—
Total non-interest expense, as adjusted (numerator)	$67,884	$61,369	$39,961	$37,865	$33,994
Total revenue (denominator)	$103,403	$95,955	$66,785	$62,445	$49,966
Efficiency ratio	65.65 %	63.96 %	59.84 %	60.64 %	68.03 %

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BANK SEGMENT

	Years Ended December 31,				
(Dollars in thousands)	2015	2014	2013	2012	2011
Bank pre-tax, pre-provision net revenue:					
Net interest income	$69,510	$66,669	$61,592	$57,360	$47,381
Total non-interest income	6,262	6,621	5,798	6,199	3,908
Less: net gain on the sale of investment securities available-for-sale	33	1,428	797	1,114	1,323
Total revenue	75,739	71,862	66,593	62,445	49,966
Less: total non-interest expense	47,186	43,115	40,795	37,847	33,975
Pre-tax, pre-provision net revenue	$28,553	$28,747	$25,798	$24,598	$15,991
Bank efficiency ratio:					
Total non-interest expense	$47,186	$43,115	$40,795	$37,847	$33,975
Less: non-recurring acquisition related expenses	—	45	854	—	—
Total non-interest expense, as adjusted (numerator)	$47,186	$43,070	$39,941	$37,847	$33,975
Total revenue (denominator)	$75,739	$71,862	$66,593	$62,445	$49,966
Efficiency ratio	62.30 %	59.93 %	59.98 %	60.61 %	68.00 %

ITEM 7. 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 year ended December 31, 2015. The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes contained herein.

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 Part I - Item 1A.

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

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

We measure our performance primarily through our earnings per common share; total revenue; and pre-tax, pre-provision net 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; return on average assets; and return on average equity, while maintaining appropriate 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”), a registered investment advisor; and Chartwell TSC Securities Corp. (“CTSC Securities”), which is applying to be registered as a broker/dealer with the SEC and FINRA. Through our bank subsidiary, we serve middle-market businesses in our primary markets throughout the states of Pennsylvania, Ohio, New Jersey and New York. We also serve high-net-worth individuals on a national basis through our private banking channel. We market and distribute our products and services through a scalable branchless banking model, which creates significant operating leverage throughout our business as we continue to grow. Through our investment management subsidiary, we provide investment management services to institutional, sub-advisory, managed account and private clients on a national basis. Our broker/dealer subsidiary, once registered, will support any distribution and marketing efforts for Chartwell’s proprietary investment products that may require SEC or FINRA licensing. On December 16, 2015, the Company entered into a definitive asset purchase agreement to acquire The Killen Group, Inc. (“TKG”) in a transaction that is expected to close in the second quarter of 2016, subject to certain client consents and other customary closing conditions. The privately held investment manager has assets under management of approximately $2.3 billion as of December 31, 2015.

2015 Compared to 2014 Operating Performance

For the year ended December 31, 2015, our net income was $22.5 million compared to $15.9 million for the same period in 2014, an increase of $6.6 million, or 41.2%, primarily due to the net impact of (1) a $1.9 million, or 2.9%, increase in our net interest income due largely to our continued loan growth; (2) a decrease in provision for loan losses of $10.1 million; (3) an increase of $4.2 million in non-interest income largely related to higher investment management fees with two additional months of Chartwell’s operating results and higher swap fees offset by lower net gain on the sale of investment securities available-for-sale; (4) an increase of $5.7 million in our non-interest expense largely related to two additional months of Chartwell expense; and (5) a $3.9 million increase in income taxes.

Our diluted EPS was $0.80 for the year ended December 31, 2015, compared to $0.55 for the same period in 2014. The increase is a result of an increase of $6.6 million, or 41.2%, in our net income and lower dilutive average shares largely related to the purchase of treasury stock.

For the year ended December 31, 2015, total revenue increased $7.4 million, or 7.8%, to $103.4 million from $96.0 million for the same period in 2014, driven by two additional months of Chartwell’s revenue and growth in our loan income and swap fees. Pre-tax, pre-provision net revenue increased $1.7 million, or 5.5%, to $33.4 million for the year ended December 31, 2015, from $31.6 million for the same period in 2014, primarily resulting from two additional months of Chartwell’s operating results.

Our net interest margin was 2.35% for the year ended December 31, 2015, as compared to 2.62% for the same period in 2014. The most significant factor driving net interest margin compression has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking margin loan portfolio that the Bank has made its fastest growing channel. In addition, net interest margin for the year ended December 31, 2015, was impacted by the additional interest expense from our June 2014 subordinated debt placement.

For the year ended December 31, 2015, the Bank's efficiency ratio was 62.30% as compared to 59.93% for the same period in 2014, (adjusted for non-recurring acquisition related expenses), primarily as a result of higher compensation expense for the Bank offset partially by higher total revenue for the year ended December 31, 2015. Our non-interest expense to average assets for the year ended December 31, 2015, was 2.32%, compared to 2.44% for the same period in 2014.

Our return on average assets was 0.74% for the year ended December 31, 2015, as compared to 0.61% for the same period in 2014. Our return on average equity was 7.13% for the year ended December 31, 2015, as compared to 5.25% for the same period in 2014. The increase in both ratios is the result of the higher net income for the year ended December 31, 2015, as discussed above.

TriState Capital Holdings' total risk-based capital ratio increased to 13.88% as of December 31, 2015, from 11.02% as of December 31, 2014. TriState Capital Bank's total risk-based capital ratio increased to 13.35% as of December 31, 2015, from 10.69% as of December 31, 2014. The increase in the risk-based capital ratios are primarily due to the new Basel III capital rules effective January 1, 2015. The Company benefits from risk-weighted capital treatment recognizing the lower-risk profile of our private banking margin loans, which are over-collateralized by cash and marketable securities that are priced and monitored daily. This implementation had the favorable net effect of making approximately $70 million of regulatory capital available to the Bank in the first quarter of 2015.

Total assets of $3.3 billion as of December 31, 2015, increased $456.0 million, or 16.0%, from December 31, 2014. Loans held-for-investment grew by $441.2 million to $2.8 billion as of December 31, 2015, an increase of 18.4% from December 31, 2014, primarily as a result of growth in our private banking and commercial real estate loan portfolios. Total deposits increased $352.9 million, or 15.1%, to $2.7 billion as of December 31, 2015, from $2.3 billion, as of December 31, 2014.

Non-performing assets to total assets decreased to 0.56% as of December 31, 2015, from 1.11% as of December 31, 2014, due to $13.4 million in reductions related to paydowns, a sale, charge-offs and two payoffs on non-performing loans during the year partially offset by an addition of a $228,000 non-performing loan. Net charge-offs to average loans for the year ended December 31, 2015, was 0.09%, as compared to 0.41% for the same period in 2014.

The allowance for loan losses to loans decreased to 0.63% as of December 31, 2015, from 0.84% as of December 31, 2014, which reflects the reduction in non-performing loans and the lower provision required for private banking loans secured by marketable securities. The allowance for loan losses to non-performing loans increased to 107.89% as of December 31, 2015, from 67.06% as of December 31, 2014. This change was primarily due to lower non-performing loan balances as of December 31, 2015. The provision for loan losses was $13,000 for the year ended December 31, 2015, as compared to $10.2 million for the year ended December 31, 2014. The trend of our recent credit provision reflects the change in composition of our loan portfolio over the past year with a decrease in adverse-rated credits and a much larger percentage of the portfolio in loans secured by marketable securities.

Our book value per common share increased $0.74, or 6.8%, to $11.62 as of December 31, 2015, from $10.88 as of December 31, 2014, largely as a result of an increase in our net income.

2014 Compared to 2013 Operating Performance

For the year ended December 31, 2014, our net income was $15.9 million compared to $12.9 million for the same period in 2013, an increase of $3.1 million, or 23.8%, primarily due to the results of our newly established investment management segment and growth of our loan portfolio. Specifically the change resulted from (1) a $3.9 million, or 6.3%, increase in our net interest income due largely to our continued loan growth; (2) an increase in provision for loan losses of $2.0 million; (3) an increase of $25.9 million in non-interest income largely related to investment management fees, higher net gain on the sale of investment securities available-for-sale, and higher bank owned life insurance income partially offset by unrealized losses on swaps; (4) an increase of $23.5 million in our non-interest expense largely related to the addition of Chartwell, including an incremental contingent earnout accrual related to the acquisition due to Chartwell's growth in profitability exceeding our estimates, and overall annual cost increases; and (5) a $1.3 million increase in income taxes. Net income, excluding the fourth quarter earnout expense related to the Chartwell acquisition of $1.6 million, was $17.0 million for the year ended December 31, 2014.

Our diluted EPS was $0.55 for the year ended December 31, 2014, compared to $0.48 for the same period in 2013. The increase is a result of an increase of $3.1 million, or 23.8%, in our net income partially offset by the dilutive impact of the issuance and sale of 6,355,000 shares of our common stock in connection with our initial public offering. Diluted EPS, excluding the fourth quarter earnout expense related to the Chartwell acquisition of $1.6 million, was $0.59 for the year ended December 31, 2014.

Our return on average assets was 0.61% for the year ended December 31, 2014, as compared to 0.59% for the same period in 2013. Our return on average equity was 5.25%, for the year ended December 31, 2014, as compared to 4.84% for the same period in 2013. The increase in both ratios is the result of the higher net income for the year ended December 31, 2014, as discussed above.

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For the year ended December 31, 2014, the Bank's efficiency ratio was 59.93% as compared to 59.98% for the same period in 2013, (adjusted for non-recurring acquisition costs), primarily as a result of higher compensation expense for the Bank offset partially by higher total revenue for the year ended December 31, 2014. Our non-interest expense to average assets for the year ended December 31, 2014, was 2.44%, compared to 1.88% for the same period in 2013. The increase is due to the addition of Chartwell operating expenses since the closing of the Chartwell acquisition in March 2014.

For the year ended December 31, 2014, total revenue increased $29.2 million, or 43.7%, to $96.0 million from $66.8 million for the same period in 2013, largely driven by investment management fees. Pre-tax, pre-provision net revenue increased $5.7 million, or 21.8%, to $31.6 million for the year ended December 31, 2014, from $26.0 million for the same period in 2013, primarily resulting from growth of $29.2 million, or 43.7%, in total revenue, partially offset by an increase of $23.5 million, or 57.6%, in non-interest expense.

Our net interest margin was 2.62% for the year ended December 31, 2014, as compared to 2.92% for the same period in 2013. The most significant factor driving net interest margin compression has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking loan portfolio that the Bank has made its fastest growing channel. In addition, net interest margin was impacted by the interest expense from our June 2014 subordinated debt placement.

Total assets of $2.8 billion as of December 31, 2014, increased $556.3 million, or 24.3%, from December 31, 2013. Loans held-for-investment grew by $539.3 million to $2.4 billion as of December 31, 2014, an increase of 29.0% from December 31, 2013, primarily as a result of growth in our commercial real estate and private banking loan portfolios. The private banking portfolio growth includes approximately $220 million in acquired loans. Total deposits increased $375.2 million, or 19.1%, to $2.3 billion as of December 31, 2014, from $2.0 billion, as of December 31, 2013.

Non-performing assets to total assets increased to 1.11% as of December 31, 2014, from 0.95% as of December 31, 2013, due to $26.9 million in additions to non-performing loans and $17.0 million in reductions to non-performing loans during the year. Net charge-offs to average loans for the year ended December 31, 2014, was 0.41%, as compared to 0.41% for the same period in 2013.

The allowance for loan losses to loans decreased to 0.84% as of December 31, 2014, from 1.02% as of December 31, 2013, primarily as a result of the growing private banking portfolio of loans secured by marketable securities, which generally have a lower provision based on their risk level. The allowance for loan losses to non-performing loans decreased to 67.06% as of December 31, 2014, from 93.61% as of December 31, 2013. This change was primarily due to a decrease of $2.8 million in specific reserves on four loans that were paid off or paid down, as such loans had a higher average reserve percentage then the non-performing loans at December 31, 2014. The provision for loan losses was $10.2 million for the year ended December 31, 2014, as compared to $8.2 million for the year ended December 31, 2013.

Our book value per common share increased $0.63, or 6.1%, to $10.88 as of December 31, 2014, from $10.25 as of December 31, 2013, as a result of our net income.

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Results of Operations

Net Interest Income

Net interest income represents the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the volume of interest-earning assets and interest-bearing liabilities and changes in interest yields earned and rates paid. Maintaining consistent spreads between earning assets and interest-bearing liabilities is significant to our financial performance because net interest income comprised 65.3%, 68.4% and 92.5% of total revenue for the years ended December 31, 2015, 2014 and 2013, respectively.

The table below reflects an analysis of net interest income, on a fully taxable equivalent basis, for the periods indicated. The adjustment to convert certain income to a fully taxable equivalent basis consists of dividing tax exempt income by one minus the statutory federal income tax rate of 35.0%.

	Years Ended December 31,		
(Dollars in thousands)	2015	2014	2013
Interest income	$83,207	$77,913	$72,851
Fully taxable equivalent adjustment	260	235	228
Interest income adjusted	83,467	78,148	73,079
Less: interest expense	15,643	12,251	11,067
Net interest income adjusted	$67,824	$65,897	$62,012
Yield on earning assets	2.89 %	3.10 %	3.44 %
Cost of interest-bearing liabilities	0.62 %	0.57 %	0.62 %
Net interest spread	2.27 %	2.53 %	2.82 %
Net interest margin (1)	2.35 %	2.62 %	2.92 %

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

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The following table provides information regarding the average balances and yields earned on interest-earning assets and the average balances and rates paid on interest-bearing liabilities for the years ended December 31, 2015, 2014 and 2013. Non-accrual loans are included in the calculation of the average loan balances, while interest collected on non-accrual loans is recorded as a reduction to principal. Where applicable, interest income and yield are reflected on a fully taxable equivalent basis, and have been adjusted based on the statutory federal income tax rate of 35.0%.

	Years Ended December 31,								
	2015			2014			2013		
(Dollars in thousands)	Average Balance	Interest Income (1)/ Expense	Average Yield/ Rate	Average Balance	Interest Income (1)/ Expense	Average Yield/ Rate	Average Balance	Interest Income (1)/ Expense	Average Yield/ Rate
Assets									
Interest-earning deposits	$102,240	$363	0.36 %	$155,241	$525	0.34 %	$154,163	$558	0.36 %
Federal funds sold	6,168	6	0.10 %	7,495	4	0.05 %	8,896	8	0.09 %
Investment securities available-for-sale	164,701	2,201	1.34 %	174,285	2,167	1.24 %	208,773	3,269	1.57 %
Investment securities held-to-maturity	42,117	1,651	3.92 %	33,989	1,173	3.45 %	14,026	527	3.76 %
Investment securities trading	41	1	2.44 %	—	—	— %	3,060	71	2.32 %
Total loans	2,570,200	79,245	3.08 %	2,145,870	74,279	3.46 %	1,734,701	68,646	3.96 %
Total interest-earning assets	2,885,467	83,467	2.89 %	2,516,880	78,148	3.10 %	2,123,619	73,079	3.44 %
Other assets	139,103			114,936			50,230		
Total assets	$3,024,570			$2,631,816			$2,173,849		
Liabilities and Shareholders' Equity									
Interest-bearing deposits:									
Interest-bearing checking accounts	$107,292	$439	0.41 %	$68,114	$229	0.34 %	$5,617	$4	0.07 %
Money market deposit accounts	1,367,584	5,687	0.42 %	1,096,347	4,228	0.39 %	931,720	3,756	0.40 %
Time deposits (excluding CDARS®)	450,874	4,041	0.90 %	469,120	3,984	0.85 %	469,925	4,602	0.98 %
CDARS® time deposits	447,462	2,721	0.61 %	411,393	2,170	0.53 %	366,663	2,619	0.71 %
Borrowings:									
FHLB borrowings	120,425	540	0.45 %	98,370	373	0.38 %	20,000	86	0.43 %
Subordinated notes payable	35,000	2,215	6.33 %	20,041	1,267	6.32 %	—	—	— %
Total interest-bearing liabilities	2,528,637	15,643	0.62 %	2,163,385	12,251	0.57 %	1,793,925	11,067	0.62 %
Noninterest-bearing deposits	149,567			133,733			95,462		
Other liabilities	30,917			31,288			18,501		
Shareholders' equity	315,449			303,410			265,961		
	$3,024,570			$2,631,816			$2,173,849		

Total liabilities and shareholders' equity								
Net interest income [1]	$67,824			$65,897			$62,012	
Net interest spread		2.27	%		2.53	%	2.82	%
Net interest margin [1]		2.35	%		2.62	%	2.92	%

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

Net Interest Income for the Years Ended December 31, 2015 and 2014. Net interest income, calculated on a fully taxable equivalent basis, increased $1.9 million, or 2.9%, to $67.8 million for the year ended December 31, 2015, from $65.9 million for the same period in 2014. The increase in net interest income for the year ended December 31, 2015, was primarily attributable to a $368.6 million, or 14.6%, increase in average interest-earning assets driven largely by loan growth. The increase in net interest income reflects an increase of $5.3 million, or 6.8%, in interest income, partially offset by an increase of $3.4 million, or 27.7%, in interest expense. Net interest margin decreased to 2.35% for the year ended December 31, 2015, as compared to 2.62% for the same period in 2014 driven by an overall lower yield from the loan portfolio and higher cost of deposits and borrowings.

The increase in interest income was primarily the result of an increase in average total loans of $424.3 million, or 19.8%, which is our primary earning asset and the Bank's core business, as well as a decrease of $53.0 million in average cash balances, partially offset by a decrease of 38 basis points in yield on our loans. The most significant factor of the declining yield on our loan portfolio has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking loan portfolio that the Bank has made its fastest growing channel. The overall yield on interest-earning assets declined 21 basis points to 2.89% for the year ended December 31, 2015, as compared to 3.10% for the same period in 2014, primarily as a result of the lower yield on loans, driven largely by the increase in our private banking portfolio balance as a percentage of total loans.

Interest expense on interest-bearing liabilities of $15.6 million, for the year ended December 31, 2015, increased $3.4 million, or 27.7%, from the same period in 2014 as a result of an increase of $365.3 million, or 16.9%, in average interest-bearing liabilities for the year ended December 31, 2015, coupled with an increase of five basis points in the average rate paid on our average interest-bearing liabilities compared to the same period in 2014. The increase in average rate paid was reflective of increases in rates paid in all interest-bearing deposit categories and FHLB borrowings. The increase in average interest-bearing liabilities was driven primarily by an increase of $271.2 million, or 24.7%, in average money market deposit accounts and an increase of $15.0 million, or 74.6%, in average subordinated notes payable.

Given our current balance sheet profile, we believe we are positioned to benefit from ongoing increases in interest rates because approximately 84.9% of our loans held-for-investment as of December 31, 2015, which are our principal source of revenue, are floating-rate loans. To the extent interest rates increase, yields on our loans will increase at varying speeds, since approximately 5.9% of our floating-rate loans had interest rates equal to their floors at December 31, 2015. However, we also expect to continue to experience pressure on the yield on our earning assets due to: our continued focus on variable rate loans, the growing portion of our loans secured by marketable securities, maintaining strong asset quality, and market competition. In addition, it is likely that rates paid on deposits will increase at a slower pace than yields earned on loans.

Net Interest Income for the Years Ended December 31, 2014 and 2013. Net interest income, calculated on a fully taxable equivalent basis, increased $3.9 million, or 6.3%, to $65.9 million for the year ended December 31, 2014, from $62.0 million for the same period in 2013. The increase in net interest income for the year ended December 31, 2014, was primarily attributable to a $393.3 million, or 18.5%, increase in average interest-earning assets, partially offset by a decrease in net interest margin of 30 basis points to 2.62%. The increase in net interest income reflects an increase of $5.1 million, or 6.9%, in interest income, partially offset by an increase of $1.2 million, or 10.7%, in interest expense.

The increase in interest income was primarily the result of an increase in average total loans of $411.2 million, or 23.7%, which is our primary earning asset and the Bank's core business, as well as an increase of $20.0 million in average investment securities held-to-maturity, partially offset by a decrease of $34.5 million in average investment securities available-for-sale and a decrease of 50 basis points in yield on our loans. The most significant factor of the declining yield on our loan portfolio has been our shift toward lower-risk assets, most notably the marketable-securities-backed private banking loan portfolio that the Bank has made its fastest growing channel. The overall yield on interest-earning assets declined 34 basis points to 3.10% for the year ended December 31, 2014, as compared to 3.44% for the same period in 2013, primarily as a result of the lower yield on loans, driven largely by the increase in our private banking portfolio.

Interest expense on interest-bearing liabilities of $12.3 million, for the year ended December 31, 2014, increased $1.2 million, or 10.7%, from the same period in 2013 as a result of an increase of $369.5 million, or 20.6%, in average interest-bearing liabilities for the year ended December 31, 2014, partially offset by a decrease of five basis points in the average rate paid on our average interest-bearing liabilities compared to the same period in 2013. The decrease in average rate paid was reflective of decreases in rates paid in the three largest interest-bearing deposit categories, partially offset by the issuance of subordinated debt, as well as a shift in our deposit mix. The increase in average interest-bearing liabilities was driven primarily by an increase of $164.6 million, or 17.7%, in average money market deposit accounts, an increase of $78.4 million in average FHLB borrowings, an increase of $62.5 million in interest-bearing checking accounts and an increase in average CDARS® time deposits of $44.7 million, or 12.2%.

The following tables analyze 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 tables show 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 periods indicated. The effect of changes in balance 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.

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(Dollars in thousands)	Years Ended December 31, 2015 over 2014 Yield/Rate	Volume	Change(1)
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	$25	$(187)	$(162)
Federal funds sold	3	(1)	2
Investment securities available-for-sale	157	(123)	34
Investment securities held-to-maturity	173	305	478
Investment securities trading	—	1	1
Total loans	(8,688)	13,654	4,966
Total increase (decrease) in interest income	(8,330)	13,649	5,319
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	58	152	210
Money market deposit accounts	351	1,108	1,459
Time deposits (excluding CDARS®)	215	(158)	57
CDARS® time deposits	350	201	551
Borrowings:			
FHLB borrowings	75	92	167
Subordinated notes payable	1	947	948
Total increase in interest expense	1,050	2,342	3,392
Total increase (decrease) in net interest income	$(9,380)	$11,307	$1,927

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

(Dollars in thousands)	Years Ended December 31, 2014 over 2013 Yield/Rate	Volume	Change(1)
Increase (decrease) in:			
Interest income:			
Interest-earning deposits	$(37)	$4	$(33)
Federal funds sold	(3)	(1)	(4)
Investment securities available-for-sale	(611)	(491)	(1,102)
Investment securities held-to-maturity	(46)	692	646
Investment securities trading	—	(71)	(71)
Total loans	(9,304)	14,937	5,633
Total increase (decrease) in interest income	(10,001)	15,070	5,069
Interest expense:			
Interest-bearing deposits:			
Interest-bearing checking accounts	56	169	225
Money market deposit accounts	(169)	641	472
Time deposits (excluding CDARS®)	(610)	(8)	(618)
CDARS® time deposits	(742)	293	(449)
Borrowings:			
FHLB borrowings	(11)	298	287
Subordinated notes payable	—	1,267	1,267
Total increase (decrease) in interest expense	(1,476)	2,660	1,184

Total increase (decrease) in net interest income	$(8,525)	$12,410	$3,885

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

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Provision for Loan Losses

The provision for loan losses represents our determination of the amount necessary to be charged 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 Years Ended December 31, 2015 and 2014. We recorded a $13,000 and a $10.2 million provision for loan losses for the years ended December 31, 2015 and 2014, respectively. The provision for the year ended December 31, 2015, was comprised of a net decrease of $1.3 million in general reserves on commercial and industrial loans largely due to a reserve reversal from payoffs on two substandard-rated credits and recoveries of $1.0 million offset by a net increase in specific reserves of $2.3 million on commercial and industrial non-performing loans. The provision for loan losses for the year ended December 31, 2014, was largely driven by the impact of charge-offs totaling $9.5 million for the year ended December 31, 2014, on six commercial and industrial loans.

Provision for Loan Losses for the Years Ended December 31, 2014 and 2013. We recorded a $10.2 million and an $8.2 million provision for loan losses for the years ended December 31, 2014 and 2013, respectively. The provision for the year ended December 31, 2014, was comprised of (a) the impact of $9.5 million in charge-offs related to six non-performing commercial and industrial loans; (b) a net increase of $245,000 in additional specific reserves on non-performing commercial and industrial loans; and (c) a $1.4 million increase in commercial and industrial general reserves largely driven by the impact of charge-offs and loans that were downgraded during the year; partially offset by (d) recoveries of $545,000 on three commercial and industrial loans; and (e) a decrease of $349,000 in the general reserve of the commercial real estate portfolio due to improved credit quality. There were no charge-offs for the commercial real estate and private banking portfolios for the year ended December 31, 2014. The provision for loan losses for the year ended December 31, 2013, was largely driven by the impact of charge-offs totaling $7.5 million for the year ended December 31, 2013, on three commercial and industrial loans, one commercial real estate loan and one private banking loan.

Non-Interest Income

Non-interest income is an important component of our revenue and it is comprised primarily of investment management fees for Chartwell coupled with fees generated from loan and deposit relationships with our Bank customers, including swap transactions. In addition, from time to time as opportunities arise, we sell portions of our investment securities available-for-sale portfolio. Gains or losses experienced on these sales are less predictable than many of the other components of our non-interest income because the amount of realized gains or losses is impacted by a number of factors, including the nature of the security sold, the purpose of the sale, the interest rate environment and other market conditions.

The following table presents the components of our non-interest income by operating segment for the years ended December 31, 2015 and 2014:

	Year Ended December 31, 2015				Year Ended December 31, 2014			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	$—	$ 29,814	$(196)	$ 29,618	$—	$ 25,219	$(157)	$ 25,062
Service charges	647	—	—	647	604	—	—	604
Net gain on the sale of investment securities	33	—	—	33	1,428	—	—	1,428

available-for-sale								
Swap fees	1,551	—	—	1,551	1,178	—	—	1,178
Commitment and other fees	2,022	—	—	2,022	2,045	—	—	2,045
Unrealized loss on swaps	(161)	—	—	(161)	(420)	—	—	(420)
Bank owned life insurance income	1,696	—	—	1,696	1,441	—	—	1,441
Other income [1]	474	(8)	—	466	345	38	—	383
Total non-interest income	$6,262	$ 29,806	$(196)	$ 35,872	$6,621	$ 25,257	$(157)	$ 31,721

(1) Other income includes such items as FHLB stock dividends, trading income, gain on the sale of loans and other general operating income.

Non-Interest Income for the Years Ended December 31, 2015 and 2014. Our non-interest income was $35.9 million for the year ended December 31, 2015, an increase of $4.2 million, or 13.1%, from $31.7 million for the same period in 2014, primarily related to increases in investment management fees, swap fees, bank owned life insurance, and other income and a decrease on the unrealized loss on swaps partially offset by lower net gain on the sale of investment securities available-for-sale.

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Investment Management Segment:

- Investment management fees were $29.8 million for the year ended December 31, 2015, which represents 12 months of revenue for Chartwell, as compared to $25.2 million for the year ended December 31, 2014, which represented only 10 months of revenue for Chartwell. Assets under management of $8.0 billion as of December 31, 2015, increased $291.0 million from December 31, 2014.

Bank Segment:

- Net gain on the sale of investment securities available-for-sale was $33,000 for the year ended December 31, 2015, compared to $1.4 million for the same period in 2014.

- Swap fees increased $373,000 for the year ended December 31, 2015, compared to 2014, driven by fluctuations 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' expectations of market conditions.

- The unrealized loss on swaps was $259,000 lower for the year ended December 31, 2015, compared to 2014, driven by fluctuations in interest rates.

- The income on bank owned life insurance increased $255,000 for the year ended December 31, 2015, compared to 2014, as a result of an increase in our investment in this product.

- Other income increased $129,000 for the year ended December 31, 2015, compared to 2014, primarily due to $216,000 higher dividends from our FHLB stock as a result of increased FHLB borrowings offset by $87,000 lower gain on the sale of loans.

The following table presents the components of our non-interest income by operating segment for the years ended December 31, 2014 and 2013:

	Year Ended December 31, 2014				Year Ended December 31, 2013			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Investment management fees	$—	$ 25,219	$(157)	$ 25,062	$—	$ —	$—	$ —
Service charges	604	—	—	604	482	—	—	482
Net gain on the sale of investment securities available-for-sale	1,428	—	—	1,428	797	—	—	797
Swap fees	1,178	—	—	1,178	1,056	—	—	1,056
Commitment and other fees	2,045	—	—	2,045	2,060	—	—	2,060
Unrealized gain (loss) on swaps	(420)	—	—	(420)	210	—	—	210
Bank owned life insurance income	1,441	—	—	1,441	996	—	—	996
Other income [1]	345	38	—	383	197	—	—	197
Total non-interest income	$6,621	$ 25,257	$(157)	$ 31,721	$5,798	$ —	$—	$ 5,798

(1) Other income includes such items as FHLB stock dividends, trading income, gain on the sale of loans and other general operating income.

Non-Interest Income for the Years Ended December 31, 2014 and 2013. Our non-interest income was $31.7 million for the year ended December 31, 2014, an increase of $25.9 million, or 447.1%, from $5.8 million for the same period in 2013, primarily related to increases in investment management fees, net gain on the sale of investment securities available-for-sale and bank owned life insurance income partially offset by increases in unrealized loss on swaps. The Investment Management segment only impacted investment management fees in the current period and all other components of non-interest income are comparable between periods for the Bank segment.

Investment Management Segment:

- Investment management fees were $25.2 million for the year ended December 31, 2014, which represents 10 months of revenue for Chartwell, based on assets under management of $7.7 billion as of December 31, 2014.

Bank Segment:

- Service charges were $122,000 higher for the year ended December 31, 2014, compared to 2013, due to increase in the number of customers and customer volumes.

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- Net gain on the sale of investment securities available-for-sale was $631,000 higher for the year ended December 31, 2014, compared to 2013.

- Swap fees were $122,000 more for the year ended December 31, 2014, compared to 2013, driven by fluctuations 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' expectations of market conditions.

- Unrealized loss on swaps was $630,000 lower for the year ended December 31, 2014, compared to gains in 2013, driven by fluctuations in interest rates.

- Bank owned life insurance was $445,000 higher for the year ended December 31, 2014, compared to 2013, as a result of an increase in our investment in this product.

- Other income was $148,000 more for the year ended December 31, 2014, compared to 2013, primarily due to $153,000 higher dividends from our FHLB stock as a result of increased FHLB borrowings and $87,000 higher gain on the sale of loans, offset by $120,000 lower trading income on our trading investment securities.

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 following table presents the components of our non-interest expense by operating segment for the years ended December 31, 2015 and 2014:

	Year Ended December 31, 2015				Year Ended December 31, 2014			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	$29,237	$ 16,899	$—	$ 46,136	$25,807	$ 15,241	$—	$ 41,048
Premises and occupancy costs	3,774	775	—	4,549	3,312	619	—	3,931
Professional fees	3,027	914	(202)	3,739	3,234	306	(109)	3,431
FDIC insurance expense	1,988	—	—	1,988	1,928	—	—	1,928
General insurance expense	871	195	—	1,066	1,001	164	—	1,165
State capital shares tax	1,081	—	—	1,081	1,043	—	—	1,043
Travel and entertainment expense	1,902	859	—	2,761	1,829	575	—	2,404
Data processing expense	1,073	—	—	1,073	922	—	—	922
Charitable contributions	975	46	—	1,021	1,102	49	—	1,151
Intangible amortization expense	—	1,558	—	1,558	—	1,299	—	1,299
Acquisition earnout expense	—	—	—	—	—	1,614	—	1,614
	3,258	1,715	98	5,071	2,937	1,384	70	4,391

Other operating expenses [1]								
Total non-interest expense	$47,186	$ 22,961	$(104	) $ 70,043	$43,115	$ 21,251	$(39	) $ 64,327
Full-time equivalent employees [2]	139	53	—	192	133	49	—	182

(1) Other operating expenses include such items as investor relations, investment management fees, telephone, marketing, loan-related expenses, employee-related expenses and other general operating expenses.
(2) Full-time equivalent employees shown are as of the end of the period presented.

Non-Interest Expense for the Years Ended December 31, 2015 and 2014. Our non-interest expense for the year ended December 31, 2015, increased $5.7 million, or 8.9%, as compared to the same period in 2014, of which $4.1 million relates to the increase in expenses of the Bank segment and $1.7 million relates to the Investment Management segment, which commenced activity on March 5, 2014. The significant changes in each segment's expenses are described below.

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Investment Management Segment:

- For the year ended December 31, 2014, non-interest expense for the Investment Management segment included the $1.6 million acquisition earnout expense related to a one-time charge which was accrued and expensed in the fourth quarter of 2014 based upon the 2014 results for Chartwell. For additional information, refer to Note 2, Business Combinations, to our consolidated financial statements.

- Non-interest expense, excluding the earnout expense, increased by $3.3 million for the year ended December 31, 2015, to $23.0 million which represented 12 months of Chartwell's expenses as compared to $19.6 million in 2014, excluding the earnout, which represented only 10 months of expenses.

- Compensation expenses for the year ended December 31, 2015, are lower by approximately $1.4 million as compared to the same period in 2014 on an annualized basis, due to lower management fees driven by market depreciation.

- The increase in professional fees for the year ended December 31, 2015, are due to $601,000 in non-recurring acquisition related expenses associated with the TKG transaction.

Bank Segment:

- Compensation and employee benefits for the year ended December 31, 2015, increased by $3.4 million, compared to the same period in 2014, primarily due to higher incentive compensation expenses as a result of higher net income for the Bank segment as compared to 2014. In addition, the year ended December 31, 2015, had an increase in the number of full-time equivalent employees, increases in the overall annual wage and benefits costs of our existing employees and an increase in stock-based compensation expenses.

- Premise and occupancy costs increased $462,000 for the year ended December 31, 2015, compared to the same period in 2014, primarily due to increase in rent expense and depreciation related to the expansion of the Pittsburgh office and the new lease for the New York City office.

- Professional fees decreased $207,000 for the year ended December 31, 2015, as compared to the same period in 2014, due to lower legal and compliance fees.

- Data processing expense increased by $151,000 for the year ended December 31, 2015, as compared to the same period in 2014, largely due to increased processing fees related to increased customer levels.

- Other operating expenses for the year ended December 31, 2015, increased by $321,000 compared to the same period in 2014, primarily related to $113,000 of higher marketing expenses and $313,000 of higher costs related to servicing our private banking margin loans offset by $118,000 of lower loan-related expenses.

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The following table presents the components of our non-interest expense by operating segment years ended December 31, 2014 and 2013:

	Year Ended December 31, 2014				Year Ended December 31, 2013			
(Dollars in thousands)	Bank	Investment Management	Parent and Other	Consolidated	Bank	Investment Management	Parent and Other	Consolidated
Compensation and employee benefits	$25,807	$ 15,241	$—	$ 41,048	$24,556	$ —	$—	$ 24,556
Premises and occupancy costs	3,312	619	—	3,931	3,190	—	—	3,190
Professional fees	3,234	306	(109)	3,431	4,098	—	—	4,098
FDIC insurance expense	1,928	—	—	1,928	1,463	—	—	1,463
General insurance expense	1,001	164	—	1,165	840	—	—	840
State capital shares tax	1,043	—	—	1,043	1,124	—	—	1,124
Travel and entertainment expense	1,829	575	—	2,404	1,551	—	—	1,551
Data processing expense	922	—	—	922	793	—	—	793
Charitable contributions	1,102	49	—	1,151	855	—	—	855
Intangible amortization expense	—	1,299	—	1,299	—	—	—	—
Acquisition earnout expense	—	1,614	—	1,614	—	—	—	—
Other operating expenses (1)	2,937	1,384	70	4,391	2,325	—	20	2,345
Total non-interest expense	$43,115	$ 21,251	$(39)	$ 64,327	$40,795	$ —	$20	$ 40,815
Full-time equivalent employees (2)	133	49	—	182	129	—	—	129

(1) Other operating expenses include such items as investor relations, telephone, marketing, loan-related expenses, employee-related expenses and other general operating expenses.
(2) Full-time equivalent employees shown are as of the end of the period presented.

Non-Interest Expense for the Years Ended December 31, 2014 and 2013. Our non-interest expense for the year ended December 31, 2014, increased $23.5 million, or 57.6%, as compared to the same period in 2013, of which $2.3 million relates to the increase in expenses of the Bank segment and $21.3 million relates to the Investment Management segment. The changes in each segment’s expenses are described below.

Investment Management Segment:

- The investment management segment commenced activity on March 5, 2014. Therefore the expenses shown in the table above represents the first 10 months of expenses for Chartwell.

- The $1.6 million earnout expense related to a one-time charge which was accrued and expensed in the fourth quarter of 2014 based upon the 2014 results for Chartwell. For additional information, refer to Note 2, Business Combinations, to our consolidated financial statements.

Bank Segment:

- Compensation and employee benefits for the year ended December 31, 2014, increased by $1.3 million from 2013 primarily due to an increase in the number of full-time equivalent employees and the overall increased wage and benefits costs of our existing employees offset by lower incentive compensation costs.

- Professional fees for the year ended December 31, 2014, decreased $864,000 from 2013, largely due to non-recurring costs associated with the Chartwell acquisition in 2013.

- FDIC insurance expense increased $465,000 for the year ended December 31, 2014, from 2013, due to overall increases in average deposit and asset levels at the Bank.

- General insurance for the year ended December 31, 2014, increased $161,000 from 2013, due to higher insurance premiums subsequent to becoming a publicly traded entity and expanded coverage.

- Travel and entertainment expenses for the year ended December 31, 2014, increased by $278,000 from 2013, due to an increase in the number of relationship managers and increased client outreach and origination activity, including travel related costs for marketing Chartwell products to bank intermediary partners.

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- Charitable contributions increased $247,000 for the year ended December 31, 2014, from 2013, due to increased levels of participation in community programs.

- Other operating expenses for the year ended December 31, 2014, increased by $612,000 from 2013, primarily as a result of an increase of $165,000 in investor relations costs related to being a public company, $253,000 higher company meeting expenses due to timing of such meetings as compared to the prior year, $92,000 higher marketing expenses and $68,000 higher provision expense for increased unfunded commitments.

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 Years Ended December 31, 2015 and 2014. For the year ended December 31, 2015, we recognized income tax expense of $10.9 million, or 32.6% of income before tax, as compared to income tax expense of $7.0 million, or 30.4% of income before tax, for the same period in 2014. Our effective tax rate of 32.6% for the year ended December 31, 2015, increased as compared to the prior year as a result of higher income related to the Investment Management segment which carries a higher effective income tax rate.

Income Taxes for the Years Ended December 31, 2014 and 2013. For the year ended December 31, 2014, we recognized income tax expense of $7.0 million, or 30.4% of income before tax, as compared to income tax expense of $5.7 million, or 30.7% of income before tax, for the same period in 2013. Our effective tax rates for the years ended December 31, 2014 and 2013, were impacted by higher tax exempt interest income, increased levels of bank owned life insurance premiums and investment tax credits earned. In addition, the year ended December 31, 2014, included higher income tax related to the Investment Management segment.

Financial Condition

Our total assets as of December 31, 2015, totaled $3.3 billion which was an increase of $456.0 million, or 16.0%, from December 31, 2014, and was primarily due to growth in our loan portfolio. Our loan portfolio increased $441.2 million, or 18.4%, to $2.8 billion, as of December 31, 2015, from $2.4 billion, as of December 31, 2014. Total investment securities increased $9.4 million, or 4.6%, to $215.6 million, as of December 31, 2015, from $206.2 million, as of December 31, 2014, as a result of the net activity of purchases, sales and repayments of certain securities. Cash and cash equivalents decreased $9.0 million, to $96.7 million, as of December 31, 2015, from $105.7 million, as of December 31, 2014. Our total deposits increased $352.9 million, or 15.1%, to $2.7 billion as of December 31, 2015, to fund loan growth. Borrowings increased $90.0 million, or 54.5%, to $255.0 million as of December 31, 2015, compared to $165.0 million as of December 31, 2014. Our shareholders' equity increased $20.6 million to $326.0 million as of December 31, 2015, compared to $305.4 million as of December 31, 2014. This increase was primarily the result of $22.5 million in net income and the impact of $1.9 million in stock-based compensation, partially offset by the purchase of $3.2 million in treasury stock and a decrease of $816,000 in other comprehensive income (loss), which represents the change in the unrealized loss on our investment portfolio (net of deferred taxes).

Our total assets as of December 31, 2014, totaled $2.8 billion which was an increase of $556.3 million, or 24.3%, from December 31, 2013, was primarily due to growth in our loan portfolio. Our loan portfolio increased $539.3 million, or 29.0%, to $2.4 billion, as of December 31, 2014, from $1.9 billion, as of December 31, 2013. Total investment securities decreased $21.7 million, or 9.5%, to $206.2 million, as of December 31, 2014, from $227.8 million, as of December 31, 2013. Cash and cash equivalents decreased $40.8 million, to $105.7 million, as of December 31, 2014, from $146.6 million, as of December 31, 2013. Our total deposits increased $375.2 million, or 19.1%, to $2.3 billion as of December 31, 2014. Our shareholders' equity increased $11.4 million to $305.4 million as of December 31, 2014, compared to $293.9 million as of December 31, 2013. This increase was primarily the result of $15.9 million in net income and an increase of $1.1 million in other comprehensive income (loss), which represents the decrease in the unrealized loss on our investment portfolio, partially offset by the purchase of $6.7 million in treasury stock.

Loans

The Bank's primary source of income is interest on loans. Our loan portfolio consists primarily of loans to our private banking clients, commercial and industrial loans, and real estate loans secured by commercial real estate properties. The loan portfolio represents our largest earning asset.

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

	December 31,				
(Dollars in thousands)	2015	2014	2013	2012	2011
Private banking loans	$1,344,864	$989,302	$569,346	$435,882	$285,521
Middle-market banking loans:					
Commercial and industrial	634,232	677,493	739,041	752,047	643,942
Commercial real estate	862,188	733,257	552,388	453,699	477,532
Total middle-market banking loans	1,496,420	1,410,750	1,291,429	1,205,746	1,121,474
Loans held-for-investment	$2,841,284	$2,400,052	$1,860,775	$1,641,628	$1,406,995

Loans held-for-investment. Loans held-for-investment increased by $441.2 million, or 18.4%, to $2.8 billion as of December 31, 2015, as compared to December 31, 2014. Our growth for the year ended December 31, 2015, was comprised of an increase in private banking loans of $355.6 million, or 35.9%, an increase in commercial real estate loans of $128.9 million, or 17.6%, and a decrease in commercial and industrial loans of $43.3 million, or 6.4%.

Loans held-for-investment increased by $539.3 million, or 29.0%, to $2.4 billion as of December 31, 2014, as compared to December 31, 2013. Our growth for the year ended December 31, 2014, was comprised of an increase in private banking loans of $420.0 million, or 73.8%, a decrease in commercial and industrial loans of $61.5 million, or 8.3%, and an increase in commercial real estate loans of $180.9 million, or 32.7%.

Primary Loan Categories

Private Banking Loans. Our private banking loans include personal and commercial loans sourced through our private banking channel, 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 December 31, 2015, private banking loans were approximately $1.3 billion, or 47.3% of loans held-for-investment, of which $1.2 billion, or 87.8%, were secured by cash and marketable securities. As of December 31, 2014, private banking loans were approximately $989.3 million, or 41.2% of loans held-for-investment, of which $803.5 million, or 81.2%, were secured by cash and marketable securities. The growth in loans secured by cash and marketable securities is expected to increase as a result of our strategy to focus on this portion of our private banking business as we believe these loans tend to have a lower risk profile. On a daily basis, we price and monitor the collateral of these margin loans secured by cash and marketable securities which further reduces the risk profile of the private banking portfolio. Our private banking lines of credit are typically due on demand or if they have stated maturities, the term is predominately less than one year.

Loans sourced through our private banking channel also include loans for commercial and business purposes, a majority 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.

	December 31,		
(Dollars in thousands)	2015	2014	2013
Private banking loans:			
Secured by cash and marketable securities	$1,180,717	$803,453	$349,766