TriState Capital Holdings, Inc.
Form 10-Q
July 31, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the period ended June 30, 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)

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

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

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

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

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

As of July 20, 2015, there were 28,000,695 shares of the registrant's common stock, no par value, outstanding.

TRISTATE CAPITAL HOLDINGS, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Dollars in thousands)	June 30, 2015	December 31, 2014
ASSETS		
Cash	$1,106	$411
Interest-earning deposits with other institutions	91,035	99,551
Federal funds sold	8,094	5,748
Cash and cash equivalents	100,235	105,710
Investment securities available-for-sale, at fair value (cost: $174,747 and $167,232, respectively)	174,707	166,572
Investment securities held-to-maturity, at cost (fair value: $45,431 and $40,113, respectively)	44,955	39,591
Total investment securities	219,662	206,163
Loans held-for-sale	4,084	—
Loans held-for-investment	2,554,343	2,400,052
Allowance for loan losses	(21,407)	(20,273)
Loans held-for-investment, net	2,532,936	2,379,779
Accrued interest receivable	6,492	6,279
Investment management fees receivable	6,530	6,818
Federal Home Loan Bank stock	4,402	5,730
Goodwill and other intangibles, net	51,595	52,374
Office properties and equipment, net	4,276	4,128
Bank owned life insurance	59,133	53,323
Deferred tax asset, net	11,330	11,874
Prepaid expenses and other assets	16,486	14,679
Total assets	$3,017,161	$2,846,857
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	$2,550,695	$2,336,953
Borrowings	125,000	165,000
Accrued interest payable on deposits and borrowings	1,691	1,735
Accrued earnout liability related to Chartwell acquisition	—	17,236
Other accrued expenses and other liabilities	25,377	20,543
Total liabilities	2,702,763	2,541,467
Shareholders' Equity:		
Preferred stock, no par value; Shares authorized - 150,000; Shares issued - none	—	—
Common stock, no par value; Shares authorized - 45,000,000; Shares issued - 29,000,695 and 28,739,779, respectively; Shares outstanding - 28,000,695 and 28,060,888, respectively	280,966	280,895

Additional paid-in capital	10,152	9,253
Retained earnings	33,399	22,615
Accumulated other comprehensive income (loss), net	(215)	(627)
Treasury stock (1,000,000 and 678,891 shares, respectively)	(9,904)	(6,746)
Total shareholders’ equity	314,398	305,390
Total liabilities and shareholders’ equity	$3,017,161	$2,846,857

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands, except per share data)	2015	2014	2015	2014
Interest income:				
Loans	$19,541	$18,184	$38,641	$35,508
Investments	796	633	1,588	1,466
Interest-earning deposits	89	174	192	325
Total interest income	20,426	18,991	40,421	37,299
Interest expense:				
Deposits	3,176	2,692	6,068	5,117
Borrowings	632	261	1,279	282
Total interest expense	3,808	2,953	7,347	5,399
Net interest income	16,618	16,038	33,074	31,900
Provision for loan losses	185	9,109	1,110	9,717
Net interest income after provision for loan losses	16,433	6,929	31,964	22,183
Non-interest income:				
Investment management fees	7,514	7,509	15,169	9,963
Service charges	176	154	339	284
Net gain on the sale of investment securities available-for-sale	—	414	17	1,428
Swap fees	697	255	1,014	409
Commitment and other fees	493	486	1,000	980
Other income	751	303	1,150	537
Total non-interest income	9,631	9,121	18,689	13,601
Non-interest expense:				
Compensation and employee benefits	11,604	9,991	23,018	18,229
Premises and occupancy costs	1,144	1,010	2,266	1,915
Professional fees	885	895	1,761	1,795
FDIC insurance expense	545	454	1,013	862
General insurance expense	313	281	607	534
State capital shares tax	309	313	582	627
Travel and entertainment expense	636	691	1,162	1,126
Data processing expense	268	233	530	456
Intangible amortization expense	390	390	779	520
Other operating expenses	1,488	1,226	2,966	2,212
Total non-interest expense	17,582	15,484	34,684	28,276
Income before tax	8,482	566	15,969	7,508
Income tax expense	2,754	52	5,185	2,378
Net income	$5,728	$514	$10,784	$5,130
Earnings per common share:				
Basic	$0.21	$0.02	$0.39	$0.18
Diluted	$0.20	$0.02	$0.38	$0.18

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2015	2014	2015	2014
Net income	$5,728	$514	$10,784	$5,130
Other comprehensive income (loss):				
Increase in unrealized holding gains net of tax of $(72), $(481), $(243) and $(1,191) respectively	130	863	423	2,136
Reclassification adjustment for gains included in net income, net of tax of $0, $148, $6 and $511 respectively	—	(266)	(11)	(917)
Other comprehensive income	130	597	412	1,219
Total comprehensive income	$5,858	$1,111	$11,196	$6,349

See accompanying notes to unaudited condensed consolidated financial statements.

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

(Dollars in thousands)	Common Stock	Additional Paid-in-Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 2013	$280,531	$ 8,471	$6,687	$ (1,744)	$—	$293,945
Net income	—	—	5,130	—	—	5,130
Other comprehensive income (loss)	—	—	—	1,219	—	1,219
Exercise of stock options	364	(114)	—	—	—	250
Stock-based compensation	—	439	—	—	—	439
Balance, June 30, 2014	$280,895	$ 8,796	$11,817	$ (525)	$—	$300,983
Balance, December 31, 2014	$280,895	$ 9,253	$22,615	$ (627)	$(6,746)	$305,390
Net income	—	—	10,784	—	—	10,784
Other comprehensive income (loss)	—	—	—	412	—	412
Exercise of stock options	71	(21)	—	—	—	50
Purchase of treasury stock	—	—	—	—	(3,158)	(3,158)
Stock-based compensation	—	920	—	—	—	920
Balance, June 30, 2015	$280,966	$ 10,152	$33,399	$ (215)	$(9,904)	$314,398

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30,	
(Dollars in thousands)	2015	2014
Cash Flows from Operating Activities:		
Net income	$10,784	$5,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and intangible amortization expense	1,459	1,112
Amortization of deferred financing costs	101	16
Provision for loan losses	1,110	9,717
Stock-based compensation expense	920	439
Net gain on the sale of investment securities available-for-sale	(17)	(1,428)
Net amortization of premiums and discounts	358	844
Decrease (increase) in investment management fees receivable	288	(1,577)
Decrease (increase) in accrued interest receivable	(213)	556
Increase (decrease) in accrued interest payable	(44)	242
Bank owned life insurance income	(810)	(642)
Decrease in income taxes payable	—	(160)
Decrease (increase) in prepaid income taxes	219	(3,490)
Payment of contingent consideration impacting operations	(1,771)	—
Other, net	19	(96)
Net cash provided by operating activities	12,403	10,663
Cash Flows from Investing Activities:		
Purchase of investment securities available-for-sale	(27,612)	(32,595)
Purchase of investment securities held-to-maturity	(11,963)	—
Proceeds from the sale of investment securities available-for-sale	9,734	69,555
Principal repayments and maturities of investment securities available-for-sale	13,105	7,020
Principal repayments and maturities of investment securities held-to-maturity	6,540	—
Purchase of bank owned life insurance	(5,000)	(10,000)
Net redemption (purchase) of Federal Home Loan Bank stock	1,328	(4,319)
Net increase in loans	(158,535)	(132,771)
Purchase of loans held-for-investment	—	(219,547)
Proceeds from loan sales	184	2,945
Additions to office properties and equipment	(828)	(402)
Acquisition, net of acquired cash	—	(42,912)
Net cash used in investing activities	(173,047)	(363,026)
Cash Flows from Financing Activities:		
Net increase in deposit accounts	213,742	264,065
Net increase in Federal Home Loan Bank advances	—	100,000
Net decrease in Federal Home Loan Bank advances	(40,000)	—
Net proceeds from issuance of subordinated notes payable	—	34,013
Net proceeds from exercise of stock options	50	250
Payment of contingent consideration	(15,465)	—
Purchase of treasury stock	(3,158)	—
Net cash provided by financing activities	155,169	398,328
Net change in cash and cash equivalents during the period	(5,475)	45,965
Cash and cash equivalents at beginning of the period	105,710	146,558
Cash and cash equivalents at end of the period	$100,235	$192,523

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(Dollars in thousands)	Six Months Ended June 30, 2015	2014
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	$7,291	$5,158
Income taxes	$4,659	$6,028
Acquisition of non-cash assets and liabilities:		
Assets acquired	$—	$6,351
Liabilities assumed	$—	$1,647
Other non-cash activity:		
Loan foreclosures and repossessions	$396	$—
Unsettled purchase of investment securities available-for-sale	$2,993	$17,095
Contingent consideration	$—	$15,465
Transfer of loans held-for-investment to held-for-sale	$4,084	$—

See accompanying notes to unaudited condensed consolidated financial statements.

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

[1] SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATION
TriState Capital Holdings, Inc. ("we", "us", "our" or the “Company”) is a registered bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. The Company has three wholly-owned subsidiaries: TriState Capital Bank (the “Bank”), a Pennsylvania-chartered state 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"). Chartwell was established through the acquisition of substantially all the assets of Chartwell Investment Partners, LP, which was effective March 5, 2014. Chartwell was converted from a C corporation to a limited liability corporation ("LLC"), effective June 30, 2015.

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

Regulatory approval was received and the Bank commenced operations on January 22, 2007. The Company and the Bank are subject to regulatory examination by the Federal Deposit Insurance Corporation (“FDIC”), the Pennsylvania Department of Banking and Securities, and the Federal Reserve. Chartwell is a registered investment advisor regulated by the SEC. CTSC Securities, once registered, will be a broker/dealer regulated by the SEC and FINRA.

The Bank conducts business through its main office located in Pittsburgh, Pennsylvania, as well as its four additional representative offices in Cleveland, Ohio; Philadelphia, Pennsylvania; Princeton, New Jersey; and New York, New York. Chartwell conducts business through its office located in Berwyn, Pennsylvania and CTSC Securities will conduct business through its office located in Pittsburgh, Pennsylvania.

USE OF ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles (“GAAP”) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of related revenue and expense during the reporting period. Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that actual conditions could be worse than those anticipated in the estimates, which could materially affect the financial results of our operations and financial condition.

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

CONSOLIDATION
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, the Bank, Chartwell (since the acquisition on March 5, 2014) and CTSC Securities (since its initial capitalization in May 2014), after elimination of inter-company accounts and transactions. The accounts of the Bank, in turn, include its

wholly-owned subsidiary, Meadowood Asset Management, LLC, after elimination of inter-company accounts and transactions. The unaudited consolidated financial statements of the Company presented herein have been prepared pursuant to rules of the Securities and Exchange Commission for quarterly reports on form 10-Q and do not include all of the information and note disclosures required by GAAP for a full year presentation. In the opinion of management, all adjustments (consisting of normal recurring adjustments) and disclosures, considered necessary for the fair presentation of the accompanying consolidated financial statements, have been included. Interim results are not necessarily reflective of the results of the entire year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2014, included in the Company's Annual Report on Form 10-K.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Company has defined cash and cash equivalents as cash, interest-earning deposits with other institutions, federal funds sold, and short-term investments which have an original maturity of 90 days or less.

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INVESTMENT SECURITIES

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

The cost of securities sold is determined on a specific identification basis. Amortization of premiums and accretion of discounts are recorded as interest income from investments over the life of the security utilizing the level yield method. We evaluate impaired investment securities quarterly to determine if impairments are temporary or other-than-temporary. For impaired debt securities, management first determines whether it intends to sell or if it is more-likely than not that it will be required to sell the impaired securities. This determination considers current and forecasted liquidity requirements, regulatory and capital requirements and securities portfolio management. If the Company intends to sell a security with a fair value below amortized cost or if it is more-likely than not that it will be required to sell such a security before recovery, an other-than-temporary impairment ("OTTI") charge is recorded through current period earnings for the full decline in fair value below amortized cost. For debt securities that the Company does not intend to sell or it is more likely than not that it will not be required to sell before recovery, an OTTI charge is recorded through current period earnings for the amount of the valuation decline below amortized cost that is attributable to credit losses. The remaining difference between the debt security's fair value and amortized cost (that is, the decline in fair value not attributable to credit losses) is recognized in other comprehensive income (loss), in the consolidated statements of comprehensive income as well as the shareholders' equity section of the consolidated statements of financial condition, on an after-tax basis.

LOANS

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

The Company considers a loan to be a Troubled Debt Restructuring ("TDR") when there is a concession made to a financially troubled borrower without adequate consideration provided to the Company. Once a loan is deemed to be a TDR, the Company considers whether the loan should be placed in non-accrual status. In assessing accrual status, the Company considers the likelihood that repayment and performance according to modified terms will be achieved, as well as the borrower's historical payment performance. A loan is designated and reported as TDR until such loan is either paid-off or sold, unless the restructuring agreement specifies an interest rate equal to or greater than the rate that would be accepted at the time of the restructuring for a new loan with comparable risk and it is fully expected that the remaining principal and interest will be collected according to the restructured agreement.

The recognition of interest income on a loan is discontinued when, in management's opinion, it is probable the borrower is unable to meet payments as they become due or when the loan becomes 90 days past due, whichever occurs first. All unpaid accrued interest on such loans is reversed. Such interest ultimately collected is applied to reduce principal if there is doubt about the collectability of principal. If a borrower brings a loan current for which accrued interest has been reversed, then the recognition of interest income on the loan is resumed, once the loan has been current for a period of six consecutive months or greater.

The Company is a party to financial instruments with off-balance sheet risk (commitments to extend credit) in the normal course of business to meet the financing needs of its customers. Commitments to extend credit are agreements

to lend to a customer as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses (i.e. demand loans) and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis using the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary by the Company upon extension of a commitment, is based on management's credit evaluation of the borrower.

OTHER REAL ESTATE OWNED

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

ALLOWANCE FOR LOAN LOSSES

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

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The allowance is appropriate, in management's judgment, to cover probable losses inherent in the loan portfolio as of June 30, 2015 and December 31, 2014. Management's judgment takes into consideration general economic conditions, diversification and seasoning of the loan portfolio, historic loss experience, identified credit problems, delinquency levels and adequacy of collateral. Although management believes it has used the best information available to it in making such determinations, and that the present allowance for loan losses is adequate, future adjustments to the allowance may be necessary, and net income may be adversely affected if circumstances differ substantially from the assumptions used in determining the level of the allowance. In addition, as an integral part of their periodic examination, certain regulatory agencies review the adequacy of the Bank's allowance for loan losses and may direct the Bank to make additions to the allowance based on their judgments about information available to them at the time of their examination.

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

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

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

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

The Company also maintains a reserve for losses on unfunded commitments. This reserve is reflected as a component of other liabilities and, in management's judgment, is sufficient to cover probable losses inherent in the commitments.

Management tracks the level and trends in unused commitments and takes into consideration the same factors as those considered for purposes of the allowance for loan losses on outstanding loans.

INVESTMENT MANAGEMENT FEES

The Company recognizes investment management fee revenue when the advisory services are performed. Fees are based on assets under management and are calculated pursuant to individual client contracts. Investment management fees are generally paid on a quarterly basis. In a limited number of cases, the Company may earn a performance fee based on investment performance achieved versus a stated benchmark. Performance fees are included in investment management fee revenue in the consolidated statements of income.

Investment management fees receivable represent amounts due for contractual investment management services provided to the Company's clients, primarily institutional investors, mutual funds and individual investors. Management performs credit evaluations of its customers' financial condition when it is deemed to be necessary, and does not require collateral. The Company provides an allowance for uncollectible accounts based on specifically identified receivables. Investment management fees receivable are considered delinquent when payment is not received within contractual terms and are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely and the Company ceases its collection efforts. There

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was no bad debt expense recorded for the six months ended June 30, 2015 and 2014, and there was no allowance for uncollectible accounts recorded as of June 30, 2015 and December 31, 2014.

FEDERAL HOME LOAN BANK STOCK

The Company is a member of the Federal Home Loan Bank of Pittsburgh (“FHLB”). Member institutions are required to invest in FHLB stock. The stock is carried at cost, which approximates its liquidation value, and it is evaluated for impairment based on the ultimate recoverability of the par value. The following matters are considered by management when evaluating the FHLB stock for impairment: the ability of the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB; the impact of legislative and regulatory changes on the institution and its customer base; and the Company's intent and ability to hold its FHLB stock for the foreseeable future. Management believes the Company's holdings in the FHLB stock are ultimately recoverable at par value, as of June 30, 2015. Cash and stock dividends are reported as non-interest income, in the consolidated statements of income.

BUSINESS COMBINATIONS

We account for business combinations using the acquisition method of accounting. Under this method of accounting, the acquired company’s net assets are recorded at fair value as of the date of acquisition, and the results of operations of the acquired company are combined with our results from that date forward. Acquisition costs are expensed when incurred. The difference between the purchase price and the fair value of the net assets acquired (including identified intangibles) is recorded as goodwill. The change in the initial estimate of any contingent earnout amounts is reflected in the consolidated statements of income.

GOODWILL AND OTHER INTANGIBLE ASSETS

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

OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, except for leasehold improvements which are amortized over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Estimated useful lives are dependent upon the nature and condition of the asset and range from three to ten years. Repairs and maintenance are charged to expense as incurred, while improvements which extend the useful life are capitalized and depreciated to operating expense over the estimated remaining life of the asset. When the Bank receives an allowance for improvements to be made to one of its leased offices, we record the allowance as a deferred liability and recognize it as a reduction to rent expense over the life of the related lease.

BANK OWNED LIFE INSURANCE

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

DEPOSITS

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

BORROWINGS

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

EARNINGS PER COMMON SHARE

Basic earnings per common share ("EPS") is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period, excluding non-vested restricted stock. Diluted EPS reflects the potential dilution of upon the exercise of stock options and vesting of restricted stock awards granted utilizing the treasury stock method.

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INCOME TAXES

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities with regard to a change in tax rates is recognized in income in the period that includes the enactment date. Management assesses all available evidence to determine the amount of deferred tax assets that are more-likely-than-not to be realized. The available evidence used in connection with the assessments includes taxable income in prior periods, projected taxable income, potential tax planning strategies and projected reversals of deferred tax items. These assessments involve a degree of subjectivity and may undergo significant change. Changes to the evidence used in the assessments could have a material adverse effect on the Company's results of operations in the period in which they occur. It is the Company's policy to recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the consolidated statements of income.

FAIR VALUE MEASUREMENT

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in a principal or most advantageous market for the asset or liability in an orderly transaction between market participants as of the measurement date, using assumptions market participants would use when pricing an asset or liability. An orderly transaction assumes exposure to the market for a customary period for marketing activities prior to the measurement date and not a forced liquidation or distressed sale. Fair value measurement and disclosure guidance provides a three-level hierarchy that prioritizes the inputs of valuation techniques used to measure fair value into three broad categories:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Observable inputs such as quoted prices for similar assets and liabilities in active markets, quoted prices for similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

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

STOCK-BASED COMPENSATION

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

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

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Unrealized holding gains and the non-credit component of losses on the Company's investment securities available-for-sale are included in accumulated other comprehensive income (loss), net of applicable income taxes.

Also included in accumulated other comprehensive income (loss) is the remaining unamortized balance of the unrealized holding gains (non-credit losses), net of applicable income taxes, that existed on the transfer date for investment securities reclassified into the held-to-maturity category from the available-for-sale category.

TREASURY STOCK

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

RECENT ACCOUNTING DEVELOPMENTS

In June 2015, the FASB issued Accounting Standards Update ("ASU") 2015-10, Technical Correction and Improvements which, among other things, corrects the initial codification of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial

Assets and Extinguishments of Liabilities (as Amended by FASB Statement No. 166, Accounting for Transfers of Financial Assets). The initial codification inadvertently added the word “public” to paragraph 860-10-50-7, which was not in the original guidance. The ASU also clarifies that the requirement relates to “involvement by others”. This amendment in ASU 2015-10 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The adoption of ASU 2015-10 is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, "Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." This ASU will eliminate the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB’s fair value measurement guidance. Reporting entities are required to adopt the ASU retrospectively. The effective date for public business entities is fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for all entities. The adoption of ASU 2015-07 is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." This ASU provides explicit guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. This ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. An entity can elect to adopt the amendments either prospectively for all arrangements entered into or materially modified after the effective date, or retrospectively. Early adoption is permitted for all entities. The adoption of ASU 2015-05 is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." This AUS requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public business entities, the amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted for financial statements that have not been previously issued. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). The adoption of ASU 2015-03 is not expected to have a material impact on the Company’s consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." This ASU changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The new guidance

excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 and similar entities from the U.S. GAAP consolidation requirements. The new consolidation guidance is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2015. At the effective date, all previous consolidation analyses that the guidance affects must be reconsidered. This includes the consolidation analyses for all VIEs and for all limited partnerships and similar entities that previously were consolidated by the general partner even though the entities were not VIEs. Early adoption is permitted, including early adoption in an interim period. If a reporting enterprise chooses to early adopt in an interim period, adjustments resulting from the revised consolidation analyses must be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2015, the FASB issued ASU No. 2015-01, "Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items." This ASU eliminates the concept of extraordinary items from U.S. GAAP as part of its simplification initiative. The ASU does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in their occurrence. The ASU is effective for interim and annual periods in fiscal years beginning after December 15, 2015. The ASU allows prospective or retrospective application. Early adoption is permitted if applied from the beginning of the fiscal year of adoption. The effective date is the same for both public entities and all

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other entities. The adoption of ASU 2015-01 is not expected to have a material impact on the Company’s consolidated financial statements.

In November 2014, the FASB issued ASU 2014-16, "Derivatives and Hedging (Topic 815)," which will require an entity to determine the nature of the host contract by considering the economic characteristics and risks of the entire hybrid financial instrument issued in the form of a share, including the embedded derivative feature that is being evaluated for separate accounting from the host contract when evaluating whether the host contract is more akin to debt or equity. In evaluating the stated and implied substantive terms and features, the existence or omission of any single term or feature does not necessarily determine the economic characteristics and risks of the host contract. Although an individual term or feature may weigh more heavily in the evaluation on the basis of facts and circumstances, an entity should use judgment based on an evaluation of all the relevant terms and features. This update is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. The effects of initially adopting the amendments should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendment is effective. Retrospective application is permitted to all relevant prior periods. Early adoption, including adoption in an interim period, is permitted. If an entity early adopts the amendments in an interim period, any adjustments shall be reflected as of the beginning of the fiscal year that includes that interim period. The adoption of ASU 2014-16 is not expected to have a material impact on the Company’s consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern." This ASU describes how an entity’s management should assess whether there are conditions and events that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. Management should consider both quantitative and qualitative factors in making its assessment. If after considering management’s plans, substantial doubt about an entity’s going concern is alleviated, an entity shall disclose information in the footnotes that enables the users of the financial statements to understand the events that raised the going concern and how management’s plan alleviated this concern. If after considering management’s plans, substantial doubt about an entity’s going concern is not alleviated, the entity shall disclose in the footnotes indicating that a substantial doubt about the entity’s going concern exists within one year of the date of the issued financial statements. Additionally, the entity shall disclose the events that led to this going concern and management’s plans to mitigate them. The new standard applies to all entities for the first annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. The adoption of ASU 2014-15 is not expected to have a material impact on the Company’s consolidated financial statements.

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

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU implements a common revenue standard that clarifies the principles for recognizing revenue. The core principle of this

update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 establishes a five-step model which entities must follow to recognize revenue and removes inconsistencies and weaknesses in existing guidance. This update is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The adoption of ASU 2014-09 is not expected to have a material impact on the Company’s consolidated financial statements.

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

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[2] INVESTMENT SECURITIES

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

	June 30, 2015			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$43,737	$43	$75	$43,705
Trust preferred securities	17,513	66	186	17,393
Non-agency mortgage-backed securities	7,877	—	46	7,831
Non-agency collateralized loan obligations	9,990	—	42	9,948
Agency collateralized mortgage obligations	53,344	126	24	53,446
Agency mortgage-backed securities	29,373	418	263	29,528
Agency debentures	4,698	14	—	4,712
Equity securities (short-duration, high-yield-bond mutual fund)	8,215	—	71	8,144
Total investment securities available-for-sale	174,747	667	707	174,707
Investment securities held-to-maturity:				
Corporate bonds	18,450	486	31	18,905
Agency debentures	2,451	5	—	2,456
Municipal bonds	24,054	106	90	24,070
Total investment securities held-to-maturity	44,955	597	121	45,431
Total	$219,702	$1,264	$828	$220,138

	December 31, 2014			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Estimated Fair Value
Investment securities available-for-sale:				
Corporate bonds	$31,833	$3	$168	$31,668
Trust preferred securities	17,446	—	645	16,801
Non-agency mortgage-backed securities	11,617	—	32	11,585
Agency collateralized mortgage obligations	56,984	127	248	56,863
Agency mortgage-backed securities	32,564	502	186	32,880
Agency debentures	8,678	59	—	8,737
Equity securities (short-duration, high-yield-bond mutual fund)	8,110	—	72	8,038
Total investment securities available-for-sale	167,232	691	1,351	166,572
Investment securities held-to-maturity:				
Corporate bonds	14,452	335	—	14,787
Agency debentures	5,000	1	—	5,001
Municipal bonds	20,139	201	15	20,325
Total investment securities held-to-maturity	39,591	537	15	40,113
Total	$206,823	$1,228	$1,366	$206,685

Interest income on investment securities included $647,000 in taxable interest income, $98,000 in non-taxable interest income and $51,000 in dividend income for the three months ended June 30, 2015, as compared to taxable interest income of $542,000 and non-taxable interest income of $91,000, for the three months ended June 30, 2014. There was

no dividend income on investment securities during the three months ended June 30, 2014.

Interest income on investment securities included $1.3 million in taxable interest income, $188,000 in non-taxable interest income and $105,000 in dividend income for the six months ended June 30, 2015, as compared to taxable interest income of $1.3 million and non-taxable interest income of $181,000, for the six months ended June 30, 2014. There was no dividend income on investment securities during the six months ended June 30, 2014.

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As of June 30, 2015, the contractual maturities of the debt securities are:

	June 30, 2015			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$—	$—	$—	$—
Due from one to five years	41,741	41,704	8,213	8,633
Due from five to ten years	8,347	8,370	34,915	34,977
Due after ten years	116,444	116,489	1,827	1,821
Total debt securities	$166,532	$166,563	$44,955	$45,431

Included in the $116.5 million fair value of debt securities available-for-sale with a contractual maturity due after ten years as of June 30, 2015, were $103.2 million, or 88.6%, in floating-rate securities.

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

Proceeds from the sale of investment securities available-for-sale during the three months ended June 30, 2015 and 2014, were $0 and $45.1 million. Gross gains of $0 and $414,000 were realized on these sales and reclassified out of accumulated other comprehensive income (loss) during the three months ended June 30, 2015 and 2014. There were no gross losses realized during the three months ended June 30, 2015 and 2014.

Proceeds from the sale of investment securities available-for-sale during the six months ended June 30, 2015 and 2014, were $9.7 million and $69.6 million, respectively. Gross gains of $34,000 and $1.4 million were realized on these sales and reclassified out of accumulated other comprehensive income (loss) during the six months ended June 30, 2015 and 2014, respectively. There were $17,000 and $1,000 in gross losses realized during the six months ended June 30, 2015 and 2014, on investment securities available-for-sale.

Investment securities available-for-sale of $7.2 million, as of June 30, 2015, were held in safekeeping at the FHLB and were included in the calculation of borrowing capacity.

The following tables show the fair value and gross unrealized losses on investment securities available-for-sale and held-to-maturity, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of June 30, 2015 and December 31, 2014, respectively:

	June 30, 2015					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Investment securities available-for-sale:						
Corporate bonds	$19,983	$68	$4,994	$7	$24,977	$75
Trust preferred securities	4,464	41	4,344	145	8,808	186
Non-agency mortgage-backed securities	7,831	46	—	—	7,831	46
Non-agency collateralized loan obligations	9,948	42	—	—	9,948	42
Agency collateralized mortgage obligations	—	—	12,873	24	12,873	24
Agency mortgage-backed securities	—	—	11,240	263	11,240	263
Equity securities	8,144	71	—	—	8,144	71
Total investment securities available-for-sale	50,370	268	33,451	439	83,821	707
Investment securities held-to-maturity:						

Corporate bonds	4,919	31	—	—	4,919	31
Municipal bonds	9,507	90	—	—	9,507	90
Total investment securities held-to-maturity	14,426	121	—	—	14,426	121
Total temporarily impaired securities	$64,796	$389	$33,451	$439	$98,247	$828

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	December 31, 2014					
	Less than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
Investment securities available-for-sale:						
Corporate bonds	$26,723	$145	$2,263	$23	$28,986	$168
Trust preferred securities	12,601	376	4,200	269	16,801	645
Non-agency mortgage-backed securities	11,585	32	—	—	11,585	32
Agency collateralized mortgage obligations	9,317	45	30,327	203	39,644	248
Agency mortgage-backed securities	—	—	12,073	186	12,073	186
Equity securities	8,038	72	—	—	8,038	72
Total investment securities available-for-sale	68,264	670	48,863	681	117,127	1,351
Investment securities held-to-maturity:						
Municipal bonds	2,857	2	1,446	13	4,303	15
Total investment securities held-to-maturity	2,857	2	1,446	13	4,303	15
Total temporarily impaired securities	$71,121	$672	$50,309	$694	$121,430	$1,366

The change in the fair values of our municipal bonds, agency debentures and agency mortgage-backed securities are primarily the result of interest rate fluctuations. To assess for impairment on municipal bonds, corporate bonds, single-issuer trust preferred securities, non-agency mortgage-backed securities, non-agency collateralized loan obligations and certain equity securities, management evaluates the underlying issuer's financial performance and the related credit rating information through a review of publicly available financial statements and other publicly available information. This review did not identify any issues related to the ultimate repayment of principal and interest on these securities. In addition, the Company has the ability and intent to hold the securities in an unrealized loss position until recovery of their amortized cost. Based on this, the Company considers all of the unrealized losses to be temporary impairment losses. Within the available-for-sale portfolio, there were 21 positions, aggregating to $707,000 in unrealized losses that were temporarily impaired as of June 30, 2015, of which eight positions were in an unrealized loss position for more than twelve months totaling $439,000. As of December 31, 2014, there were 27 positions, aggregating to $1.4 million in unrealized losses that were temporarily impaired, of which nine positions were in an unrealized loss position for more than twelve months totaling $681,000. Within the held-to-maturity portfolio, there were 14 positions, aggregating to $121,000 in unrealized losses that were temporarily impaired as of June 30, 2015, of which no positions were in an unrealized loss position for more than twelve months. As of December 31, 2014, there were five positions, aggregating to $15,000 in unrealized losses that were temporarily impaired, of which two positions were in an unrealized loss position for more than twelve months totaling $13,000.

There were no investment securities classified as trading securities outstanding as of June 30, 2015 and December 31, 2014, respectively. There was no activity in investment securities classified as trading during the three and six months ended June 30, 2015 and 2014.

[3] LOANS

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

Loans held-for-investment by channel was comprised of the following:

(Dollars in thousands)	June 30, 2015 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Loans held-for-investment, before deferred fees	$632,390	$811,350	$1,111,460	$2,555,200
Less: net deferred loan (fees) costs	(1,268)	(2,471)	2,882	(857)
Loans held-for-investment, net of deferred fees	631,122	808,879	1,114,342	2,554,343
Less: allowance for loan losses	(14,621)	(4,749)	(2,037)	(21,407)
Loans held-for-investment, net	$616,501	$804,130	$1,112,305	$2,532,936

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(Dollars in thousands)	December 31, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Loans held-for-investment, before deferred fees	$679,274	$735,531	$986,898	$2,401,703
Less: net deferred loan (fees) costs	(1,781)	(2,274)	2,404	(1,651)
Loans held-for-investment, net of deferred fees	677,493	733,257	989,302	2,400,052
Less: allowance for loan losses	(13,501)	(4,755)	(2,017)	(20,273)
Loans held-for-investment, net	$663,992	$728,502	$987,285	$2,379,779

As of June 30, 2015, there was one C&I loan held-for-sale for $4.1 million.

The Company's customers have unused loan commitments. Often these commitments are not fully utilized and therefore the total amount does not necessarily represent future cash requirements. The amount of unfunded commitments, including standby letters of credit, as of June 30, 2015 and December 31, 2014, was $1.1 billion and $973.4 million, respectively. The interest rate for each commitment is based on the prevailing market conditions at the time of funding. The lending commitment maturities as of June 30, 2015, were as follows: $743.6 million in one year or less; $199.3 million in one to three years; and $162.0 million in greater than three years. The reserve for losses on unfunded commitments was $639,000 and $555,000 as of June 30, 2015 and December 31, 2014, respectively, which includes reserves for probable losses on unfunded loan commitments, including standby letters of credit and also risk participations.

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

As of June 30, 2015 and December 31, 2014, the Company had loans in the process of origination totaling approximately $22.9 million and $18.7 million, respectively, which extend over varying periods of time with the majority being disbursed within a 30 to 60 day period.

The Company issues standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. The Company would be required to perform under the standby letters of credit when drawn upon by the guaranteed party in the case of non-performance by the Company’s customer. Collateral may be obtained based on management’s credit assessment of the customer. The unfunded commitments amount related to standby letters of credit as of June 30, 2015 and December 31, 2014, included in the total listed above, is $74.7 million and $89.3 million, respectively, of which a portion is collateralized. Should the Company be obligated to perform under the standby letters of credit the Company will seek recourse from the customer for reimbursement of amounts paid. As of June 30, 2015, $24.2 million (in the aggregate) in standby letters of credit will expire within one year, while the remaining standby letters of credit will expire in periods greater than one year. During the six months ended June 30, 2015, there was one draw on standby letters of credit for $100,000, which was immediately repaid by the borrower. During the six months ended June 30, 2014, there was one draw on standby letters of credit for $100,000, which was immediately repaid by the borrower. Most of these commitments are expected to expire without being drawn upon and the total amount does not necessarily represent future cash requirements. The probable liability for losses on standby letters of credit was included in the reserve for losses on unfunded commitments.

The Company has entered into risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which we are a participant. The risk participation agreements provide credit protection to the

financial institution counterparties should the customers fail to perform on their interest rate derivative contracts. The potential liability for outstanding obligations was included in the reserve for losses on unfunded commitments.

[4] ALLOWANCE FOR LOAN LOSSES

Our allowance for loan losses represents our estimate of probable loan losses inherent in the loan portfolio at a specific point in time. This estimate includes losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Additions are made to the allowance through both periodic provisions charged to income and recoveries of losses previously incurred. Reductions to the allowance occur as loans are charged off or when the credit history of any of the three loan portfolios improves. Management evaluates the adequacy of the allowance quarterly, and in doing so relies on various factors including, but not limited to, assessment of historical loss experience, delinquency and non-accrual trends, portfolio growth, underlying collateral coverage and current economic conditions. This evaluation is subjective and requires material estimates that may change over time. The calculation of the allowance for loan losses takes into consideration the inherent risk identified within each of the Company’s three primary loan portfolios, commercial and industrial, commercial real estate and private banking. In addition, management takes into account the historical loss experience of each loan portfolio, to ensure that the resultant allowance for loan losses is sufficient to

cover probable losses inherent in such loan portfolios. Refer to Note 1, Summary of Significant Accounting Policies, for more details on the Company's allowance for loan losses policy.

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

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

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

Middle-Market Banking: Commercial Real Estate Loans. This loan portfolio includes loans secured by commercial purpose real estate, including both owner occupied properties and investment properties for various purposes including office, retail, industrial, multifamily and hospitality. Individual project cash flows as well as global cash flows from the developer are the primary sources of repayment for these loans. Also included are commercial construction loans to finance the construction or renovation of structures as well as to finance the acquisition and development of raw land for various purposes. The increased level of risk of these loans is generally confined to the construction period. If there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal.

The underlying purpose/collateral of the loans is an important indicator of risk for this loan portfolio. Additional risks exist and are dependent on several factors such as the condition of the local/regional economy, whether or not the project is owner occupied, and the type of project and the experience and resources of the developer.

Private Banking Channel Loans. Our private banking lending activities are conducted on a national basis. This loan portfolio includes primarily loans made to high-net-worth individuals and/or trusts and businesses that may be secured by cash, marketable securities, residential property or other financial assets, as well as unsecured loans and lines of credit. The primary sources of repayment for these loans are the income and/or assets of the borrower.

The underlying collateral is the most important indicator of risk for this loan portfolio. In addition, the condition of the local economy and the local housing market can also have a significant impact on this portfolio, since low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Management further assesses risk within each loan portfolio using key inherent risk differentiators. The components of the allowance for loan losses represent estimates based upon ASC Topic 450, Contingencies, and ASC Topic 310, Receivables. ASC Topic 450 applies to homogeneous loan pools such as consumer installment, residential mortgages and consumer lines of credit, as well as commercial loans that are not individually evaluated for impairment under ASC Topic 310. Impaired loans are individually evaluated for impairment under ASC Topic 310.

On a monthly basis, management monitors various credit quality indicators for both the commercial and consumer loan portfolios, including delinquency, non-performing status, changes in risk ratings, changes in the underlying performance of the borrowers and other relevant factors. On a daily basis, the Company prices and monitors the

collateral of non-purpose margin loans secured by cash and marketable securities within the private banking channel. Refer to Note 1, Summary of Significant Accounting Policies, for the Company's policy for determining past due status of loans.

Management continually monitors the loan portfolio through its internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower. Loan risk ratings are reviewed on an ongoing basis according to internal policies. Loans within the pass rating are believed to have a lower risk of loss than loans risk rated as special mention, substandard and doubtful, which are believed to have an increasing risk of loss.

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

Non-Rated – Loans to individuals and trusts are not individually risk rated, unless they are fully secured by liquid assets or cash, or have an exposure of $250,000 or greater and have certain actionable covenants, such as a liquidity covenant or a financial reporting covenant. In addition, commercial loans with an exposure of less than $500,000 are not required to be individually risk rated. Any loan, regardless of size, is risk rated if it is secured by marketable securities or if it becomes a criticized loan. The majority of the private banking loans

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that are not risk rated are residential mortgages and home equity loans. We monitor the performance of non-rated loans through ongoing reviews of payment delinquencies. These loans comprised 3.3% and 4.3% of the total loan portfolio, as of June 30, 2015 and December 31, 2014, respectively. For loans that are not risk-rated, the most important indicators of risk are the existence of collateral, the type of collateral and for consumer real estate loans, whether the Bank has a first or second lien position.

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

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

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

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

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

	June 30, 2015			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Non-rated	$—	$—	$84,862	$84,862
Pass	583,481	805,967	1,027,565	2,417,013
Special mention	14,660	—	—	14,660
Substandard	28,486	2,912	1,915	33,313
Doubtful	4,495	—	—	4,495
Loans held-for-investment	$631,122	$808,879	$1,114,342	$2,554,343

	December 31, 2014			
(Dollars in thousands)	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Non-rated	$129	$—	$104,228	$104,357
Pass	617,396	729,066	881,235	2,227,697
Special mention	26,105	693	1,667	28,465
Substandard	28,916	3,498	2,172	34,586
Doubtful	4,947	—	—	4,947
Loans held-for-investment	$677,493	$733,257	$989,302	$2,400,052

Changes in the allowance for loan losses were as follows for the three months ended June 30, 2015 and 2014:

	Three Months Ended June 30, 2015			
(Dollars in thousands)	Commercial and	Commercial Real Estate	Private Banking	Total

	Industrial			
Balance, beginning of period	$14,191	$4,973	$2,041	$21,205
Provision (credit) for loan losses	426	(224)	(17)	185
Charge-offs	—	—	—	—
Recoveries	4	—	13	17
Balance, end of period	$14,621	$4,749	$2,037	$21,407

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(Dollars in thousands)	Three Months Ended June 30, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$12,851	$3,920	$1,981	$18,752
Provision for loan losses	8,647	368	94	9,109
Charge-offs	(5,505)	—	—	(5,505)
Recoveries	466	—	—	466
Balance, end of period	$16,459	$4,288	$2,075	$22,822

There were no charge-offs and there were recoveries of $17,000 on two C&I loans and one private banking loan for the three months ended June 30, 2015. Charge-offs of $5.5 million for the three months ended June 30, 2014, included two C&I loans and there was a recovery of $466,000 on one C&I loan.

Changes in the allowance for loan losses were as follows for the six months ended June 30, 2015 and 2014:

(Dollars in thousands)	Six Months Ended June 30, 2015 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$13,501	$4,755	$2,017	$20,273
Provision (credit) for loan losses	1,109	(6)	7	1,110
Charge-offs	—	—	—	—
Recoveries	11	—	13	24
Balance, end of period	$14,621	$4,749	$2,037	$21,407

(Dollars in thousands)	Six Months Ended June 30, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Balance, beginning of period	$11,881	$5,104	$2,011	$18,996
Provision (credit) for loan losses	10,469	(816)	64	9,717
Charge-offs	(6,357)	—	—	(6,357)
Recoveries	466	—	—	466
Balance, end of period	$16,459	$4,288	$2,075	$22,822

There were no charge-offs and there were recoveries of $24,000 on three C&I loans and one private banking loan for the six months ended June 30, 2015. Charge-offs of $6.4 million for the six months ended June 30, 2014, included three C&I loans and there was a recovery of $466,000 on one C&I loan.

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

(Dollars in thousands)	June 30, 2015 30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current	Total
Commercial and industrial	$—	$3,270	$1,365	$4,635	$626,487	$631,122
Commercial real estate	—	—	2,912	2,912	805,967	808,879
Private banking	—	610	1,202	1,812	1,112,530	1,114,342
Loans held-for-investment	$—	$3,880	$5,479	$9,359	$2,544,984	$2,554,343

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(Dollars in thousands)	December 31, 2014 30-59 Days Past Due	60-89 Days Past Due	Loans Past Due 90 Days or More	Total Past Due	Current	Total
Commercial and industrial	$547	$524	$263	$1,334	$676,159	$677,493
Commercial real estate	—	—	3,498	3,498	729,759	733,257
Private banking	—	1,775	109	1,884	987,418	989,302
Loans held-for-investment	$547	$2,299	$3,870	$6,716	$2,393,336	$2,400,052

Non-Performing and Impaired Loans

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

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

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

(Dollars in thousands)	As of and for the Six Months Ended June 30, 2015 Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial and industrial	$16,175	$19,889	$7,078	$16,246	$—
Commercial real estate	—	—	—	—	—
Private banking	610	711	610	635	—
Total with a related allowance recorded	16,785	20,600	7,688	16,881	—
Without a related allowance recorded:					
Commercial and industrial	4,625	8,236	—	5,332	15
Commercial real estate	2,912	9,067	—	3,108	—
Private banking	1,202	1,448	—	1,202	—
Total without a related allowance recorded	8,739	18,751	—	9,642	15
Total:					
Commercial and industrial	20,800	28,125	7,078	21,578	15
Commercial real estate	2,912	9,067	—	3,108	—
Private banking	1,812	2,159	610	1,837	—
Total	$25,524	$39,351	$7,688	$26,523	$15

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(Dollars in thousands)	As of and for the Twelve Months Ended December 31, 2014				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With a related allowance recorded:					
Commercial and industrial	$24,402	$34,459	$4,902	$27,014	$—
Commercial real estate	—	—	—	—	—
Private banking	681	767	681	746	—
Total with a related allowance recorded	25,083	35,226	5,583	27,760	—
Without a related allowance recorded:					
Commercial and industrial	791	2,013	—	953	27
Commercial real estate	3,498	9,705	—	3,498	—
Private banking	1,388	1,632	—	1,444	—
Total without a related allowance recorded	5,677	13,350	—	5,895	27
Total:					
Commercial and industrial	25,193	36,472	4,902	27,967	27
Commercial real estate	3,498	9,705	—	3,498	—
Private banking	2,069	2,399	681	2,190	—
Total	$30,760	$48,576	$5,583	$33,655	$27

Impaired loans as of June 30, 2015 and December 31, 2014, were $25.5 million and $30.8 million, respectively. There was no interest income recognized on these loans for the six months ended June 30, 2015, and the twelve months ended December 31, 2014, while these loans were on non-accrual status. As of June 30, 2015 and December 31, 2014, there were no loans 90 days or more past due and still accruing interest income.

Impaired loans were evaluated using the fair value of the collateral as the measurement method or an evaluation of estimated losses, based on a discounted cash flow method, for non-collateral dependent loans. Based on those evaluations, as of June 30, 2015, there were specific reserves totaling $7.7 million, which were included in the $21.4 million allowance for loan losses. Also included in impaired loans were three C&I loans, one CRE loan and two private banking loans with a combined balance of $8.7 million as of June 30, 2015, with no corresponding specific reserve since these loans had a net realizable value which management believes will be recovered from the borrower.

As of December 31, 2014, there were specific reserves totaling $5.6 million, which were included in the $20.3 million allowance for loan losses. Also included in impaired loans were two C&I loans, two CRE loans and three private banking loans with a combined balance of $5.7 million as of December 31, 2014, with no corresponding specific reserve since these loans had a net realizable value which management believes will be recovered from the borrower.

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

(Dollars in thousands)	June 30, 2015			
	Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Allowance for loan losses:				
Individually evaluated for impairment	$7,078	$—	$610	$7,688
Collectively evaluated for impairment	7,543	4,749	1,427	13,719
Total allowance for loan losses	$14,621	$4,749	$2,037	$21,407
Loans held-for-investment:				
Individually evaluated for impairment	$16,716	$2,912	$1,812	$21,440
Collectively evaluated for impairment	614,406	805,967	1,112,530	2,532,903

Loans held-for-investment	$631,122	$808,879	$1,114,342	$2,554,343

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(Dollars in thousands)	December 31, 2014 Commercial and Industrial	Commercial Real Estate	Private Banking	Total
Allowance for loan losses:				
Individually evaluated for impairment	$4,902	$—	$681	$5,583
Collectively evaluated for impairment	8,599	4,755	1,336	14,690
Total allowance for loan losses	$13,501	$4,755	$2,017	$20,273
Loans held-for-investment:				
Individually evaluated for impairment	$25,193	$3,498	$2,069	$30,760
Collectively evaluated for impairment	652,300	729,759	987,233	2,369,292
Loans held-for-investment	$677,493	$733,257	$989,302	$2,400,052

Troubled Debt Restructuring

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

(Dollars in thousands)	June 30, 2015	December 31, 2014
Aggregate recorded investment of impaired loans with terms modified through a troubled debt restructuring:		
Performing loans accruing interest	$546	$528
Non-accrual loans	21,347	14,107
Total troubled debt restructurings	$21,893	$14,635

Of the non-accrual loans as of June 30, 2015, five C&I loans and one residential mortgage loans were designated by the Company as TDRs. There was also one C&I loan that was still accruing interest and designated by the Company as a performing TDR as of June 30, 2015. The aggregate recorded investment of these loans was $21.9 million. There were unused commitments of $1.4 million on these loans as of June 30, 2015, of which $39,000 was related to an accruing TDR.

Of the non-accrual loans as of December 31, 2014, three C&I loans, one CRE loan and two residential mortgage loans were designated by the Company as TDRs. There was also one C&I loan that was still accruing interest and designated by the Company as a performing TDR as of December 31, 2014. The aggregate net carrying value of these loans was $14.6 million. There were unused commitments of $175,000 on these loans as of December 31, 2014, of which $54,000 was related to an accruing TDR.

The modifications made to restructured loans typically consist of an extension or reduction of the payment terms, or the deferral of principal payments. There were two loans totaling $5.6 million that were modified as a TDR within twelve months of the corresponding balance sheet date with a payment default during the six months ended June 30, 2015. These loans were already on non-accrual status and fully secured or adequately reserved as of June 30, 2015. There were no payment defaults during the six months ended June 30, 2014, for loans modified as TDRs within twelve months of the corresponding balance sheet date.

The financial effects of modifications made to loans designated as TDRs during the three and six months ended June 30, 2015 and 2014, were as follows:

(Dollars in thousands)	Three Months Ended June 30, 2015 Count	Recorded Investment at	Current Recorded	Allowance for Loan Losses	Current Allowance

		the time of Modification	Investment	at the time of Modification	for Loan Losses
Commercial and industrial:					
Change in interest terms	1	$4,064	$4,021	$400	$—
Total	1	$4,064	$4,021	$400	$—

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(Dollars in thousands)	Three Months Ended June 30, 2014 Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Loan Losses at the time of Modification	Current Allowance for Loan Losses
Commercial and industrial:					
Extended term, advanced additional funds, forgave principal	1	$5,218	$4,710	$1,968	$1,120
Private Banking:					
Extended term, reduced interest rate	1	1,266	1,110	100	—
Total	2	$6,484	$5,820	$2,068	$1,120

(Dollars in thousands)	Six Months Ended June 30, 2015 Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Loan Losses at the time of Modification	Current Allowance for Loan Losses
Commercial and industrial:					
Change in interest terms	1	$4,064	$4,021	$400	$—
Extended term and deferred principal	1	433	—	433	—
Deferred principal	2	6,849	4,495	1,500	3,353
Total	4	$11,346	$8,516	$2,333	$3,353

(Dollars in thousands)	Six Months Ended June 30, 2014 Count	Recorded Investment at the time of Modification	Current Recorded Investment	Allowance for Loan Losses at the time of Modification	Current Allowance for Loan Losses
Commercial and industrial:					
Extended term, advanced additional funds, forgave principal	1	$5,218	$4,710	$1,968	$1,120
Private Banking:					
Extended term, reduced interest rate	1	1,266	1,110	100	—
Total	2	$6,484	$5,820	$2,068	$1,120

Other Real Estate Owned

During the six months ended June 30, 2015, we acquired a property related to an impaired loan for $396,000 based on the appraised value, less estimated selling costs. As of June 30, 2015 and December 31, 2014, the balance of the other real estate owned portfolio was $1.8 million and $1.4 million, respectively.

[5] DEPOSITS

	Interest Rate Range as of	Weighted Average Interest Rate as of		Balance as of	
(Dollars in thousands)	June 30, 2015	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Demand and savings accounts:					
Noninterest-bearing checking accounts	—	—	—	$149,081	$177,606

Interest-bearing checking accounts	0.05 to 0.50%	0.41	% 0.42	%	94,264	75,679
Money market deposit accounts	0.05 to 1.10%	0.40	% 0.39	%	1,428,907	1,244,921
Total demand and savings accounts					1,672,252	1,498,206
Time deposits	0.05 to 1.39%	0.72	% 0.69	%	878,443	838,747
Total deposit balance					$2,550,695	$2,336,953
Average rate paid on interest-bearing accounts		0.52	% 0.51	%		

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As of June 30, 2015 and December 31, 2014, the Bank had total brokered deposits of $1.0 billion and $882.6 million, respectively. The amount for brokered deposits includes reciprocal Certificate of Deposit Account Registry Service® ("CDARS®") and reciprocal Insured Cash Sweep® ("ICS®") accounts totaling $471.9 million and $419.1 million as of June 30, 2015 and December 31, 2014, respectively.

As of June 30, 2015 and December 31, 2014, time deposits with balances of $100,000 or more, excluding brokered certificates of deposit, amounted to $406.6 million and $376.6 million, respectively.

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

(Dollars in thousands)	June 30, 2015	December 31, 2014
12 months or less	$639,072	$722,752
12 months to 24 months	174,764	111,865
24 months to 36 months	64,607	4,130
36 months to 48 months	—	—
48 months to 60 months	—	—
Over 60 months	—	—
Total	$878,443	$838,747

Interest expense on deposits is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2015	2014	2015	2014
Interest-bearing checking accounts	$99	$27	$219	$33
Money market deposit accounts	1,336	1,075	2,556	1,955
Time deposits	1,741	1,590	3,293	3,129
Total interest expense on deposits	$3,176	$2,692	$6,068	$5,117

[6] BORROWINGS

As of June 30, 2015 and December 31, 2014, borrowings were comprised of the following:

	June 30, 2015			December 31, 2014		
(Dollars in thousands)	Interest Rate	Ending Balance	Maturity Date	Interest Rate	Ending Balance	Maturity Date
FHLB borrowings:						
Issued 6/30/2015	0.36 %	$65,000	7/1/2015		$—	
Issued 4/7/2014		—		0.34 %	25,000	4/7/2015
Issued 4/7/2014		—		0.38 %	25,000	6/8/2015
Issued 4/7/2014	0.44 %	25,000	9/8/2015	0.44 %	25,000	9/8/2015
Issued 5/5/2014		—		0.33 %	25,000	2/5/2015
Issued 12/31/2014		—		0.27 %	30,000	1/2/2015
Subordinated notes payable	5.75 %	35,000	7/1/2019	5.75 %	35,000	7/1/2019
Total		$125,000			$165,000	

In June 2014, we completed a private placement of subordinated notes payable, raising $35.0 million. The subordinated notes have a term of 5 years at a fixed rate of 5.75%. The proceeds qualified as Tier 2 capital for the holding company, under federal regulatory capital rules.

The Bank's borrowing capacity is based on the collateral value of certain securities held in safekeeping at the FHLB and loans pledged to the FHLB. The Bank submits a quarterly Qualified Collateral Report ("QCR") to the FHLB to

update the value of the loans pledged. As of June 30, 2015, the Bank's borrowing capacity is based on the information provided in the March 31, 2015, QCR filing. As of June 30, 2015, the Bank had securities held in safekeeping at the FHLB with a fair value of $7.2 million, combined with pledged loans of $648.4 million, for a total borrowing capacity of $370.9 million, net of $90.0 million outstanding in advances from the FHLB as reflected in the table above. As of December 31, 2014, there was $130.0 million outstanding in advances from the FHLB. When the Bank borrows from the FHLB, interest is charged at the FHLB's posted rates at the time of the borrowing.

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The Bank maintains an unsecured line of credit of $10.0 million with M&T Bank and an unsecured line of credit of $20.0 million with Texas Capital Bank. As of June 30, 2015, the full amount of these established lines were available to the Bank.

[7] REGULATORY CAPITAL

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the tables below) of Common Equity Tier 1 ("CET 1"), Tier 1 and Total risk-based capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). As of June 30, 2015, TriState Capital Holdings, Inc. and TriState Capital Bank exceeded all capital adequacy requirements to which they are subject.

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

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. The overall net impact of applying Basel III regulatory rules to the Company and the Bank was an increase to the risk-based capital ratios effective January 1, 2015. This increase resulted primarily from the reduced risk-weighted capital treatment for certain of the Bank's private banking channel non-purpose margin loans, which are over-collateralized by liquid and marketable securities that are priced and monitored daily.

The following tables set forth certain information concerning the Company’s and the Bank’s regulatory capital as of June 30, 2015 and December 31, 2014:

	June 30, 2015		
	Actual	For Capital Adequacy Purposes	To be Well Capitalized Under Prompt Corrective Action Provisions
(Dollars in thousands)	Amount		