

TriState Capital Holdings, Inc.
Form 10-Q
July 31, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the period ended June 30, 2017

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.

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).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated

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filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a
smaller reporting Emerging growth company
company)

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

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 14, 2017, there were 28,665,726 shares of the registrant's common stock, no par value, outstanding.

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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, 2017	December 31, 2016
ASSETS		
Cash	\$378	\$ 183
Interest-earning deposits with other institutions	115,363	96,244
Federal funds sold	3,974	7,567
Cash and cash equivalents	119,715	103,994
Investment securities available-for-sale, at fair value (cost: \$141,056 and \$175,158, respectively)	141,922	174,892
Investment securities held-to-maturity, at cost (fair value: \$62,445 and \$54,498, respectively)	61,336	53,940
Federal Home Loan Bank stock	18,151	9,641
Total investment securities	221,409	238,473
Loans held-for-investment	3,771,312	3,401,054
Allowance for loan losses	(15,968)	(18,762)
Loans held-for-investment, net	3,755,344	3,382,292
Accrued interest receivable	10,607	9,614
Investment management fees receivable, net	7,418	7,749
Goodwill and other intangibles, net	66,283	67,209
Office properties and equipment, net	5,249	5,471
Bank owned life insurance	65,714	64,815
Deferred tax asset, net	6,344	7,204
Prepaid expenses and other assets	49,752	43,636
Total assets	\$4,307,835	\$3,930,457
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$3,529,868	\$3,286,779
Borrowings, net	363,612	239,510
Accrued interest payable on deposits and borrowings	1,919	1,867
Other accrued expenses and other liabilities	44,797	50,494
Total liabilities	3,940,196	3,578,650
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 - 30,215,058 and 29,790,383, respectively;	287,936	285,480
Shares outstanding - 28,665,726 and 28,415,654, respectively		
Additional paid-in capital	7,808	6,782
Retained earnings	89,657	73,744

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Accumulated other comprehensive income, net	1,387	830
Treasury stock (1,549,332 and 1,374,729 shares, respectively)	(19,149)(15,029
Total shareholders' equity	367,639	351,807
Total liabilities and shareholders' equity	\$4,307,835	\$3,930,457

See accompanying notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)	Three Months		Six Months	
	Ended June 30, 2017	2016	Ended June 30, 2017	2016
Interest income:				
Loans	\$30,242	\$22,343	\$57,261	\$44,320
Investments	1,535	1,312	3,005	2,557
Interest-earning deposits	338	140	586	278
Total interest income	32,115	23,795	60,852	47,155
Interest expense:				
Deposits	8,496	4,603	15,209	8,741
Borrowings	1,586	973	2,694	1,818
Total interest expense	10,082	5,576	17,903	10,559
Net interest income	22,033	18,219	42,949	36,596
Provision for loan losses	516	80	759	202
Net interest income after provision for loan losses	21,517	18,139	42,190	36,394
Non-interest income:				
Investment management fees	9,130	9,462	18,470	16,481
Service charges	97	123	191	259
Net gain on the sale and call of investment securities	241	62	239	63
Swap fees	1,218	1,205	2,317	2,445
Commitment and other fees	409	507	817	1,009
Other income	617	88	1,087	105
Total non-interest income	11,712	11,447	23,121	20,362
Non-interest expense:				
Compensation and employee benefits	14,222	12,807	28,115	24,740
Premises and occupancy costs	1,240	1,169	2,506	2,298
Professional fees	823	989	1,674	1,790
FDIC insurance expense	1,000	568	1,953	1,090
General insurance expense	259	265	560	510
State capital shares tax	398	328	750	657
Travel and entertainment expense	747	845	1,362	1,422
Intangible amortization expense	462	438	925	828
Other operating expenses	2,633	2,048	5,097	4,128
Total non-interest expense	21,784	19,457	42,942	37,463
Income before tax	11,445	10,129	22,369	19,293
Income tax expense	3,024	3,356	6,456	6,677
Net income	\$8,421	\$6,773	\$15,913	\$12,616
Earnings per common share:				
Basic	\$0.31	\$0.25	\$0.58	\$0.46
Diluted	\$0.29	\$0.24	\$0.55	\$0.45

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

(Dollars in thousands)	Three Months		Six Months Ended	
	Ended June 30, 2017	2016	June 30, 2017	2016
Net income	\$8,421	\$6,773	\$15,913	\$12,616
Other comprehensive income:				
Unrealized holding gains on investment securities, net of tax expense of \$394, \$605, \$509 and \$279	707	1,085	890	434
Reclassification adjustment for gains included in net income on investment securities, net of tax expense of (\$86), (\$5), (\$85) and (\$6)	(155)	(11)	(154)	(11)
Unrealized holding losses on derivatives, net of tax benefit of (\$87), \$(31), (\$56) and \$(31)	(155)	(56)	(100)	(56)
Reclassification adjustment for gains included in net income on derivatives, net of tax expense of \$(29), \$0, \$(44) and \$0	(52)	—	(79)	—
Other comprehensive income	345	1,018	557	367
Total comprehensive income	\$8,766	\$7,791	\$16,470	\$12,983

See accompanying notes to unaudited condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Dollars in thousands)	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), net	Treasury Stock	Total Shareholders' Equity	
Balance, December 31, 2015	\$281,412	\$ 10,809	\$ 45,103	\$ (1,443) \$(9,904)\$ 325,977	
Net income	—	—	12,616	—	—	12,616	
Other comprehensive income	—	—	—	367	—	367	
Exercise of stock options	296	(82) —	—	—	214	
Purchase of treasury stock	—	—	—	—	(3,177) (3,177)
Stock-based compensation	—	1,697	—	—	—	1,697	
Balance, June 30, 2016	\$281,708	\$ 12,424	\$ 57,719	\$ (1,076) \$(13,081)	\$ 337,694	
Balance, December 31, 2016	\$285,480	\$ 6,782	\$ 73,744	\$ 830	\$(15,029)	\$ 351,807	
Net income	—	—	15,913	—	—	15,913	
Other comprehensive income	—	—	—	557	—	557	
Exercise of stock options	2,456	(1,504) —	—	—	952	
Purchase of treasury stock	—	—	—	—	(4,120) (4,120)
Stock-based compensation	—	2,530	—	—	—	2,530	
Balance, June 30, 2017	\$287,936	\$ 7,808	\$ 89,657	\$ 1,387	\$(19,149)	\$ 367,639	

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,
2017

(Dollars in thousands)

Cash Flows from Operating Activities: