

BRYN MAWR BANK CORP
Form 10-Q
November 07, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For Quarter ended September 30, 2014

Commission File Number 1-35746

Bryn Mawr Bank Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

23-2434506
(I.R.S. Employer

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

incorporation or organization)

identification No.)

801 Lancaster Avenue, Bryn Mawr, Pennsylvania
(Address of principal executive offices)

19010
(Zip Code)

Registrant's telephone number, including area code (610) 525-1700

Not Applicable

Former name, former address and fiscal year, if changed since last report.

Indicate by checkmark whether the registrant (1) has filed all reports 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 of this chapter) 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Indicate the number of shares outstanding of each of the issuer's class of common stock, as of the latest practicable date.

Class	Outstanding at November 4, 2014
Common Stock, par value \$1	13,732,297

Table of Contents

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED September 30, 2014

Index

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

Consolidated Financial Statements Page 3

Notes to Consolidated Financial Statements Page 8

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Page 36

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk Page 52

ITEM 4. Controls and Procedures Page 52

PART II - OTHER INFORMATION Page 52

ITEM 1. Legal Proceedings Page 52

ITEM 1A. Risk Factors Page 52

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds Page 53

ITEM 3. Defaults Upon Senior Securities Page 53

ITEM 4. Mine Safety Disclosures Page 54

ITEM 5. Other Information Page 54

ITEM 6. Exhibits Page 54

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets - Unaudited**

<i>(dollars in thousands)</i>	(unaudited) September 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 11,312	\$ 13,453
Interest bearing deposits with banks	56,253	67,618
Cash and cash equivalents	67,565	81,071
Investment securities available for sale, at fair value (amortized cost of \$264,224 and \$287,127 as of September 30, 2014 and December 31, 2013 respectively)	265,939	285,808
Investment securities, trading	3,803	3,437
Loans held for sale	1,375	1,350
Portfolio loans and leases	1,645,238	1,547,185
Less: Allowance for loan and lease losses	(15,599)	(15,515)
Net portfolio loans and leases	1,629,639	1,531,670
Premises and equipment, net	32,733	31,796
Accrued interest receivable	5,661	5,728
Deferred income taxes	5,786	8,690
Mortgage servicing rights	4,796	4,750
Bank owned life insurance	20,451	20,220
Federal Home Loan Bank stock	12,889	11,654
Goodwill	32,843	32,843
Intangible assets	17,459	19,365
Other investments	4,592	4,437
Other assets	18,351	18,846
Total assets	\$ 2,123,882	\$ 2,061,665
Liabilities		
Deposits:		
Non-interest-bearing	\$ 438,221	\$ 426,640
Interest-bearing	1,172,111	1,164,707
Total deposits	1,610,332	1,591,347
Short-term borrowings	13,980	10,891
FHLB advances and other borrowings	230,574	205,644
Accrued interest payable	874	841
Other liabilities	20,513	23,044
Total liabilities	1,876,273	1,831,767

Shareholders equity

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Common stock, par value \$1; authorized 100,000,000 shares; issued 16,702,510 and 16,596,869 shares as of September 30, 2014 and December 31, 2013, respectively, and outstanding of 13,730,581 and 13,650,354 as of September 30, 2014 and December 31, 2013, respectively	16,703	16,597
Paid-in capital in excess of par value	99,266	95,673
Less: Common stock in treasury at cost - 2,971,929 and 2,946,515 shares as of September 30, 2014 and December 31, 2013, respectively	(31,615)	(30,764)
Accumulated other comprehensive loss, net of tax benefit	(3,931)	(5,565)
Retained earnings	167,186	153,957
Total shareholders' equity	247,609	229,898
Total liabilities and shareholders' equity	\$ 2,123,882	\$ 2,061,665

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Income - Unaudited**

Three Months Ended September 30, 2014 **2013** **Nine Months Ended September 30, 2014** **2013**

(dollars in thousands, except per share data)

	2014	2013	2014	2013
Interest income:				
Interest and fees on loans and leases	\$ 19,710	\$ 18,697	\$ 58,628	\$ 54,728
Interest on cash and cash equivalents	46	21	127	131
Interest on investment securities:				
Taxable	863	967	2,705	2,653
Non-taxable	100	107	304	289
Dividends	30	28	87	91
Total interest income	20,749	19,820	61,851	57,892
Interest expense on:				
Deposits	742	639	2,144	2,109
Short-term borrowings	3	5	12	12
FHLB advances and other borrowings	828	643	2,354	1,906
Total interest expense	1,573	1,287	4,510	4,027
Net interest income	19,176	18,533	57,341	53,865
Provision for loan and lease losses	550	959	1,200	2,763
Net interest income after provision for loan and lease losses	18,626	17,574	56,141	51,102
Non-interest income:				
Fees for wealth management services	9,099	8,635	27,511	26,078
Service charges on deposits	663	627	1,920	1,807
Loan servicing and other fees	431	481	1,305	1,380
Net gain on sale of residential mortgage loans	440	578	1,301	3,588
Net gain on sale of investment securities available for sale			81	2
Net (loss) gain on sale of other real estate owned (OREO)	(49)	(1)	171	(194)
Bank owned life insurance (BOLI) income	76	72	231	270
Other operating income	883	995	2,919	3,189
Total non-interest income	11,543	11,387	35,439	36,120
Non-interest expenses:				
Salaries and wages	9,110	9,012	27,244	26,908
Employee benefits	1,652	1,896	5,440	6,433
Net gain on curtailment of nonqualified pension plan				(690)
Occupancy and bank premises	1,881	1,646	5,497	5,124
Furniture, fixtures, and equipment	1,078	920	3,150	2,960
Advertising	310	302	1,104	1,095
Amortization of mortgage servicing rights	128	187	371	617
Net (recovery) impairment of mortgage servicing rights	(3)	33	(14)	13
Amortization of intangible assets	633	658	1,906	1,978
FDIC insurance	265	271	778	804
Due diligence and merger-related expenses	775	328	1,416	1,730
Early extinguishment of debt - costs and premiums				347
Professional fees	701	636	2,208	1,875
Pennsylvania bank shares tax	412	139	1,192	669

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Other operating expenses	3,019	3,295	9,194	10,219
Total non-interest expenses	19,961	19,323	59,486	60,082
Income before income taxes	10,208	9,638	32,094	27,140
Income tax expense	3,702	3,237	11,295	9,167
Net income	\$ 6,506	\$ 6,401	\$ 20,799	\$ 17,973
Basic earnings per common share	\$ 0.48	\$ 0.48	\$ 1.54	\$ 1.35
Diluted earnings per common share	\$ 0.47	\$ 0.47	\$ 1.50	\$ 1.33
Dividends declared per share	\$ 0.19	\$ 0.17	\$ 0.55	\$ 0.51
Weighted-average basic shares outstanding	13,600,348	13,336,799	13,539,327	13,274,801
Dilutive shares	272,516	275,343	294,114	244,302
Adjusted weighted-average diluted shares	13,872,864	13,612,142	13,833,441	13,519,103

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Comprehensive Income - Unaudited**

<i>(dollars in thousands)</i>	Three Months Ended September 30,		2014		2013			
	\$	6,506	\$	6,401	\$	20,799	\$	17,973
Net income								
Other comprehensive income (loss):								
Net change in unrealized gains (losses) on investment securities available for sale:								
Net unrealized (losses) gains arising during the period, net of tax (benefit) expense of \$(227), \$26, \$1,090 and \$(1,742), respectively		(421)		50		2,025		(3,236)
Reclassification adjustment for net (gains) losses on sales realized in net income, net of tax expense (benefit) of \$0, \$0, \$28 and \$1, respectively						(53)		(1)
Unrealized investment (losses) gains, net of tax (benefit) expense of \$(227), \$26, \$1,062 and \$(1,743), respectively		(421)		50		1,972		(3,237)
Net change in fair value of derivative used for cash flow hedge:								
Change in fair value of hedging instruments, net of tax (benefit) expense of \$(4), \$0, \$(257) and \$324, respectively		(8)				(477)		601
Net change in unfunded pension liability:								
Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax expense of \$25, \$133, \$74 and \$399, respectively		46		246		139		741
Change in unfunded pension liability related to curtailment, net of tax expense of \$0, \$0, \$0 and \$627, respectively								1,164
Total change in unfunded pension liability, net of tax expense of \$25, \$133, \$74 and \$1,026 respectively		46		246		139		1,905
Total other comprehensive (loss) income		(383)		296		1,634		(731)
Total comprehensive income	\$	6,123	\$	6,697	\$	22,433	\$	17,242

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows - Unaudited**

<i>(dollars in thousands)</i>	Nine Months Ended September 30,	
	2014	2013
Operating activities:		
Net Income	\$ 20,799	\$ 17,973
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	1,200	2,763
Depreciation of fixed assets	2,401	2,108
Net amortization of investment premiums and discounts	1,786	3,253
Net gain on sale of investment securities available for sale	(81)	(2)
Net gain on sale of residential mortgage loans	(1,301)	(3,588)
Stock based compensation cost	911	615
Amortization and net impairment of mortgage servicing rights	357	630
Net accretion of fair value adjustments	(2,244)	(2,560)
Amortization of intangible assets	1,906	1,978
Net (gain) loss on sale of OREO	(171)	194
Net increase in cash surrender value of bank owned life insurance (BOLI)	(231)	(270)
Other, net	(2,454)	798
Loans originated for resale	(41,192)	(113,800)
Proceeds from loans sold	42,065	118,633
Provision for deferred income taxes	2,025	795
Change in income taxes payable/receivable	(451)	1,143
Change in accrued interest receivable	67	252
Change in accrued interest payable	33	(391)
 Net cash provided by operating activities	 25,425	 30,524
Investing activities:		
Purchases of investment securities available for sale	(41,647)	(91,977)
Proceeds from maturity of investment securities and paydowns of mortgage-related securities	29,230	48,369
Proceeds from sale of investment securities available for sale	4,165	532
Net change in FHLB stock	(1,235)	(1,829)
Proceeds from calls of investment securities	29,450	31,287
Net change in other investments	(155)	9
Net portfolio loan and lease originations	(98,144)	(102,172)
Purchases of premises and equipment	(3,422)	(2,458)
Capitalize OREO costs		(485)
Proceeds from sale of OREO	1,325	581
 Net cash used in investing activities	 (80,433)	 (118,143)
Financing activities:		
Change in deposits	19,004	(83,726)
Change in short-term borrowings	3,089	66,185
Dividends paid	(7,597)	(6,880)
Change in FHLB advances and other borrowings	25,021	30,450
Payment of contingent consideration for business combinations		(1,050)
Excess tax benefit from stock-based compensation	720	528
Proceeds from sale of treasury stock from deferred compensation plans	79	329
Net purchase of treasury stock	(920)	(453)
Proceeds from issuance of common stock	45	161

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Proceeds from exercise of stock options	2,061	2,550
Net cash provided by financing activities	41,502	8,094
Change in cash and cash equivalents	(13,506)	(79,525)
Cash and cash equivalents at beginning of period	81,071	175,686
Cash and cash equivalents at end of period	\$ 67,565	\$ 96,161

Supplemental cash flow information:

Cash paid during the year for:		
Income taxes	\$ 9,005	\$ 6,703
Interest	4,477	4,418

Non-cash information:

Decrease (increase) in other comprehensive loss	\$ 1,634	\$ (731)
Change in deferred tax due to change in comprehensive income	879	(393)
Transfer of loans to other real estate owned	1,193	637

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Changes In Shareholders Equity - Unaudited**

	For the Nine Months Ended September 30, 2014						
	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity
<i>(dollars in thousands, except per share information)</i>							
Balance December 31, 2013	16,596,869	16,597	95,673	(30,764)	(5,565)	153,957	229,898
Net income						20,799	20,799
Dividends declared, \$0.55 per share						(7,570)	(7,570)
Other comprehensive income, net of tax expense of \$879					1,634		1,634
Stock based compensation			911				911
Tax benefit from stock-based compensation			720				720
Net purchase of treasury stock from stock award and deferred compensation plans			45	(886)			(841)
Issuance costs - S-4 filing			(148)				(148)
Common stock issued:							
Dividend Reinvestment and Stock Purchase Plan	1,602	1	44				45
Share-based awards and options exercises	104,039	105	2,021	35			2,161
Balance September 30, 2014	16,702,510	\$ 16,703	\$ 99,266	\$ (31,615)	\$ (3,931)	\$ 167,186	\$ 247,609

The accompanying notes are an integral part of the unaudited consolidated financial statements.

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Notes to Consolidated Financial Statements****(Unaudited)****Note 1 - Basis of Presentation**

The unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). In the opinion of Bryn Mawr Bank Corporation s (the Corporation) management, all adjustments necessary for a fair presentation of the consolidated financial position and the results of operations for the interim periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Corporation s Annual Report on Form 10-K for the twelve months ended December 31, 2013 (the 2013 Annual Report).

The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year.

Note 2 - Earnings per Common Share

Basic earnings per common share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding during the period. Diluted earnings per common share takes into account the potential dilution computed pursuant to the treasury stock method that could occur if stock options were exercised and converted into common stock, as well as the effect of restricted and performance shares becoming unrestricted common stock. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be anti-dilutive. All weighted average shares, actual shares and per share information in the financial statements have been adjusted retroactively for the effect of stock dividends and splits.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
<i>(dollars in thousands except per share data)</i>				
Numerator:				
Net income available to common shareholders	\$ 6,506	\$ 6,401	\$ 20,799	\$ 17,973
Denominator for basic earnings per share weighted average				
shares outstanding	13,600,348	13,336,799	13,539,327	13,274,801
Effect of dilutive common shares	272,516	275,343	294,114	244,302
Denominator for diluted earnings per share adjusted weighted				
average shares outstanding	13,872,864	13,612,142	13,833,441	13,519,103
Basic earnings per share	\$ 0.48	\$ 0.48	\$ 1.54	\$ 1.35
Diluted earnings per share	\$ 0.47	\$ 0.47	\$ 1.50	\$ 1.33
Antidilutive shares excluded from computation of average dilutive earnings per share				123,882

Note 3 - Investment Securities

The amortized cost and fair value of investment securities available for sale are as follows:

As of September 30, 2014

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 102	\$	\$ (2)	\$ 100
Obligations of U.S. government agency securities	71,443	152	(485)	71,110
Obligations of state & political subdivisions	33,555	188	(48)	33,695
Mortgage-backed securities	104,670	1,815	(262)	106,223
Collateralized mortgage obligations	37,071	316	(277)	37,110
Other investments	17,383	329	(11)	17,701
Total	\$ 264,224	\$ 2,800	\$ (1,085)	\$ 265,939

Table of Contents

As of December 31, 2013

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(dollars in thousands)</i>				
U.S. Treasury securities	\$ 102	\$	\$ (3)	\$ 99
Obligations of the U.S. government and agencies	71,097	149	(1,678)	69,568
Obligations of state and political subdivisions	37,140	141	(304)	36,977
Mortgage-backed securities	119,044	1,392	(1,073)	119,363
Collateralized mortgage obligations	44,463	273	(493)	44,243
Other investments	15,281	301	(24)	15,558
Total	\$ 287,127	\$ 2,256	\$ (3,575)	\$ 285,808

The following tables detail the amount of investment securities available for sale that were in an unrealized loss position as of the dates indicated:

As of September 30, 2014

	Less than 12 Months		12 Months or Longer		Total Fair	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Value	Unrealized Losses
<i>(dollars in thousands)</i>						
U.S. Treasury securities	\$	\$	\$ 100	\$ (2)	\$ 100	\$ (2)
Obligations of the U.S. government and agencies	25,963	(37)	22,550	(448)	48,513	(485)
Obligations of state and political subdivisions	2,070	(7)	4,651	(41)	6,721	(48)
Mortgage-backed securities	15,848	(58)	14,592	(204)	30,440	(262)
Collateralized mortgage obligations	8,067	(58)	9,265	(219)	17,332	(277)
Other investments	769	(11)			769	(11)
Total	\$ 52,717	\$ (171)	\$ 51,158	\$ (914)	\$ 103,875	\$ (1,085)

As of December 31, 2013

	Less than 12 Months		12 Months or Longer		Total Fair	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Value	Unrealized Losses
<i>(dollars in thousands)</i>						
U.S. Treasury securities	\$ 99	\$ (3)	\$	\$	\$ 99	\$ (3)
Obligations of the U.S. government and agencies	41,201	(1,391)	5,774	(287)	46,975	(1,678)
Obligations of state and political subdivisions	13,020	(233)	4,543	(71)	17,563	(304)
Mortgage-backed securities	55,672	(972)	2,302	(101)	57,974	(1,073)
Collateralized mortgage obligations	26,395	(493)			26,395	(493)
Other investments	1,494	(24)			1,494	(24)

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Total	\$ 137,881	\$ (3,116)	\$ 12,619	\$ (459)	\$ 150,500	\$ (3,575)
-------	------------	------------	-----------	----------	------------	------------

Management evaluates the Corporation's investment securities available for sale that are in an unrealized loss position in order to determine if the decline in market value is other than temporary. The available for sale investment portfolio includes debt securities issued by U.S. government agencies, U.S. government-sponsored agencies, state and local municipalities and other issuers. All fixed income investment securities in the Corporation's available for sale investment portfolio are rated as investment grade. Factors considered in the evaluation include the current economic climate, the length of time and the extent to which the fair value has been below cost, interest rates and the bond rating of each security. The unrealized losses presented in the tables above are temporary in nature and are primarily related to market interest rates rather than the underlying credit quality of the issuers. The Corporation does not believe that these unrealized losses are other-than-temporary. The Corporation does not have the intent to sell these securities prior to their maturity or the recovery of their cost bases and believes that it is more likely than not that it will not have to sell these securities prior to their maturity or the recovery of their cost bases.

Table of Contents

As of September 30, 2014 and December 31, 2013, securities having fair values of \$88.2 million and \$94.9 million, respectively, were specifically pledged as collateral for public funds, trust deposits, the Federal Reserve Bank of Philadelphia discount window program, Federal Home Loan Bank of Pittsburgh (FHLB) borrowings and other purposes. The FHLB has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

The amortized cost and fair value of investment securities available for sale as of September 30, 2014 and December 31, 2013, by contractual maturity, are shown below:

	September 30, 2014		December 31, 2013	
	Amortized	Fair	Amortized	Fair
<i>(dollars in thousands)</i>	Cost	Value	Cost	Value
Investment securities ¹ :				
Due in one year or less	\$ 15,719	\$ 15,752	\$ 7,859	\$ 7,869
Due after one year through five years	64,780	64,833	49,790	49,721
Due after five years through ten years	26,501	26,220	51,793	50,117
Due after ten years			797	824
Subtotal	107,000	106,805	110,239	108,531
Mortgage-related securities ²	141,741	143,333	163,507	163,606
Total	\$ 248,741	\$ 250,138	\$ 273,746	\$ 272,137

¹ Included in the investment portfolio, but not in the table above, are mutual funds with a fair value, as of September 30, 2014 and December 31, 2013, of \$15.8 million and \$13.7 million, respectively, which have no stated maturity.

² Expected maturities of mortgage-related securities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

As of September 30, 2014 and December 31, 2013, the Corporation's investment securities held in trading accounts were comprised of a deferred compensation trust which is invested in marketable securities whose diversification is at the discretion of the deferred compensation plan participants.

Note 4 - Loans and Leases**A. Loans and leases outstanding are detailed by category as follows:**

	September 30, 2014	December 31, 2013
Loans held for sale	\$ 1,375	\$ 1,350
Real estate loans:		
Commercial mortgage	\$ 683,558	\$ 625,341
Home equity lines and loans	183,314	189,571
Residential mortgage	314,127	300,243
Construction	59,923	46,369
Total real estate loans	1,240,922	1,161,524
Commercial and industrial	342,524	328,459
Consumer	16,810	16,926

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Leases	44,982	40,276
Total portfolio loans and leases	1,645,238	1,547,185
Total loans and leases	\$ 1,646,613	\$ 1,548,535
Loans with fixed rates	\$ 905,050	\$ 850,168
Loans with adjustable or floating rates	741,563	698,367
Total loans and leases	\$ 1,646,613	\$ 1,548,535
Net deferred loan origination costs included in the above loan table	\$ 176	\$ 222

Table of Contents**B. Components of the net investment in leases are detailed as follows:**

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Minimum lease payments receivable	\$ 51,089	\$ 45,866
Unearned lease income	(8,281)	(7,534)
Initial direct costs and deferred fees	2,174	1,944
 Total	 \$ 44,982	 \$ 40,276

C. Non-Performing Loans and Leases⁽¹⁾

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Non-accrual loans and leases:		
Commercial mortgage	\$ 709	\$ 478
Home equity lines and loans	1,013	1,262
Residential mortgage	3,751	4,377
Construction	263	830
Commercial and industrial	2,570	3,539
Consumer		20
Leases	30	24
 Total	 \$ 8,336	 \$ 10,530

⁽¹⁾ Purchased credit-impaired loans, which have been recorded at their fair values at acquisition, and which are performing, are excluded from this table, with the exception of \$63 thousand and \$238 thousand of purchased credit-impaired loans as of September 30, 2014 and December 31, 2013, respectively, which became non-performing subsequent to acquisition.

D. Purchased Credit-Impaired Loans

The outstanding principal balance and related carrying amount of credit-impaired loans, for which the Corporation applies ASC 310-30, *Accounting for Purchased Loans with Deteriorated Credit Quality*, to account for the interest earned, as of the dates indicated, are as follows:

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Outstanding principal balance	\$ 12,689	\$ 14,293
Carrying amount ⁽¹⁾	\$ 9,045	\$ 9,880

⁽¹⁾ Includes \$106 thousand and \$293 thousand purchased credit-impaired loans as of September 30, 2014 and December 31, 2013, respectively, for which the Corporation could not estimate the timing or amount of expected cash flows to be collected at acquisition, and for which no accretible yield is recognized. Additionally, the table above includes \$63 thousand and \$238 thousand of purchased credit-impaired loans as of September 30, 2014 and December 31, 2013, respectively, which became non-performing subsequent to acquisition, which are disclosed in Note 4C, above, and which also have no accretible yield.

The following table presents changes in the accretible discount on purchased credit-impaired loans, for which the Corporation applies ASC 310-30, for the nine months ended September 30, 2014:

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

<i>(dollars in thousands)</i>	Accrutable Discount
Balance, December 31, 2013	\$ 6,134
Accretion	(1,219)
Reclassifications from nonaccretable difference	930
Additions/adjustments	(123)
Disposals	(2)
Balance, September 30, 2014	\$ 5,720

Table of Contents**E. Age Analysis of Past Due Loans and Leases**

The following tables present an aging of the Corporation's loan and lease portfolio as of the dates indicated:

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases	
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Past Due				Total Past Due
<i>(dollars in thousands)</i>									
As of September 30, 2014									
Commercial mortgage	\$		\$		\$	\$ 682,849	\$ 682,849	\$ 709	\$ 683,558
Home equity lines and loans		443		180		623	181,678	1,013	183,314
Residential mortgage		896		35		931	309,445	3,751	314,127
Construction							59,660	263	59,923
Commercial and industrial		34		136		170	339,784	2,570	342,524
Consumer							16,810		16,810
Leases		2		15		17	44,935	30	44,982
	\$ 1,375	\$ 366	\$	\$	\$ 1,741	\$ 1,635,161	\$ 1,636,902	\$ 8,336	\$ 1,645,238

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases	
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Past Due				Total Past Due
<i>(dollars in thousands)</i>									
As of December 31, 2013									
Commercial mortgage	\$ 241		\$		\$	\$ 241	\$ 624,622	\$ 478	\$ 625,341
Home equity lines and loans		209				209	188,100	1,262	189,571
Residential mortgage		773		35		808	295,058	4,377	300,243
Construction							45,539	830	46,369
Commercial and industrial		334				334	324,586	3,539	328,459
Consumer		2		4		6	16,900	20	16,926
Leases		60		60		120	40,132	24	40,276
	\$ 1,619	\$ 99	\$	\$	\$ 1,718	\$ 1,534,937	\$ 1,536,655	\$ 10,530	\$ 1,547,185

F. Allowance for Loan and Lease Losses (the Allowance)

The following tables detail the roll-forward of the Corporation's Allowance for the three and nine months ended September 30, 2014:

	Home Equity			Commercial and			Leases	Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage	Construction	Industrial	Consumer			
<i>(dollars in thousands)</i>									
Balance, June 30, 2014	\$ 3,831	\$ 2,594	\$ 2,387	\$ 1,000	\$ 4,658	\$ 261	\$ 441	\$ 298	\$ 15,470
Charge-offs	(80)	(95)	(11)		(19)	(42)	(246)		(493)
Recoveries			9		1	7	55		72
Provision for loan and lease losses	169	(340)	(136)	245	458	(43)	199	(2)	550
Balance, September 30, 2014	\$ 3,920	\$ 2,159	\$ 2,249	\$ 1,245	\$ 5,098	\$ 183	\$ 449	\$ 296	\$ 15,599

<i>(dollars in thousands)</i>	Home Equity			Construction	Commercial and			Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage		Industrial	Consumer	Leases		
Balance, December 31, 2013	\$ 3,797	\$ 2,204	\$ 2,446	\$ 845	\$ 5,011	\$ 259	\$ 604	\$ 349	\$ 15,515
Charge-offs	(100)	(538)	(28)		(188)	(113)	(368)		(1,335)
Recoveries	1	2	21		55	13	127		219
Provision for loan and lease losses	222	491	(190)	400	220	24	86	(53)	1,200
Balance September 30, 2014	\$ 3,920	\$ 2,159	\$ 2,249	\$ 1,245	\$ 5,098	\$ 183	\$ 449	\$ 296	\$ 15,599

Table of Contents

The following table details the roll-forward of the Corporation's Allowance for the three and nine months ended September 30, 2013:

<i>(dollars in thousands)</i>	Home Equity			Commercial Construction	Commercial and			Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage		Industrial	Consumer	Leases		
Balance, June 30, 2013	\$ 4,481	\$ 2,109	\$ 1,773	\$ 653	\$ 4,295	\$ 218	\$ 551	\$ 364	\$ 14,444
Charge-offs	(19)	(105)	(203)		(19)	(31)	(124)		(501)
Recoveries		29	5	6	20	3	62		125
Provision for loan and lease losses	20	153	523	9	134	68	82	(30)	959
Balance, September 30, 2013	\$ 4,482	\$ 2,186	\$ 2,098	\$ 668	\$ 4,430	\$ 258	\$ 571	\$ 334	\$ 15,027

<i>(dollars in thousands)</i>	Home Equity			Commercial Construction	Commercial and			Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage		Industrial	Consumer	Leases		
Balance, December 31, 2012	\$ 3,907	\$ 1,857	\$ 2,024	\$ 1,019	\$ 4,637	\$ 189	\$ 493	\$ 299	\$ 14,425
Charge-offs	(19)	(457)	(203)	(720)	(737)	(101)	(258)		(2,495)
Recoveries		29	13	24	64	7	197		334
Provision for loan and lease losses	594	757	264	345	466	163	139	35	2,763
Balance, September 30, 2013	\$ 4,482	\$ 2,186	\$ 2,098	\$ 668	\$ 4,430	\$ 258	\$ 571	\$ 334	\$ 15,027

The following table details the allocation of the Allowance by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of September 30, 2014 and December 31, 2013:

<i>(dollars in thousands)</i>	Home Equity			Commercial Construction	Commercial and			Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage		Industrial	Consumer	Leases		
As of September 30, 2014									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 120	\$ 613	\$	\$ 892	\$ 32	\$	\$	\$ 1,657
Collectively evaluated for impairment	3,916	2,039	1,636	1,245	4,206	151	449	296	13,938
Purchased credit-impaired ⁽¹⁾	4								4
Total	\$ 3,920	\$ 2,159	\$ 2,249	\$ 1,245	\$ 5,098	\$ 183	\$ 449	\$ 296	\$ 15,599
As of December 31, 2013									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 121	\$ 814	\$	\$ 532	\$ 52	\$	\$	\$ 1,519
Collectively evaluated for impairment	3,797	2,083	1,632	845	4,479	207	604	349	13,996
Purchased credit-impaired ⁽¹⁾									
Total	\$ 3,797	\$ 2,204	\$ 2,446	\$ 845	\$ 5,011	\$ 259	\$ 604	\$ 349	\$ 15,515

⁽¹⁾ Purchased credit-impaired loans are evaluated for impairment on an individual basis.

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

The following table details the carrying value for loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of September 30, 2014 and December 31, 2013:

<i>(dollars in thousands)</i>	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Total
As of September 30, 2014								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 646	\$ 1,237	\$ 9,314	\$ 263	\$ 3,650	\$ 33		\$ 15,143
Collectively evaluated for impairment	674,272	182,064	304,784	59,615	338,557	16,777	44,982	1,621,051
Purchased credit-impaired ⁽¹⁾	8,640	13	29	45	317			9,044
Total	\$ 683,558	\$ 183,314	\$ 314,127	\$ 59,923	\$ 342,524	\$ 16,810	\$ 44,982	\$ 1,645,238
As of December 31, 2013								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 236	\$ 1,428	\$ 9,860	\$ 1,172	\$ 4,758	\$ 52		\$ 17,506
Collectively evaluated for impairment	616,077	188,128	290,345	44,715	323,384	16,874	40,276	1,519,799
Purchased credit-impaired ⁽¹⁾	9,028	15	38	482	317			9,880
Total	\$ 625,341	\$ 189,571	\$ 300,243	\$ 46,369	\$ 328,459	\$ 16,926	\$ 40,276	\$ 1,547,185

⁽¹⁾ Purchased credit-impaired loans are evaluated for impairment on an individual basis.

Table of Contents

As part of the process of determining the Allowance for the different segments of the loan and lease portfolio, Management considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by both in-house staff as well as external loan reviewers. The result of these reviews is reflected in the risk grade assigned to each loan. These internally assigned grades are as follows:

Pass Loans considered satisfactory with no indications of deterioration.

Special mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified 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.

In addition, for the remaining segments of the loan and lease portfolio, which include residential mortgage, home equity lines and loans, consumer, and leases, the credit quality indicator used to determine this component of the Allowance is based on performance status.

The following tables detail the carrying value of loans and leases by portfolio segment based on the credit quality indicators used to determine the Allowance as of September 30, 2014 and December 31, 2013:

Credit Risk Profile by Internally Assigned Grade

<i>(dollars in thousands)</i>	Commercial Mortgage		Construction		Commercial and Industrial		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	Pass	\$ 677,136	\$ 620,227	\$ 59,660	\$ 43,812	\$ 335,153	\$ 320,211	\$ 1,071,949
Special Mention	4,789	2,793			1,405	387	6,194	3,180
Substandard	1,633	2,321	263	2,557	5,966	7,861	7,862	12,739
Total	\$ 683,558	\$ 625,341	\$ 59,923	\$ 46,369	\$ 342,524	\$ 328,459	\$ 1,086,005	\$ 1,000,169

Credit Risk Profile by Payment Activity

<i>(dollars in thousands)</i>	Residential Mortgage		Home Equity Lines and Loans		Consumer		Leases		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	Performing	\$ 310,376	\$ 295,866	\$ 182,301	\$ 188,309	\$ 16,810	\$ 16,906	\$ 44,952	\$ 40,252	\$ 554,439
Non-performing	3,751	4,377	1,013	1,262		20	30	24	4,794	5,683
Total	\$ 314,127	\$ 300,243	\$ 183,314	\$ 189,571	\$ 16,810	\$ 16,926	\$ 44,982	\$ 40,276	\$ 559,233	\$ 547,016

G. Troubled Debt Restructurings (TDRs):

The restructuring of a loan is considered a troubled debt restructuring if both of the following conditions are met: (i) the borrower is experiencing financial difficulties, and (ii) the creditor has granted a concession. The most common concessions granted include one or more modifications to the terms of the debt, such as (a) a reduction in the interest rate for the remaining life of the debt, (b) an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, (c) a temporary period of interest-only payments, (d) a reduction in the contractual payment amount for either a short period or remaining term of the loan, and (e) for leases, a reduced lease payment. A less common concession granted is the forgiveness of a portion of the principal.

The determination of whether a borrower is experiencing financial difficulties takes into account not only the current financial condition of the borrower, but also the potential financial condition of the borrower, were a concession not granted. Similarly, the determination of whether a concession has been granted is very subjective in nature. For example, simply extending the term of a loan at its original interest rate or even at a higher interest rate could be interpreted as a concession unless the borrower could readily obtain similar credit terms from a different lender.

Table of Contents

The following table presents the balance of TDRs as of the indicated dates:

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
TDRs included in nonperforming loans and leases	\$ 1,725	\$ 1,699
TDRs in compliance with modified terms	6,913	7,277
Total TDRs	\$ 8,638	\$ 8,976

The following tables present information regarding loan and lease modifications categorized as TDRs for the three and nine months ended September 30, 2014:

For the Three Months Ended September 30, 2014				
<i>(dollars in thousands)</i>	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	
Residential mortgage	1	\$ 79	\$ 79	
Total	1	\$ 79	\$ 79	

For the Nine Months Ended September 30, 2014				
<i>(dollars in thousands)</i>	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	
Residential mortgage	3	\$ 471	\$ 473	
Home equity lines and loans	1	70	70	
Commercial and industrial	1	246	255	
Total	5	\$ 787	\$ 798	

The following tables present information regarding the types of loan and lease modifications made for the three and nine months ended September 30, 2014:

Number of Contracts for the Three Months Ended September 30, 2014						
	Interest Rate Change	Contractual and/or Interest-Only Period	Interest Rate Change and Term Extension	Interest Rate Change and Term Extension	Contractual Payment Reduction (Leases only)	Forgiveness of Interest
Residential mortgage		1				
Total		1				

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

	Number of Contracts for the Nine Months Ended September 30, 2014				
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest-Only Period	Interest Rate Change and/or Contractual Payment Reduction (Leases only) of Forgiveness of Interest
Residential mortgage				3	
Home equity lines and loans		1			
Commercial and industrial				1	
Total		1		4	

During the three and nine months ended September 30, 2014, there were no defaults of loans or leases that had been previously modified to troubled debt restructurings.

Table of Contents**H. Impaired Loans**

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related Allowance and interest income recognized as of the dates or for the periods indicated:

<i>(dollars in thousands)</i>	Recorded Investment ⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the three months ended September 30, 2014						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 272	\$ 360	\$ 120	\$ 360	\$	\$
Residential mortgage	4,766	4,755	613	4,863	38	
Commercial and industrial	3,012	3,213	892	3,250	15	
Consumer	33	33	32	33		
Total	\$ 8,083	\$ 8,361	\$ 1,657	\$ 8,506	\$ 53	\$
Impaired loans without related Allowance ^{(1) (3)} :						
Commercial mortgage	\$ 646	\$ 667	\$	\$ 713	\$	\$
Home equity lines and loans	965	969		1,067	2	
Residential mortgage	4,548	4,873		5,253	29	
Construction	263	1,225		1,316		
Commercial and industrial	638	641		661		
Total	\$ 7,060	\$ 8,375	\$	\$ 9,010	\$ 31	\$
Grand total	\$ 15,143	\$ 16,736	\$ 1,657	\$ 17,516	\$ 84	\$

(1) The table above does not include the recorded investment of \$43 thousand of impaired leases without a related Allowance.

(2) Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.

(3) This table excludes all purchased credit-impaired loans, which are discussed in Note 4D, above.

<i>(dollars in thousands)</i>	Recorded Investment ⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the nine months ended September 30, 2014						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 272	\$ 360	\$ 120	\$ 359	\$ 6	\$
Residential mortgage	4,766	4,755	613	4,774	115	
Commercial and industrial	3,012	3,213	892	3,276	34	
Consumer	33	33	32	33	1	
Total	\$ 8,083	\$ 8,361	\$ 1,657	\$ 8,442	\$ 156	\$
Impaired loans without related Allowance ^{(1) (3)} :						
Commercial mortgage	\$ 646	\$ 667	\$	\$ 716	\$ 18	\$
Home equity lines and loans	965	969		1,075	9	

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Residential mortgage	4,548	4,873	5,235	103
Construction	263	1,225	1,495	
Commercial and industrial	638	641	670	2
Total	\$ 7,060	\$ 8,375	\$ 9,191	\$ 132
Grand total	\$ 15,143	\$ 16,736	\$ 17,633	\$ 288

- (1) *The table above does not include the recorded investment of \$43 thousand of impaired leases without a related Allowance.*
- (2) *Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.*
- (3) *This table excludes all purchased credit-impaired loans, which are discussed in Note 4D, above.*

Table of Contents

<i>(dollars in thousands)</i>	Recorded Investment⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the three months ended September 30, 2013						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 544	\$ 589	\$ 119	\$ 619	\$ 5	\$
Residential mortgage	4,448	4,419	628	4,485	28	
Commercial and industrial	2,586	2,709	544	2,798	21	
Consumer	82	82	56	84	1	
Total	\$ 7,660	\$ 7,799	\$ 1,347	\$ 7,986	\$ 55	\$
Impaired loans without related Allowance ^{(1) (3)} :						
Commercial mortgage	\$ 421	\$ 432	\$	\$ 471	\$	\$
Home equity lines and loans	1,523	1,532		1,631	2	
Residential mortgage	5,091	5,340		5,598	39	
Construction	3,072	4,035		3,824	13	
Commercial and industrial	1,641	1,812		1,817	1	
Total	\$ 11,748	\$ 13,151	\$	\$ 13,341	\$ 55	\$
Grand total	\$ 19,408	\$ 20,950	\$ 1,347	\$ 21,327	\$ 110	\$

(1) The table above does not include the recorded investment of \$62 thousand of impaired leases without a related Allowance.

(2) Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.

(3) This table excludes all purchased credit-impaired loans, which are discussed in Note 5D, above.

<i>(dollars in thousands)</i>	Recorded Investment⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the nine months ended September 30, 2013						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 544	\$ 589	\$ 119	\$ 617	\$ 15	\$
Residential mortgage	4,448	4,419	628	4,408	83	
Commercial and industrial	2,586	2,709	544	2,823	53	
Consumer	82	82	56	86	4	
Total	\$ 7,660	\$ 7,799	\$ 1,347	\$ 7,934	\$ 155	\$
Impaired loans without related Allowance ^{(1) (3)} :						
Commercial mortgage	\$ 421	\$ 432	\$	\$ 471	\$	\$
Home equity lines and loans	1,523	1,532		1,631	2	
Residential mortgage	5,091	5,340		5,598	39	
Construction	3,072	4,035		3,824	13	
Commercial and industrial	1,641	1,812		1,817	1	
Total	\$ 11,748	\$ 13,151	\$	\$ 13,341	\$ 55	\$

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Grand total	\$	19,408	\$	20,950	\$	1,347	\$	21,275	\$	210	\$
-------------	----	--------	----	--------	----	-------	----	--------	----	-----	----

- (1) *The table above does not include the recorded investment of \$62 thousand of impaired leases without a related Allowance.*
- (2) *Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.*
- (3) *This table excludes all purchased credit-impaired loans, which are discussed in Note 5D, above.*

Table of Contents

<i>(dollars in thousands)</i>	Recorded Investment⁽²⁾	Principal Balance	Related Allowance
As of December 31, 2013			
Impaired loans with related allowance:			
Home equity lines and loans	\$ 277	\$ 279	\$ 121
Residential mortgage	5,297	5,312	814
Commercial and industrial	2,985	3,100	532
Consumer	52	54	52
Total	8,611	8,745	1,519
Impaired loans ^{(1),(3)} without related allowance:			
Commercial mortgage	236	237	
Home equity lines and loans	1,151	1,159	
Residential mortgage	4,563	4,911	
Construction	1,172	2,134	
Commercial and industrial	1,773	1,954	
Total	8,895	10,395	
Grand total	\$ 17,506	\$ 19,140	\$ 1,519

⁽¹⁾ The table above does not include the recorded investment of \$63 thousand of impaired leases without a related Allowance.

⁽²⁾ Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.

⁽³⁾ This table excludes all purchased credit-impaired loans, which are discussed in Note 4D, above.

Note 5 Deposits

The following table details the components of deposits:

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Savings accounts	\$ 142,364	\$ 135,240
Interest-bearing checking accounts	256,890	266,787
Market-rate accounts	550,238	544,310
Wholesale non-maturity deposits	41,290	42,936
Wholesale time deposits	60,171	34,640
Time deposits	121,158	140,794
Total interest-bearing deposits	1,172,111	1,164,707
Non-interest-bearing deposits	438,221	426,640
Total deposits	\$ 1,610,332	\$ 1,591,347

Table of Contents**Note 6 - Borrowings****A. Short-term borrowings**

The Corporation's short-term borrowings (original maturity of one year or less), which consist of a revolving line of credit with a correspondent bank, funds obtained from overnight repurchase agreements with commercial customers, FHLB advances with original maturities of one year or less and overnight fed funds, are detailed below.

A summary of short-term borrowings is as follows:

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Overnight fed funds*	\$	\$
Revolving line of credit*		
Short-term FHLB advances*		
Repurchase agreements	13,980	10,891
Total short-term borrowings	\$ 13,980	\$ 10,891

* Although period-end balance is zero, these borrowing types may contribute to the average balance in the table below.

The following table sets forth information concerning short-term borrowings:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance at period-end	\$ 13,980	\$ 75,588	\$ 13,980	\$ 75,588
Maximum amount outstanding at any month-end	28,017	75,588	28,017	75,588
Average balance outstanding during the period	14,074	14,995	14,798	13,455
Weighted-average interest rate:				
As of period-end	0.10%	0.33%	0.10%	0.33%
Paid during the period	0.10%	0.13%	0.11%	0.13%

B. Long-term FHLB Advances and Other Borrowings

The Corporation's long-term FHLB advances and other borrowings consist of advances from the FHLB with original maturities of greater than one year and an adjustable-rate commercial loan from a correspondent bank.

The following table presents the remaining periods until maturity of the long-term FHLB advances and other borrowings:

<i>(dollars in thousands)</i>	September 30, 2014	December 31, 2013
Within one year	\$ 25,932	\$ 3,917
Over one year through five years	199,642	196,727
Over five years through ten years	5,000	5,000
Total	\$ 230,574	\$ 205,644

The following table presents rate and maturity information on long-term FHLB advances and other borrowings:

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

(dollars in thousands)

Description	Maturity Range ⁽¹⁾		Weighted Average Rate	Coupon Rate		Balance	
	From	To		From	To	September 30, 2014	December 31, 2013
Fixed amortizing	04/09/15	04/09/15	3.57%	3.57%	3.57%	\$ 932	\$ 2,102
Adjustable amortizing ⁽²⁾	N/A	N/A	3.25%	3.25%	3.25%		7,050
Bullet maturity fixed rate	03/23/15	05/20/20	1.41%	0.58%	2.41%	163,240	140,000
Bullet maturity variable rate	06/25/15	11/28/17	0.40%	0.25%	0.54%	45,000	35,000
Convertible-fixed ⁽³⁾	01/03/18	08/20/18	2.95%	2.58%	3.50%	21,402	21,492
Total						\$ 230,574	\$ 205,644

(1) Maturity range refers to September 30, 2014 balances.

(2) Loan from correspondent bank other than FHLB.

(3) FHLB advances whereby the FHLB has the option, at predetermined times, to convert the fixed interest rate to an adjustable interest rate indexed to the London Interbank Offered Rate (LIBOR). The Corporation has the option to prepay these advances, without penalty, if the FHLB elects to convert the interest rate to an adjustable rate. As of September 30, 2014, substantially all the FHLB advances with this convertible feature are subject to conversion in fiscal 2014. These advances are included in the maturity ranges in which they mature, rather than the period in which they are subject to conversion.

Table of Contents**C. Other Borrowings Information**

As of September 30, 2014 the Corporation had a maximum borrowing capacity with the FHLB of approximately \$876.3 million, of which the unused capacity was \$631.1 million. In addition, there were unused capacities of \$64.0 million in overnight federal funds line, \$81.3 million of Federal Reserve Discount Window borrowings and \$5.0 million in a revolving line of credit from a correspondent bank as of September 30, 2014. In connection with its FHLB borrowings, the Corporation is required to hold the capital stock of the FHLB. The amount of FHLB capital stock held was \$12.9 million at September 30, 2014, and \$11.7 million at December 31, 2013. The carrying amount of the FHLB capital stock approximates its redemption value.

Note 7 - Derivatives and Hedging Activities

In December, 2012, the Corporation entered into a forward-starting interest rate swap to hedge the cash flows of a \$15 million floating-rate FHLB borrowing. The interest rate swap involves the exchange of the Corporation's floating rate interest payments on the underlying principal amount. This swap was designated, and qualified, for cash-flow hedge accounting. The term of the swap begins November 30, 2015 and ends November 28, 2022. For derivative instruments that are designated and qualify as hedging instruments, the effective portion of gains or losses is reported as a component of other comprehensive income, and is subsequently reclassified into earnings as an adjustment to interest expense in the periods in which the hedged forecasted transaction affects earnings.

The following table details the Corporation's derivative positions as of the balance sheet dates indicated:

As of September 30, 2014:

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable) Index	Current Projected Receive Rate	Pay Fixed Swap Rate	Fair Value of Asset (Liability)
\$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	2.773%	2.376%	\$ 408

As of December 31, 2013:

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable) Index	Current Projected Receive Rate	Pay Fixed Swap Rate	Fair Value of Asset (Liability)
\$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	3.597%	2.376%	\$ 1,142

For each of the three and nine month periods ended September 30, 2014 and 2013, there were no reclassifications of the interest-rate swap's fair value from other comprehensive income to earnings.

Note 8 Stock-Based Compensation**A. General Information**

The Corporation permits the issuance of stock options, dividend equivalents, performance awards, stock appreciation rights, restricted stock and/or restricted stock units to employees and directors of the Corporation under several plans. The terms and conditions of awards under the plans are determined by the Corporation's Compensation Committee.

Prior to April 25, 2007, all shares authorized for grant as stock-based compensation were limited to grants of stock options. On April 25, 2007, the shareholders approved the Corporation's 2007 Long-Term Incentive Plan (the 2007 LTIP) under which a total of 428,996 shares of the Corporation's common stock were made available for award grants. On April 28, 2010, the shareholders approved the Corporation's 2010 Long Term Incentive Plan (2010 LTIP) under which a total of 445,002 shares of the Corporation's common stock were made available for award grants.

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

The equity awards granted under the 2007 and 2010 LTIPs were authorized to be in the form of, among others, options to purchase the Corporation's common stock, restricted stock awards or units (RSA's or RSU's) and performance stock awards or units (PSA's or PSU's).

RSAs and RSUs have a restriction based on the passage of time and may also have restrictions based on non-market-related performance criteria. The fair value of the RSAs and RSUs is based on the closing price on the day preceding the date of the grant.

Table of Contents

The PSAs and PSUs have a restriction based on the passage of time, but also have a restriction based on performance criteria related to the Corporation's total shareholder return relative to the performance of the community bank index for the respective period. The amount of PSAs or PSUs earned will not exceed 100% of the PSAs or PSUs awarded. The fair value of the PSAs and PSUs is calculated using the Monte Carlo Simulation method.

B. Stock Options

Stock-based compensation cost is measured at the grant date, based on the fair value of the award and is recognized as an expense over the vesting period. The fair value of stock option grants is determined using the Black-Scholes pricing model. The assumptions necessary for the calculation of the fair value are expected life of options, annual volatility of stock price, risk-free interest rate and annual dividend yield.

The following table provides information about options outstanding for the three months ended September 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, June 30, 2014	521,886	\$ 20.84	\$ 4.73
Granted		\$	\$
Forfeited		\$	\$
Expired	(750)	\$ 21.21	\$ 4.86
Exercised	(33,460)	\$ 20.41	\$ 4.57
Options outstanding, September 30, 2014	487,676	\$ 20.87	\$ 4.74

The following table provides information about options outstanding for the nine months ended September 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, December 31, 2013	591,086	\$ 20.73	\$ 4.70
Granted		\$	\$
Forfeited		\$	\$
Expired	(750)	\$ 21.21	\$ 4.86
Exercised	(102,660)	\$ 20.07	\$ 4.48
Options outstanding, September 30, 2014	487,676	\$ 20.87	\$ 4.74

The following table provides information about unvested options for the three months ended September 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options, June 30, 2014	30,146	\$ 18.27	\$ 4.42
Granted		\$	\$
Vested	(30,146)	\$ 18.27	\$ 4.42
Forfeited		\$	\$

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Unvested options, September 30, 2014	\$	\$
--------------------------------------	----	----

The following table provides information about unvested options for the nine months ended September 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options, December 31, 2013	30,146	\$ 18.27	\$ 4.42
Granted		\$	\$
Vested	(30,146)	\$ 18.27	\$ 4.42
Forfeited		\$	\$
Unvested options, September 30, 2014		\$	\$

For the three and nine months ended September 30, 2014, the Corporation recognized \$14 thousand and \$64 thousand, respectively, of expense related to stock options. As of September 30, 2014, there was no unrecognized expense related to stock options.

Table of Contents

Proceeds, related tax benefits realized from options exercised and intrinsic value of options exercised during the three and nine months ended September 30, 2014 and 2013 are detailed below:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Proceeds from exercise of stock options	\$ 683	\$ 810	\$ 2,061	\$ 2,550
Related tax benefit recognized	82	75	256	231
Net proceeds of options exercised	\$ 765	\$ 885	\$ 2,317	\$ 2,781
Intrinsic value of options exercised	\$ 309	\$ 215	\$ 886	\$ 661

The following table provides information about options outstanding and exercisable at September 30, 2014:

<i>(dollars in thousands, except exercise price)</i>	Outstanding	Exercisable
Number of shares	487,676	487,676
Weighted average exercise price	\$ 20.87	\$ 20.87
Aggregate intrinsic value	\$ 3,636	\$ 3,636
Weighted average contractual term in years	2.8	2.8

C. Restricted Stock Awards and Performance Stock Awards

The Corporation has granted RSAs, RSUs, PSAs and PSUs under the 2007 LTIP and 2010 LTIP.

RSAs and RSUs

The compensation expense for the RSAs and RSUs is measured based on the market price of the stock on the day prior to the grant date and is recognized on a straight line basis over the vesting period.

For the three and nine months ended September 30, 2014, the Corporation recognized \$72 thousand and \$234 thousand, respectively of expense related to the Corporation's RSAs and RSUs. As of September 30, 2014, there was \$661 thousand of unrecognized compensation cost related to RSAs and RSUs. This cost will be recognized over a weighted average period of 2.1 years.

The following table details the unvested RSAs and RSUs for the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Beginning balance	35,365	\$ 19.85	54,156	\$ 19.36
Granted	16,456	28.88	16,456	28.88
Vested	(2,980)	16.78	(21,771)	18.21
Forfeited	(2,560)	21.48	(2,560)	21.48
Ending balance	46,281	\$ 23.17	46,281	\$ 23.17

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

For the three and nine months ended September 30, 2014, the Corporation recorded a tax benefit of \$13 thousand and \$79 thousand related to the vesting of RSAs and RSUs.

PSAs and PSUs

The compensation expense for PSAs and PSUs is measured based on the grant date fair value as calculated using the Monte Carlo Simulation method.

For the three and nine months ended September 30, 2014, the Corporation recognized \$216 thousand and \$613 thousand of expense related to the PSAs and PSUs. As of September 30, 2014, there was \$1.9 million of unrecognized compensation cost related to PSAs. This cost will be recognized over a weighted average period of 2.3 years.

For the three and nine months ended September 30, 2014, the Corporation recorded a tax benefit of \$385 thousand and \$385 thousand related to the vesting of PSAs and PSUs.

Table of Contents

The following table details the unvested PSAs and PSUs for the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Beginning balance	203,980	\$ 11.90	204,980	\$ 11.90
Granted	71,184	15.05	71,184	15.05
Vested	(56,946)	10.07	(56,946)	10.07
Forfeited	(900)	12.59	(1,900)	12.32
Ending balance	217,318	\$ 13.41	217,318	\$ 13.41

Note 9 - Pension and Other Post-Retirement Benefit Plans

The Corporation has three defined benefit pension plans: the qualified defined-benefit plan (the QDBP) which covers all employees over age 20 1/2 who meet certain service requirements, and two non-qualified defined-benefit pension plans (SERP I and SERP II) which are restricted to certain senior officers of the Corporation.

SERP I provides each participant with the equivalent pension benefit provided by the QDBP on any compensation and bonus deferrals that exceed the IRS limit applicable to the QDBP.

On February 12, 2008, the Corporation amended the QDBP and SERP I to freeze further increases in the defined-benefit amounts to all participants, effective March 31, 2008.

On April 1, 2008, the Corporation added SERP II, a non-qualified defined-benefit plan which was restricted to certain senior officers of the Corporation. Effective January 1, 2013, the Corporation curtailed SERP II, as further increases to the defined-benefit amounts to over 20% of the participants have been frozen. As a result of the curtailment, for the three and nine months ended September 30, 2013, the Corporation recorded a gain of \$0 and \$690 thousand, respectively, which represented the reversal of previous amounts that had been expensed in anticipation of future service of the curtailed participants.

The Corporation also has a postretirement benefit plan (PRBP) that covers certain retired employees and a group of current employees. The PRBP was closed to new participants in 1994. In 2007, the Corporation amended the PRBP to allow for settlement of obligations to certain current and retired employees. Certain retired participant obligations were settled in 2007 and current employee obligations were settled in 2008.

The following tables provide details of the components of the net periodic benefits cost (benefit) for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	2014	2013	2014	2013	2014	2013
Service cost	\$ 19	\$ 18	\$	\$	\$	\$
Interest cost	46	40	411	371	8	8
Expected return on plan assets			(837)	(745)		
Amortization of transition obligation						
Amortization of prior service costs	3	3				
Amortization of net loss	10	13	97	431	14	19
Gain on curtailment						

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Net periodic benefit cost	\$	78	\$	74	\$	(329)	\$	57	\$	22	\$	27
---------------------------	----	----	----	----	----	-------	----	----	----	----	----	----

23

Table of Contents

<i>(dollars in thousands)</i>	Nine Months Ended September 30,					
	SERP I and SERP II		QDBP		PRBP	
	2014	2013	2014	2013	2014	2013
Service cost	\$ 55	\$ 54	\$	\$	\$	\$
Interest cost	137	119	1,231	1,114	22	22
Expected return on plan assets			(2,511)	(2,236)		
Amortization of transition obligation						
Amortization of prior service costs	10	10				
Amortization of net loss	32	39	293	1,293	44	58
Gain on curtailment		(690)				
Net periodic benefit cost	\$ 234	\$ (468)	\$ (987)	\$ 171	\$ 66	\$ 80

QDBP: No contributions to the QDBP were made for the three and nine months ended September 30, 2014.

SERP I and SERP II: The Corporation contributed \$37 thousand and \$11 thousand during the three and nine months ended September 30, 2014, respectively, and is expected to contribute an additional \$37 thousand to the SERP I and SERP II plans for the remaining six months of 2014.

PRBP: In 2005, the Corporation capped the maximum annual payment under the PRBP at 120% of the 2005 benefit. This maximum was reached in 2008 and the cap is not expected to be increased above this level.

Note 10 - Segment Information

The Corporation aggregates certain of its operations and has identified two segments as follows: Banking and Wealth Management.

The following tables detail segment information for the three and nine months ended September 30, 2014 and 2013:

<i>(dollars in thousands)</i>	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Banking	Wealth Management	Consolidated	Banking	Wealth Management	Consolidated
Net interest income	\$ 19,175	\$ 1	\$ 19,176	\$ 18,532	\$ 1	\$ 18,533
Less: loan loss provision	550		550	959		959
Net interest income after loan loss provision	18,625	1	18,626	17,573	1	17,574
Other income:						
Fees for wealth management services		9,099	9,099		8,635	8,635
Service charges on deposit accounts	663		663	627		627
Loan servicing and other fees	431		431	481		481
Net gain on sale of loans	440		440	578		578
Net gain on sale of available for sale securities						
Net loss on sale of other real estate owned	(49)		(49)	(1)		(1)
BOLI income	76		76	72		72
Other operating income	873	10	883	947	48	995
Total other income	2,434	9,109	11,543	2,704	8,683	11,387
Other expenses:						
Salaries & wages	6,179	2,931	9,110	5,986	3,026	9,012
Employee benefits	945	707	1,652	1,196	700	1,896
Occupancy & equipment	1,507	374	1,881	1,267	379	1,646
Amortization of intangible assets	68	565	633	78	580	658
Professional fees	694	7	701	609	27	636

Edgar Filing: BRYN MAWR BANK CORP - Form 10-Q

Other operating expenses	5,160	824	5,984	4,812	663	5,475
Total other expenses	14,553	5,408	19,961	13,948	5,375	19,323
Segment profit	6,506	3,702	10,208	6,329	3,309	9,638
Intersegment (revenues) expenses*	(93)	93		(19)	19	
Pre-tax segment profit after eliminations	\$ 6,413	\$ 3,795	\$ 10,208	\$ 6,310	\$ 3,328	\$ 9,638
% of segment pre-tax profit after eliminations	62.8%	37.2%	100.0%	65.5%	34.5%	100.0%
Segment assets (<i>dollars in millions</i>)	\$ 2,084	\$ 40	\$ 2,124	\$ 2,017	\$ 42	\$ 2,059

* Inter-segment revenues consist of rental payments, interest on deposits and management fees.

Table of Contents

<i>(dollars in thousands)</i>	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Banking	Wealth Management	Consolidated	Banking	Wealth Management	Consolidated
Net interest income	\$ 57,339	\$ 2	\$ 57,341	\$ 53,863	\$ 2	\$ 53,865
Less: loan loss provision	1,200		1,200	2,763		2,763
Net interest income after loan loss provision	56,139	2	56,141	51,100	2	51,102
Other income:						
Fees for wealth management services		27,511	27,511		26,078	26,078
Service charges on deposit accounts	1,920		1,920	1,807		1,807
Loan servicing and other fees	1,305		1,305	1,380		1,380
Net gain on sale of loans	1,301		1,301	3,588		3,588
Net gain on sale of available for sale securities	81		81	2		2
Net loss on sale of other real estate owned	171		171	(194)		(194)
BOLI income	231		231	270		270
Other operating income	2,838	81	2,919	3,051	138	3,189
Total other income	7,847	27,592	35,439	9,904	26,216	36,120
Other expenses:						