

BRYN MAWR BANK CORP

Form 10-Q

November 08, 2013

[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 and Exchange Act of 1934.**

**For Quarter ended September 30, 2013**

**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
Common Stock, par value \$1

Outstanding at November 4, 2013
16,586,437

---

**Table of Contents**

**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES**

**FORM 10-Q**

**QUARTER ENDED September 30, 2013**

**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 37

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

Page 54

**ITEM 4. Controls and Procedures**

Page 54

**PART II - OTHER INFORMATION**

Page 55

**ITEM 1. Legal Proceedings**

Page 55

**ITEM 1A. Risk Factors**

Page 55

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Page 55

**ITEM 3. Defaults Upon Senior Securities**

Page 55

**ITEM 4. Mine Safety Disclosures**

Page 55

**ITEM 5. Other Information**

Page 55

**ITEM 6. Exhibits**

Page 56

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

	(unaudited) September 30, 2013	December 31, 2012
<i>(dollars in thousands)</i>		
<b>Assets</b>		
Cash and due from banks	\$ 24,958	\$ 16,203
Interest-bearing deposits with banks	71,203	159,483
Cash and cash equivalents	96,161	175,686
Investment securities available for sale, at fair value (amortized cost of \$320,030 and \$311,747 as of September 30, 2013 and December 31, 2012 respectively)	319,917	316,614
Investment securities, trading	2,357	1,447
Loans held for sale	1,284	3,412
Portfolio loans and leases	1,500,015	1,398,456
Less: Allowance for loan and lease losses	(15,027)	(14,425)
Net portfolio loans and leases	1,484,988	1,384,031
Premises and equipment, net	31,436	31,170
Accrued interest receivable	5,703	5,955
Deferred income taxes	11,955	12,303
Mortgage servicing rights	4,744	4,491
Bank owned life insurance	20,132	19,862
FHLB stock	12,590	10,761
Goodwill	32,843	32,897
Intangible assets	20,020	21,998
Other investments	4,337	4,346
Other assets	10,506	10,912
Total assets	\$ 2,058,973	\$ 2,035,885
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing	\$ 394,947	\$ 399,673
Interest-bearing	1,155,709	1,235,009
Total deposits	1,550,656	1,634,682
Short-term borrowings	75,588	9,403
Long-term FHLB advances and other borrowings	191,645	161,315
Accrued interest payable	842	1,233
Other liabilities	22,481	25,688
Total liabilities	1,841,212	1,832,321

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

## Shareholders' equity

Common stock, par value \$1; authorized 100,000,000 shares; issued 16,527,323 and 16,390,608 shares as of September 30, 2013 and December 31, 2012, respectively, and outstanding of 13,551,438 and 13,412,690 as of September 30, 2013 and December 31, 2012, respectively	16,527	16,390
Paid-in capital in excess of par value	93,129	89,137
Less: Common stock in treasury at cost - 2,975,885 and 2,977,918 shares as of September 30, 2013 and December 31, 2012, respectively	(31,042)	(30,745)
Accumulated other comprehensive loss, net of tax benefit	(10,809)	(10,078)
Retained earnings	149,956	138,860
Total shareholders' equity	217,761	203,564
Total liabilities and shareholders' equity	\$ 2,058,973	\$ 2,035,885

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,		Nine Months Ended September 30,	
	2013	2012	2013	2012
<i>(dollars in thousands, except share and per share data)</i>				
<b>Interest income:</b>				
Interest and fees on loans and leases	\$ 18,697	\$ 17,027	\$ 54,728	\$ 51,233
Interest on cash and cash equivalents	21	34	131	86
Interest on investment securities:				
Taxable	967	937	2,653	3,088
Non-taxable	107	56	289	139
Dividends	28	27	91	95
Total interest income	19,820	18,081	57,892	54,641
<b>Interest expense on:</b>				
Deposits	639	937	2,109	3,128
Short-term borrowings	5	5	12	16
Long-term FHLB advances and other borrowings	643	918	1,906	2,806
Subordinated debentures		270		852
Total interest expense	1,287	2,130	4,027	6,802
Net interest income	18,533	15,951	53,865	47,839
<b>Provision for loan and lease losses</b>	959	1,000	2,763	3,003
Net interest income after provision for loan and lease losses	17,574	14,951	51,102	44,836
<b>Non-interest income:</b>				
Fees for wealth management services	8,635	7,993	26,078	21,433
Service charges on deposits	627	634	1,807	1,823
Loan servicing and other fees	481	432	1,380	1,303
Net gain on sale of residential mortgage loans	578	1,837	3,588	4,311
Net gain on sale of investment securities available for sale		416	2	1,132
Net loss on sale of other real estate owned ( OREO )	(1)	(45)	(194)	(86)
Bank owned life insurance ( BOLI ) income	72	108	270	331
Other operating income	995	873	3,189	2,969
Total non-interest income	11,387	12,248	36,120	33,216
<b>Non-interest expenses:</b>				
Salaries and wages	9,012	8,703	26,908	24,283
Employee benefits	1,896	1,903	6,433	6,086
Net gain on curtailment of nonqualified pension plan			(690)	
Occupancy and bank premises	1,646	1,488	5,124	4,258
Furniture, fixtures, and equipment	920	935	2,960	2,766
Advertising	302	267	1,095	946
Amortization of mortgage servicing rights	187	243	617	718
Net impairment of mortgage servicing rights	33	105	13	82
Amortization of intangible assets	658	669	1,978	1,738
FDIC insurance	271	262	804	715
Due diligence and merger-related expenses	328	316	1,730	1,439
Professional fees	636	609	1,875	1,837

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

Early extinguishment of debt - costs and premiums			347	
Other operating expenses	3,434	3,389	10,888	8,944
Total non-interest expenses	19,323	18,889	60,082	53,812
Income before income taxes	9,638	8,310	27,140	24,240
Income tax expense	3,237	2,885	9,167	8,397
<b>Net income</b>	\$ 6,401	\$ 5,425	\$ 17,973	\$ 15,843
Basic earnings per common share	\$ 0.48	\$ 0.41	\$ 1.35	\$ 1.21
Diluted earnings per common share	\$ 0.47	\$ 0.41	\$ 1.33	\$ 1.20
Dividends declared per share	\$ 0.17	\$ 0.16	\$ 0.51	\$ 0.48
Weighted-average basic shares outstanding	13,336,799	13,149,050	13,274,801	13,067,551
Weighted average dilutive shares	275,343	146,377	244,302	133,799
Adjusted weighted-average diluted shares	13,612,142	13,295,427	13,519,103	13,201,350

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>	<b>Three Months Ended September 30, 2013</b>		<b>Nine Months Ended September 30, 2013</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income	\$ 6,401	\$ 5,425	\$ 17,973	\$ 15,843
Other comprehensive income (loss):				
<b>Net change in unrealized (losses) gains on investment securities available for sale:</b>				
Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$26, \$657, (\$1,742) and \$1,416, respectively	50	1,221	(3,236)	2,630
Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of \$0, \$146, \$1 and \$396, respectively		(270)	(1)	(736)
Unrealized investment gains (losses), net of tax expense (benefit) of \$26, \$166, (\$1,743) and \$1,020, respectively	50	951	(3,237)	1,894
<b>Net change in fair value of derivative used for cash flow hedge:</b>				
Change in fair value of hedging instruments, net of tax expense of \$0, \$0, \$324 and \$0, respectively			601	
<b>Net change in unfunded pension liability:</b>				
Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax expense of \$133, \$146, \$399 and \$438, respectively	246	272	741	816
Change in unfunded pension liability related to curtailment, net of tax expense of \$0, \$0, \$627 and \$0, respectively			1,164	
Total change in unfunded pension liability, net of tax expense of \$133, \$146, \$1,026 and \$438, respectively	246	272	1,905	816
Total other comprehensive income (loss)	296	1,223	(731)	2,710
Total comprehensive income	\$ 6,697	\$ 6,648	\$ 17,242	\$ 18,553

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**

	Nine Months Ended September 30,	
	2013	2012
<i>(dollars in thousands)</i>		
<b>Operating activities:</b>		
Net Income	\$ 17,973	\$ 15,843
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	2,763	3,003
Provision for depreciation and amortization	5,361	4,894
Net gain on sale of investment securities available for sale	(2)	(1,132)
Net gain on sale of residential mortgages	(3,588)	(4,311)
Stock based compensation cost	615	1,019
Amortization and net impairment of mortgage servicing rights	630	800
Net accretion of fair value adjustments	(2,560)	(979)
Amortization of intangible assets	1,978	1,738
Net loss on sale of OREO	194	86
Net increase in cash surrender value of bank owned life insurance	(270)	(331)
Other, net	798	(940)
Loans originated for resale	(113,800)	(132,642)
Proceeds from loans sold	118,633	134,105
Provision (benefit) for deferred income taxes	795	(433)
Change in income taxes payable/receivable	1,143	3,976
Change in accrued interest receivable	252	98
Change in accrued interest payable	(391)	(610)
Net cash provided by operating activities	30,524	24,184
<b>Investing activities:</b>		
Purchases of investment securities available for sale	(91,977)	(180,744)
Proceeds from paydowns and maturities of investment securities available for sale	48,369	33,379
Proceeds from sale of investment securities available for sale	532	31,714
Net (purchase of) proceeds from redemptions of FHLB stock	(1,829)	871
Proceeds from calls of investment securities available for sale	31,287	67,692
Net change in other investments	9	(331)
Net portfolio loan and lease originations	(102,172)	(19,809)
Purchases of premises and equipment	(2,458)	(1,890)
Acquisitions, net of cash acquired		(7,845)
Capitalize OREO costs	(485)	(61)
Proceeds from sale of OREO	581	565
Net cash used by investing activities	(118,143)	(76,459)
<b>Financing activities:</b>		
Change in deposits	(83,726)	16,440
Change in short-term borrowings	66,185	6,166
Dividends paid	(6,880)	(6,384)
Change in long-term FHLB advances and other borrowings	30,450	7,956
Repayment of subordinated debt		(7,500)
Payment of contingent consideration for business combinations	(1,050)	
Tax benefit from exercise and vesting of stock awards	528	107
Net proceeds from sale of treasury stock from deferred compensation plans	329	

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

Purchase of treasury stock	(453)	
Proceeds from issuance of common stock	161	2,072
Proceeds from exercise of stock options	2,550	1,363
Net cash provided by financing activities	8,094	20,220
Change in cash and cash equivalents	(79,525)	(32,055)
Cash and cash equivalents at beginning of period	175,686	69,140
Cash and cash equivalents at end of period	\$ 96,161	\$ 37,085

## **Supplemental cash flow information:**

Cash paid during the year for:

Income taxes	\$ 6,703	\$ 4,758
Interest	4,418	7,412

## **Supplemental cash flow information:**

Available for sale securities purchased, not settled	\$	5,577
Change in other comprehensive income	(731)	4,168
Change in deferred tax due to change in comprehensive income	(393)	1,458
Transfer of loans to other real estate owned	637	453
Acquisition of noncash assets and liabilities:		
Assets acquired		12,078
Liabilities assumed		6,161

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

(dollars in thousands, except share information)

	For the Nine Months Ended September 30, 2013						
	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders Equity
Balance December 31, 2012	16,390,608	\$ 16,390	\$ 89,137	\$ (30,745)	\$ (10,078)	\$ 138,860	\$ 203,564
Net income						17,973	17,973
Dividends declared, \$0.51 per share						(6,877)	(6,877)
Other comprehensive loss, net of tax benefit of \$393					(731)		(731)
Stock based compensation			615				615
Tax benefit from exercise and vesting of stock awards			528				528
Retirement of treasury stock	(4,517)	(4)	(41)	45			
Net sale of treasury stock from deferred compensation plans			218	111			329
Purchase of treasury stock				(453)			(453)
Common stock issued:							
Dividend Reinvestment and Stock Purchase Plan	6,924	7	154				161
Share-based awards and options exercises	134,308	134	2,518				2,652
Balance September 30, 2013	16,527,323	\$ 16,527	\$ 93,129	\$ (31,042)	\$ (10,809)	\$ 149,956	\$ 217,761

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 2012 Annual Report on Form 10-K.

The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year.

**Note 2 - Business Combinations****First Bank of Delaware**

The acquisition of certain loan and deposit accounts and a branch location from First Bank of Delaware ( FBD ) by the Corporation (the FBD Transaction ) was completed on November 17, 2012.

First Bank of Delaware, established in June 1999, was a \$250 million state-chartered commercial bank operating from one full-service branch location in Wilmington, Delaware. Subsequent to the transaction with the Corporation, FBD's remaining assets were transferred to a liquidating trust and its charter was cancelled. The FBD Transaction enabled the Corporation to further expand its footprint in the State of Delaware by complementing its existing wealth management operations of Bryn Mawr Trust of Delaware and Lau Associates, both located in Greenville, Delaware.

The FBD Transaction was accounted for as a business combination, with assets acquired, liabilities assumed and consideration paid recorded at their estimated fair values as of the acquisition date. The excess of consideration paid over the fair value of net assets acquired was recorded as goodwill, which will not be amortizable for book purposes, however will be deductible for tax purposes. The Corporation allocated the total balance of goodwill to its Banking segment. The Corporation also recorded a core deposit intangible which will be amortized over a ten-year period using a declining-balance method.

In connection with the FBD Transaction, the consideration paid and the fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition are summarized in the following table:

*(dollars in thousands)***Consideration paid:**

Cash	\$ 10,559
------	-----------

Value of consideration	10,559
------------------------	--------

**Assets acquired:**

Cash and due from banks	525
-------------------------	-----

Loans	76,556
-------	--------

Premises and equipment	460
------------------------	-----

Core deposit intangible	320
-------------------------	-----

Other assets	256
--------------	-----

Total assets	78,117
--------------	--------

**Liabilities assumed:**

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

Nonmaturity deposits	27,080
Time deposits	43,257
Unfavorable lease	140
Other liabilities	390
 Total liabilities	 70,867
<b>Net assets acquired</b>	<b>7,250</b>

<b>Goodwill resulting from the FBD Transaction</b>	<b>\$ 3,309</b>
--	-----------------

As of March 31, 2013, the Corporation had finalized its fair value estimates related to the FBD Transaction. No adjustments were made to the original estimates.

**Table of Contents****Davidson Trust Company**

The acquisition of the Davidson Trust Company ( DTC ) by the Corporation was completed on May 15, 2012. In addition to cash paid at closing, three separate contingent payments, each of which is not to exceed \$1.05 million, were payable on each of November 14, 2012, May 14, 2013 and November 14, 2013. These contingent payments are subject to certain post-closing contingencies relating to the assets under management. The first two of the three contingent payments were made on November 14, 2012 and May 14, 2013, each in the amount of \$1.05 million. The third, and final, contingent payment will be made on November 14, 2013 in the amount of \$1.05 million.

The addition of DTC has allowed the Corporation to expand its range of services and bring deeper market penetration in its core market area. The structure of the Corporation's existing Wealth Management segment allowed for the immediate integration of DTC and takes advantage of the various synergies that exist between the two companies. The acquisition of DTC initially increased the Corporation's Wealth Management Division assets under management by \$1.0 billion.

The acquisition of DTC was accounted for as a business combination, with assets acquired, liabilities assumed and consideration paid being recorded at their estimated fair values as of the acquisition date. The excess of consideration paid over the fair value of net assets acquired was recorded as goodwill. The Corporation allocated the total balance of goodwill to its Wealth Management segment. The Corporation also recorded an intangible asset for customer relationships, which is being amortized over a ten-year period using a straight-line method, an intangible asset for restrictive covenant agreements, which is being amortized over a five-year period using a straight-line method and an intangible asset for trade name which will not be amortized.

In connection with the DTC acquisition, the consideration paid and the fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition are summarized in the following table:

*(dollars in thousands)*

<b>Consideration paid:</b>	
Cash	\$ 9,450
Contingent payment liability	1,050
Value of consideration	10,500
<b>Assets acquired:</b>	
Cash operating accounts	1,433
Other assets	201
Intangible asset - customer relationships	3,720
Intangible asset - noncompetition agreements	1,385
Intangible asset - brand	970
Premises and equipment	117
Deferred tax asset	839
Total assets	8,665
<b>Liabilities assumed:</b>	
Deferred tax liability	2,125
Miscellaneous liabilities	885
Total liabilities	3,010
<b>Net assets acquired</b>	<b>5,655</b>
<b>Goodwill resulting from acquisition of DTC</b>	<b>\$ 4,845</b>

For the three months ended June 30, 2013, the Corporation increased its estimated value for the deferred tax asset acquired in the DTC acquisition by \$54 thousand. This resulted in a corresponding decrease of \$54 thousand in goodwill recorded in the transaction.

As of June 30, 2013, the Corporation had finalized its fair value estimates related to the acquisition of DTC.



**Table of Contents****Note 3 - 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 using 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 stock splits.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
(dollars in thousands except per share data)	2013	2012	2013	2012
<b>Numerator:</b>				
Net income available to common shareholders	\$ 6,401	\$ 5,425	\$ 17,973	\$ 15,843
<b>Denominator for basic earnings per share - weighted average shares outstanding</b>	13,336,799	13,149,050	13,274,801	13,067,551
Effect of dilutive common shares	275,343	146,377	244,302	133,799
<b>Denominator for diluted earnings per share - adjusted weighted average shares outstanding</b>	13,612,142	13,295,427	13,519,103	13,201,350
Basic earnings per share	\$ 0.48	\$ 0.41	\$ 1.35	\$ 1.21
Diluted earnings per share	\$ 0.47	\$ 0.41	\$ 1.33	\$ 1.20
Antidilutive shares excluded from computation of average dilutive earnings per share		227,139	123,882	349,649

**Note 4 - Investment Securities**

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

**As of September 30, 2013**

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	\$ 102	\$	\$ (1)	\$ 101
Obligations of U.S. government agencies	92,128	247	(1431)	90,944
Obligations of state & political subdivisions	40,273	115	(323)	40,065
Mortgage-backed securities	123,161	1,909	(787)	124,283
Collateralized mortgage obligations	47,412	268	(357)	47,323
Other investments	16,954	248	(1)	17,201
<b>Total</b>	<b>\$ 320,030</b>	<b>\$ 2,787</b>	<b>\$ (2,900)</b>	<b>\$ 319,917</b>

**As of December 31, 2012**

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
------------------------	----------------	------------------------	-------------------------	----------------------



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

Obligations of U.S. government agencies	\$ 73,183	\$ 796	\$ (107)	\$ 73,872
Obligations of state & political subdivisions	30,244	199	(59)	30,384
Mortgage-backed securities	128,537	3,302	(13)	131,826
Collateralized mortgage obligations	62,116	622	(35)	62,703
Other investments	17,667	162		17,829
Total	\$ 311,747	\$ 5,081	\$ (214)	\$ 316,614

## Table of Contents

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, 2013:

(dollars in thousands)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	\$ 101	\$ (1)	\$	\$	\$ 101	\$ (1)
Obligations of U.S. Government agencies	53,631	(1,431)			53,631	(1,431)
Obligations of state & political subdivisions	19,108	(310)	515	(13)	19,623	(323)
Mortgage-backed securities	43,210	(787)			43,210	(787)
Collateralized mortgage obligations	20,853	(353)	1,091	(4)	21,944	(357)
Other investments	1,899	(1)			1,899	(1)
<b>Total</b>	<b>\$ 138,802</b>	<b>\$ (2,883)</b>	<b>\$ 1,606</b>	<b>\$ (17)</b>	<b>\$ 140,408</b>	<b>\$ (2,900)</b>

### As of December 31, 2012:

(dollars in thousands)

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Obligations of U.S. Government agencies	\$ 20,032	\$ (107)	\$	\$	\$ 20,032	\$ (107)
Obligations of state & political subdivisions	10,752	(59)			10,752	(59)
Mortgage-backed securities	12,602	(13)			12,602	(13)
Collateralized mortgage obligations	10,040	(35)			10,040	(35)
<b>Total</b>	<b>\$ 53,426</b>	<b>\$ (214)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 53,426</b>	<b>\$ (214)</b>

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 intend 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.

As of September 30, 2013 and December 31, 2012, securities having market values of \$97.4 million and \$108.7 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 Bank's borrowing agreement with the FHLB.

**Table of Contents**

The amortized cost and fair value of investment securities available for sale as of September 30, 2013 and December 31, 2012, by contractual maturity, are shown below:

	September 30, 2013		December 31, 2012	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 9,046	\$ 9,049	\$ 10,571	\$ 10,590
Due after one year through five years	53,240	53,248	38,056	38,171
Due after five years through ten years	59,537	58,144	40,635	40,714
Due after ten years	14,291	14,281	18,415	19,044
Mortgage-related securities*	170,573	171,606	190,653	194,529
Total maturing investments	306,687	306,328	298,330	303,048
Bond mutual funds and other non-maturity investments	13,343	13,589	13,417	13,566
Total	\$ 320,030	\$ 319,917	\$ 311,747	\$ 316,614

\* 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, 2013 and December 31, 2012, 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 5 - Loans and Leases****A. Loans and leases outstanding are detailed by category as follows:**

	September 30, 2013	December 31, 2012
Loans held for sale	\$ 1,284	\$ 3,412
Real estate loans:		
Commercial mortgage	\$ 622,771	\$ 546,358
Home equity lines and loans	187,634	194,861
Residential mortgage	291,645	288,212
Construction	39,055	26,908
Total real estate loans	1,141,105	1,056,339
Commercial and industrial	303,259	291,620
Consumer	17,572	17,666
Leases	38,079	32,831
Total portfolio loans and leases	1,500,015	1,398,456
Total loans and leases	\$ 1,501,299	\$ 1,401,868
Loans with predetermined rates	\$ 814,781	\$ 723,417
Loans with adjustable or floating rates	686,518	678,451

Total loans and leases	\$ 1,501,299	\$ 1,401,868
Net deferred loan origination costs included in the above loan table	\$ 449	\$ 402

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

<i>(dollars in thousands)</i>	September 30, 2013	December 31, 2012
Minimum lease payments receivable	\$ 43,312	\$ 37,349
Unearned lease income	(7,068)	(6,099)
Initial direct costs and deferred fees	1,835	1,581
Total	\$ 38,079	\$ 32,831

**Table of Contents****C. Non-Performing Loans and Leases<sup>(1)</sup>**

<i>(dollars in thousands)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>Non-accrual loans and leases:</b>		
Commercial mortgage	\$ 511	\$ 631
Home equity lines and loans	1,544	2,792
Residential mortgage	3,838	3,748
Construction	1,661	3,314
Commercial and industrial	2,994	3,506
Consumer	49	7
Leases	16	42
<b>Total</b>	<b>\$ 10,613</b>	<b>\$ 14,040</b>
<b>Loans and leases 90 days or more past due, still accruing:</b>		
Construction		728
<b>Total nonperforming loans and leases</b>	<b>\$ 10,613</b>	<b>\$ 14,768</b>

<sup>(1)</sup> 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 \$90 thousand of purchased credit-impaired loans as of both September 30, 2013 and December 31, 2012, 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 Bank applies ASC 310-30 to account for the interest earned, as of the dates indicated, are as follows:

<i>(dollars in thousands)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Outstanding principal balance	\$ 15,975	\$ 19,527
Carrying amount <sup>(1)</sup>	\$ 10,622	\$ 12,128

<sup>(1)</sup> Includes \$149 thousand and \$319 thousand of purchased credit-impaired loans as of September 30, 2013 and December 31, 2012, respectively, for which the Bank could not estimate the timing or amount of expected cash flows to be collected at acquisition, and for which no accretable yield is recognized. Additionally, the table above includes \$90 thousand of purchased credit-impaired loans as of both September 30, 2013 and December 31, 2012, which subsequently became non-performing, which are disclosed in Note 5C, above, and which also have no accretable yield.

The following table presents changes in the accretable discount on purchased credit-impaired loans, for which the Bank applies ASC 310-30, for the nine months ended September 30, 2013:

<i>(dollars in thousands)</i>	<b>Accretable Discount</b>
Balance, December 31, 2012	\$ 8,025
Accretion	(1,404)
Reclassifications from nonaccretable difference	998

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

Additions/adjustments	(257)
Disposals	(886)
Balance, September 30, 2013	\$ 6,476

**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 - 59 Days Past Due	60 - 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current			
(dollars in thousands)								
As of September 30, 2013								
Commercial mortgage	\$	\$ 147	\$	\$ 147	\$ 622,113	\$ 622,260	\$ 511	\$ 622,771
Home equity lines and loans					186,090	186,090	1,544	187,634
Residential mortgage	849	105		954	286,853	287,807	3,838	291,645
Construction					37,394	37,394	1,661	39,055
Commercial and industrial	34			34	300,231	300,265	2,994	303,259
Consumer	4			4	17,519	17,523	49	17,572
Leases	27	62		89	37,974	38,063	16	38,079
	\$ 914	\$ 314	\$	\$ 1,228	\$ 1,488,174	\$ 1,489,402	\$ 10,613	\$ 1,500,015

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
	30 - 59 Days Past Due	60 - 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current			
(dollars in thousands)								
As of December 31, 2012								
Commercial mortgage	\$ 704	\$ 130	\$	\$ 834	\$ 544,893	\$ 545,727	\$ 631	\$ 546,358
Home equity lines and loans	107	84		191	191,878	192,069	2,792	194,861
Residential mortgage	399	141		540	283,924	284,464	3,748	288,212
Construction			728	728	22,866	23,594	3,314	26,908
Commercial and industrial	376	50		426	287,688	288,114	3,506	291,620
Consumer	8	7		15	17,644	17,659	7	17,666
Leases	33	13		46	32,743	32,789	42	32,831
	\$ 1,627	\$ 425	\$ 728	\$ 2,780	\$ 1,381,636	\$ 1,384,416	\$ 14,040	\$ 1,398,456

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

The following tables detail the roll-forward of the Corporation's allowance for loan and lease losses, by loan category, for the three and nine months ended September 30, 2013:

	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
<i>(dollars in thousands)</i>									
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)

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

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>	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
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



**Table of Contents**

The following tables detail the roll-forward of the Corporation's allowance for loan and lease losses, by loan category, for the three and nine months ended September 30, 2012:

<i>(dollars in thousands)</i>	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
Balance, June 30, 2012	\$ 3,384	\$ 1,749	\$ 1,636	\$ 1,112	\$ 3,789	\$ 180	\$ 535	\$ 755	\$ 13,140
Charge-offs		(315)	(18)	(197)		(19)	(69)		(618)
Recoveries	4				25	1	86		116
Provision for loan and lease losses	235	244	3	109	766	38	(85)	(310)	1,000
Balance, September 30, 2012	\$ 3,623	\$ 1,678	\$ 1,621	\$ 1,024	\$ 4,580	\$ 200	\$ 467	\$ 445	\$ 13,638

<i>(dollars in thousands)</i>	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
Balance, December 31, 2011	\$ 3,165	\$ 1,707	\$ 1,592	\$ 1,384	\$ 3,816	\$ 119	\$ 532	\$ 438	\$ 12,753
Charge-offs	(235)	(328)	(188)	(896)	(409)	(61)	(300)		(2,417)
Recoveries	4				91	5	199		299
Provision for loan and lease losses	689	299	217	536	1,082	137	36	7	3,003
Balance, September 30, 2012	\$ 3,623	\$ 1,678	\$ 1,621	\$ 1,024	\$ 4,580	\$ 200	\$ 467	\$ 445	\$ 13,638

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, 2013 and December 31, 2012:

<i>(dollars in thousands)</i>	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
<b>As of September 30, 2013</b>									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 119	\$ 628	\$	\$ 544	\$ 56	\$	\$	\$ 1,347
Collectively evaluated for impairment	4,474	2,067	1,470	668	3,886	202	571	334	13,672
Purchased credit-impaired <sup>(1)</sup>	8								8
Total	\$ 4,482	\$ 2,186	\$ 2,098	\$ 668	\$ 4,430	\$ 258	\$ 571	\$ 334	\$ 15,027

**As of December 31, 2012**

Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 217	\$ 667	\$ 543	\$ 919	\$ 8	\$	\$	\$ 2,354
Collectively evaluated for impairment	3,894	1,640	1,357	451	3,718	181	493	299	12,033
Purchased credit-impaired <sup>(1)</sup>	13			25					38
Total	\$ 3,907	\$ 1,857	\$ 2,024	\$ 1,019	\$ 4,637	\$ 189	\$ 493	\$ 299	\$ 14,425

<sup>(1)</sup> *Purchased credit-impaired loans are evaluated for impairment on an individual basis.*

**Table of Contents**

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, 2013 and December 31, 2012:

<i>(dollars in thousands)</i>	<b>Commercial Mortgage</b>	<b>Home Equity Lines and Loans</b>	<b>Residential Mortgage</b>	<b>Construction</b>	<b>Commercial and Industrial</b>	<b>Consumer</b>	<b>Leases</b>	<b>Total</b>
<b>As of September 30, 2013</b>								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 421	\$ 2,066	\$ 9,539	\$ 3,072	\$ 4,228	\$ 82	\$	\$ 19,408
Collectively evaluated for impairment	612,393	185,552	282,065	35,655	298,751	17,490	38,079	1,469,985
Purchased credit-impaired <sup>(1)</sup>	9,957	16	41	328	280			10,622
Total	\$ 622,771	\$ 187,634	\$ 291,645	\$ 39,055	\$ 303,259	\$ 17,572	\$ 38,079	\$ 1,500,015
<b>As of December 31, 2012</b>								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 541	\$ 3,403	\$ 9,211	\$ 4,631	\$ 3,997	\$ 7	\$	\$ 21,790
Collectively evaluated for impairment	535,506	191,439	278,951	20,785	287,367	17,659	32,831	1,364,538
Purchased credit-impaired <sup>(1)</sup>	10,311	19	50	1,492	256			12,128
Total	\$ 546,358	\$ 194,861	\$ 288,212	\$ 26,908	\$ 291,620	\$ 17,666	\$ 32,831	\$ 1,398,456

<sup>(1)</sup> *Purchased credit-impaired loans are evaluated for impairment on an individual basis.*

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.

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

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, 2013 and December 31, 2012:

<i>(dollars in thousands)</i>	<b>Credit Risk Profile by Internally Assigned Grade</b>							
	<b>Commercial Mortgage</b>		<b>Construction</b>		<b>Commercial and Industrial</b>		<b>Total</b>	
	<b>September 30, 2013</b>	<b>December 31, 2012</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Pass	\$ 615,742	\$ 538,470	\$ 35,518	\$ 16,504	\$ 294,194	\$ 278,167	\$ 945,454	\$ 833,141
Special Mention	3,771	2,215		1,317	2,265	6,256	6,036	9,788
Substandard	3,258	5,673	3,537	9,087	6,800	7,197	13,595	21,957
Total	\$ 622,771	\$ 546,358	\$ 39,055	\$ 26,908	\$ 303,259	\$ 291,620	\$ 965,085	\$ 864,886

**Table of Contents****Credit Risk Profile by Payment Activity**

(dollars in thousands)	Residential Mortgage		Home Equity Lines and Loans		Consumer		Leases		Total	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Performing	\$ 287,807	\$ 284,464	\$ 186,090	\$ 192,069	\$ 17,523	\$ 17,659	\$ 38,063	\$ 32,789	\$ 529,483	\$ 526,981
Non-performing	3,838	3,748	1,544	2,792	49	7	16	42	5,447	6,589
Total	\$ 291,645	\$ 288,212	\$ 187,634	\$ 194,861	\$ 17,572	\$ 17,666	\$ 38,079	\$ 32,831	\$ 534,930	\$ 533,570

**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.

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

(dollars in thousands)	September 30, 2013	December 31, 2012
TDRs included in nonperforming loans and leases	\$ 2,628	\$ 3,106
TDRs in compliance with modified terms	8,947	8,008
Total TDRs	\$ 11,575	\$ 11,114

The following tables present information regarding loan and lease modifications categorized as TDRs for the three and nine months ended September 30, 2013:

(dollars in thousands)	For the Three Months Ended September 30, 2013			
	Pre-Modification		Post-Modification	
	Number of Contracts	Outstanding Recorded Investment	Outstanding Recorded Investment	
Commercial and industrial	1	\$ 75	\$ 75	
Consumer	1	33	33	
Leases	2	18	18	
Total	4	\$ 126	\$ 126	

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

For the Nine Months Ended September 30, 2013

			Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
<i>(dollars in thousands)</i>	Number of Contracts			
Residential mortgage	2	\$	674	\$ 674
Home equity lines and loans	2		40	40
Commercial and industrial	2		930	930
Consumer	1		33	33
Leases	4		38	38
Total	11	\$	1,715	\$ 1,715

**Table of Contents**

The following tables presents information regarding the types of loan and lease modifications made for the three and nine months ended September 30, 2013:

Number of Contracts for the Three Months Ended September 30, 2013						
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest-Only Period	Contractual Payment Reduction (Leases only)	Forgiveness of Interest
Commercial and industrial				1		
Consumer	1					
Leases					2	
Total	1			1	2	

Number of Contracts for the Nine Months Ended September 30, 2013						
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest-Only Period	Contractual Payment Reduction (Leases only)	Forgiveness of Interest
Residential mortgage			1			1
Home equity lines and loans	1			1		
Commercial and industrial				2		
Consumer	1					
Leases					4	
Total	2		1	3	4	1

During the three and nine months ended September 30, 2013, there were no defaults of loans or leases that had been previously modified to troubled debt restructurings.

**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:

	Recorded Investment <sup>(2)</sup>	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
<i>(dollars in thousands)</i>						
<b>As of or for the three months ended September 30, 2013</b>						
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	\$

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

Impaired loans without related Allowance<sup>(1) (3)</sup>:

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	\$	21,327	\$	110

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

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

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



**Table of Contents**

	Recorded Investment <sup>(2)</sup>	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
<i>(dollars in thousands)</i>						
<b>As of or for the nine months ended September 30, 2013</b>						
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 <sup>(1) (3)</sup> :						
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	\$ 21,275	\$ 210	\$

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

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

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

	Recorded Investment <sup>(2)</sup>	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
<i>(dollars in thousands)</i>						
<b>As of or for the three months ended September 30, 2012</b>						
Impaired loans with related allowance:						
Home equity lines and loans	\$ 1,152	\$ 1,210	\$ 203	\$ 1,211	\$	\$
Residential mortgage	1,708	1,716	229	1,716	7	
Construction	3,678	3,694	698	5,313		
Commercial and industrial	2,856	2,869	771	2,875	3	
Consumer	19	21	19	21		
Total	\$ 9,413	\$ 9,510	\$ 1,920	\$ 11,136	\$ 10	\$
Impaired loans without related allowance <sup>(1) (3)</sup> :						
Commercial mortgage	\$ 343	\$ 364	\$	\$ 364	\$	\$
Home equity lines and loans	1,727	1,795		2,050	1	
Residential mortgage	7,992	8,311		8,324	68	
Construction	1,317	1,317		1,446	15	
Commercial and industrial	845	845		846	3	
Total	\$ 12,224	\$ 12,632	\$	\$ 13,030	\$ 87	\$
Grand total	\$ 21,637	\$ 22,142	\$ 1,920	\$ 24,166	\$ 97	\$

- <sup>(1)</sup> *The table above does not include the recorded investment of \$223 thousand of impaired leases without a related allowance for loan and lease losses.*
- <sup>(2)</sup> *Recorded investment equals principal balance less partial charge-offs and interest payments on non-performing loans that have been applied to principal.*
- <sup>(3)</sup> *This table excludes all purchased credit-impaired loans, which are discussed in Note 5D, above.*

## Table of Contents

	Recorded Investment <sup>(2)</sup>	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
<i>(dollars in thousands)</i>						
<b>As of or for the nine months ended September 30, 2012</b>						
Impaired loans with related allowance:						
Home equity lines and loans	\$ 1,152	\$ 1,210	\$ 203	\$ 1,211	\$	\$
Residential mortgage	1,708	1,716	229	1,718	22	
Construction	3,678	3,694	698	5,444		
Commercial and industrial	2,856	2,869	771	2,877	12	
Consumer	19	21	19	23		
Total	\$ 9,413	\$ 9,510	\$ 1,920	\$ 11,273	\$ 34	\$
Impaired loans without related allowance <sup>(1) (3)</sup> :						
Commercial mortgage	\$ 343	\$ 364	\$	\$ 364	\$ 4	\$
Home equity lines and loans	1,727	1,795		2,042	3	
Residential mortgage	7,992	8,311		8,231	204	
Construction	1,317	1,317		1,376	44	
Commercial and industrial	845	845		846	10	
Total	\$ 12,224	\$ 12,632	\$	\$ 12,859	\$ 265	\$
Grand total	\$ 21,637	\$ 22,142	\$ 1,920	\$ 24,132	\$ 299	\$

- (1) The table above does not include the recorded investment of \$223 thousand of impaired leases without a related allowance for loan and lease losses.
- (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.

	Recorded Investment <sup>(2)</sup>	Principal Balance	Related Allowance
<i>(dollars in thousands)</i>			
<b>As of December 31, 2012</b>			
Impaired loans with related Allowance:			
Home equity lines and loans	\$ 1,261	\$ 1,321	\$ 217
Residential mortgage	4,778	4,793	667
Construction	2,564	2,564	543
Commercial and industrial	3,357	3,383	919
Consumer	7	8	8
Total	\$ 11,967	\$ 12,069	\$ 2,354
Impaired loans without related Allowance <sup>(1)</sup> :			
Commercial mortgage	\$ 541	\$ 574	\$
Home equity lines and loans	2,142	2,223	
Residential mortgage	4,433	4,741	
Construction	2,067	2,317	
Commercial and industrial	640	639	
Total	\$ 9,823	\$ 10,494	\$

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

Grand total	\$ 21,790	\$ 22,563	\$ 2,354
-------------	-----------	-----------	----------

- (1) *The table above does not include the recorded investment of \$168 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*

**Table of Contents****Note 6 - Deposits**

The following table details the components of deposits:

<i>(dollars in thousands)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Savings accounts	\$ 137,431	\$ 129,091
Interest-bearing checking accounts	244,826	270,279
Market-rate accounts	548,011	559,470
Wholesale non-maturity deposits	57,195	45,162
Wholesale time deposits	23,127	12,421
Time deposits	145,119	218,586
 Total interest-bearing deposits	 1,155,709	 1,235,009
Non-interest-bearing deposits	394,947	399,673
 Total deposits	 \$ 1,550,656	 \$ 1,634,682

**Note 7 - 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>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Overnight fed funds	\$ 25,000	\$
Short-term FHLB advances	38,000	
Repurchase agreements	12,588	9,403
 Total short-term borrowings	 \$ 75,588	 \$ 9,403

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

<i>(dollars in thousands)</i>	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Balance at period-end	\$ 75,588	\$ 19,029	\$ 75,588	\$ 19,029
Maximum amount outstanding at any month-end	75,588	19,029	75,588	19,029
Average balance outstanding during the period	14,995	13,695	13,455	13,621
Weighted-average interest rate:				
As of period-end	0.33%	0.44%	0.34%	0.44%
Paid during the period	0.15%	0.16%	0.12%	0.17%

**B. Long-term FHLB Advances and Other Borrowings**

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

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>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Within one year	\$ 3,903	\$ 35,458
Over one year through five years	172,742	104,244
Over five years through ten years	15,000	21,613
Total	\$ 191,645	\$ 161,315

**Table of Contents**

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

(dollars in thousands)

Description	Maturity Range <sup>(1)</sup>		Weighted Average Rate	Interest Rate		Balance	
	From	To		From	To	September 30, 2013	December 31, 2012
Fixed amortizing	04/08/15	04/08/15	3.61%	3.61%	3.61%	\$ 2,485	\$ 4,285
Adjustable amortizing	12/31/16	12/31/16	3.25%	3.25%	3.25%	7,637	9,400
Bullet maturity - fixed rate	03/23/15	12/19/19	1.40%	0.58%	2.44%	135,000	90,000
Bullet maturity - variable rate	06/25/15	11/18/17	0.46%	0.46%	0.46%	25,000	15,000
Convertible-fixed <sup>(2)</sup>	01/03/18	08/20/18	2.47%	2.21%	2.62%	21,523	42,630
Total						\$ 191,645	\$ 161,315

(1) Maturity range refers to September 30, 2013 balances

(2) 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, 2013, substantially all the FHLB advances with this convertible feature are subject to conversion in fiscal 2013. These advances are included in the maturity ranges in which they mature, rather than the period in which they are subject to conversion.

**C. Other Borrowings Information**

As of September 30, 2013 the Corporation had a maximum borrowing capacity with the FHLB of approximately \$826.4 million, of which the unused capacity was \$589.9 million. In addition, there were unused capacities of \$39.0 million in overnight federal funds line, \$88.5 million of Federal Reserve Discount Window borrowings and \$3.0 million in a revolving line of credit from a correspondent bank as of September 30, 2013. 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 \$12.6 million at September 30, 2013, and \$10.8 million at December 31, 2012. The carrying amount of the FHLB capital stock approximates its redemption value.

**Note 8 - 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, 2013:

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable)	Current	Pay Fixed Swap Rate	Fair Value of
				Index	Projected Receive Rate		Derivative Position
\$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	3.301%	2.376%	\$ 889

As of December 31, 2012:

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

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable) Index	Current		Fair Value of Derivative Position
					Projected Receive Rate	Pay Fixed Swap Rate	
\$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	2.338%	2.376%	\$ (36)

For the three and nine months ended September 30, 2013, there have been no reclassifications of the interest-rate swap's fair value from other comprehensive income to earnings. The Corporation held no derivatives during the three and nine months ended September 30, 2012.



**Table of Contents****Note 9 - 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.

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 (RSAs) and performance stock awards (PSAs).

The fair value of an RSA, when granted, is based on the closing price on the day preceding the date of the grant.

The PSAs that have been granted to date vest based on the Corporation's total shareholder return relative to the performance of the NASDAQ Community Bank Index for the respective period. The amount of PSAs earned will not exceed 100% of the PSAs awarded. The fair value of a PSA, when granted, 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, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, June 30, 2013	688,476	\$ 20.69	\$ 4.69
Granted	11,475	\$ 21.24	\$ 4.83
Forfeited		\$	\$
Expired	(250)	\$ 22.00	\$ 4.90
Exercised	(39,600)	\$ 20.45	\$ 4.64
Options outstanding, September 30, 2013	660,101	\$ 20.72	\$ 4.70

The following table provides information about options outstanding for the nine months ended September 30, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, December 31, 2012	784,226	\$ 20.40	\$ 4.62
Granted	11,475	\$ 21.24	\$ 4.83
Forfeited	(650)	\$ 19.65	\$ 4.62

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

Expired	(250)	\$	22.00	\$	4.90
Exercised	(134,700)	\$	18.93	\$	4.22
Options outstanding, September 30, 2013	660,101	\$	20.72	\$	4.70

The following table provides information about unvested options for the three months ended September 30, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options, June 30, 2013	80,106	\$ 19.89	\$ 4.65
Granted	11,475	\$ 21.24	\$ 4.83
Vested	(61,435)	\$ 20.93	\$ 4.79
Forfeited		\$	\$
Unvested options, September 30, 2013	30,146	\$ 18.27	\$ 4.42

**Table of Contents**

The following table provides information about unvested options for the nine months ended September 30, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options, December 31, 2012	80,756	\$ 19.89	\$ 4.65
Granted	11,475	\$ 21.24	\$ 4.83
Vested	(61,435)	\$ 20.93	\$ 4.79
Forfeited	(650)	\$ 19.65	\$ 4.62
Unvested options, September 30, 2013	30,146	\$ 18.27	\$ 4.42

For the three and nine months ended September 30, 2013, the Corporation recognized \$65 thousand and \$153 thousand, respectively, of expense related to stock options. As of September 30, 2013, the total not-yet-recognized compensation expense of unvested stock options was \$89 thousand. This expense will be recognized over a weighted average period of 0.9 years.

Proceeds, related tax benefits realized from options exercised and intrinsic value of options exercised during the three months ended September 30, 2013 and 2012 are detailed below:

<i>(dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Proceeds from exercise of stock options	\$ 810	\$ 162	\$ 2,550	\$ 1,362
Related tax benefit recognized	75	27	231	107
Net proceeds of options exercised	\$ 885	\$ 189	\$ 2,781	\$ 1,469
Intrinsic value of options exercised	\$ 215	\$ 38	\$ 661	\$ 269

The following table provides information about options outstanding and exercisable at September 30, 2013:

<i>(dollars in thousands, except exercise price)</i>	Outstanding	Exercisable
Number of shares	660,101	629,955
Weighted average exercise price	\$ 20.72	\$ 20.83
Aggregate intrinsic value	\$ 4,127	\$ 3,865
Weighted average contractual term in years	3.3	3.1

**C. Restricted Stock Awards and Performance Stock Awards**

The Corporation has granted RSAs and PSAs under the 2007 LTIP and 2010 LTIP Plans.

The compensation expense for the RSAs 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. Stock restrictions are subject to alternate vesting for death and disability and retirement.

For the three and nine months ended September 30, 2013, the Corporation recognized \$34 thousand and \$163 thousand, respectively, of expense related to the Corporation's RSAs. As of September 30, 2013, there was \$570 thousand of unrecognized compensation cost related to RSAs. This cost will be recognized over a weighted average period of 1.8 years.

For the three and nine months ended September 30, 2013, the Corporation recorded excess tax benefits to additional paid in capital of \$8 thousand and \$12 thousand related to the vesting of restricted stock awards.



**Table of Contents**

The following table details the unvested RSAs for the three and nine months ended September 30, 2013:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
		Weighted Average		Weighted Average
	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value
Beginning balance	46,815	\$ 18.89	56,631	\$ 19.15
Granted	6,665	22.50	6,665	22.50
Vested	(2,980)	16.78	(9,115)	19.20
Forfeited			(3,681)	20.38
Ending balance	50,500	\$ 19.49	50,500	\$ 19.49

The compensation expense for PSAs 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, 2013, the Corporation recognized \$46 thousand and \$299 thousand of expense related to the PSAs. As of September 30, 2013, there was \$1.7 million of unrecognized compensation cost related to PSAs. This cost will be recognized over a weighted average period of 2.1 years.

For the three and nine months ended September 30, 2013, the Corporation recorded excess tax benefits to additional paid in capital of \$320 thousand and \$320 thousand related to the vesting of performance stock awards.

The following table details the unvested PSAs for the three and nine months ended September 30, 2013:

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
		Weighted Average		Weighted Average
	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value
Beginning balance	184,191	\$ 10.62	185,766	\$ 10.62
Granted	75,714	13.36	75,714	13.36
Vested	(54,925)	9.64	(54,925)	9.64
Forfeited			(1,575)	10.77
Ending balance	204,980	\$ 11.90	204,980	\$ 11.90

**Note 10 - 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.

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

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 has 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, the Corporation recorded a \$690 thousand gain which represents the reversal of previous amounts that had been expensed in anticipation of future service of the curtailed participants. The benefit obligation related to the SERP I and SERP II plans as of March 31, 2013 decreased by \$2.3 million from the balance at December 31, 2012 as a result of the curtailment.

On June 28, 2013, the Corporation adopted the Bryn Mawr Bank Corporation Executive Deferred Compensation Plan ( SERP III ), a non-qualified defined-contribution plan which was restricted to certain senior officers of the Corporation. SERP III was retroactively effective January 1, 2013. The intended purpose of SERP III is to provide deferred compensation to a select group of employees.

## Table of Contents

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, 2013 and 2012:

	Three Months Ended September 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	2013	2012	2013	2012	2013	2012
Service cost	\$ 18	\$ 67	\$	\$	\$	\$
Interest cost	40	61	371	394	8	9
Expected return on plan assets			(745)	(701)		
Amortization of transition obligation						7
Amortization of prior service costs	3	21				
Amortization of net loss	13	22	431	447	19	19
Gain on curtailment						
Net periodic benefit cost	\$ 74	\$ 171	\$ 57	\$ 140	\$ 27	\$ 35

	Nine Months Ended September 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	2013	2012	2013	2012	2013	2012
Service cost	\$ 54	\$ 201	\$	\$	\$	\$
Interest cost	119	183	1,114	1,183	22	27
Expected return on plan assets			(2,236)	(2,103)		
Amortization of transition obligation						20
Amortization of prior service costs	10	62				
Amortization of net loss	39	68	1,293	1,340	58	58
Gain on curtailment	(690)					
Net periodic benefit cost	\$ (468)	\$ 514	\$ 171	\$ 420	\$ 80	\$ 105

**QDBP:** No contributions to the QDBP were made for the three and nine months ended September 30, 2013.

**SERP I and SERP II:** The Corporation accrued \$36 thousand and \$109 thousand during the three and nine months ended September 30, 2013, respectively, and is expected to accrue an additional \$36 thousand to the SERP I and SERP II plans for the remaining three months of 2013.

**SERP III:** The Corporation accrued \$22 thousand and \$66 thousand during the three and nine months ended September 30, 2013, respectively, to SERP III and is expected to accrue an additional \$ 22 thousand for the remaining three months of 2013.

**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.

**Table of Contents****Note 11 - 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, 2013 and 2012:

<i>(dollars in thousands)</i>	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012		
	Banking	Wealth Management	Consolidated	Banking	Wealth Management	Consolidated
Net interest income	\$ 18,532	\$ 1	\$ 18,533	\$ 15,950	\$ 1	\$ 15,951
Less: loan loss provision	959		959	1,000		1,000
Net interest income after loan loss provision	17,573	1	17,574	14,950	1	14,951
Other income:						
Fees for wealth management services		8,635	8,635		7,993	7,993
Service charges on deposit accounts	627		627	634		634
Loan servicing and other fees	481		481	432		432
Net gain on sale of loans	578		578	1,837		1,837
Net gain on sale of available for sale securities				416		416
Net loss on sale of other real estate owned	(1)		(1)	(45)		(45)
BOLI income	72		72	107		107
Other operating income	947	48	995	833	41	874
Total other income	2,704	8,683	11,387	4,214	8,034	12,248
Other expenses:						
Salaries & wages	5,986	3,026	9,012	5,799	2,904	8,703
Employee benefits	1,196	700	1,896	1,243	660	1,903
Occupancy & equipment	1,267	379	1,646	1,124	364	1,488
Amortization of intangible assets	78	580	658	71	598	669
Professional fees	609	27	636	537	72	609
Other operating expenses	4,812	663	5,475	4,594	923	5,517
Total other expenses	13,948	5,375	19,323	13,368	5,521	18,889
Segment profit	6,329	3,309	9,638	5,796	2,514	8,310
Intersegment (revenues) expenses*	(19)	19		(128)	128	
Pre-tax segment profit after eliminations	\$ 6,310	\$ 3,328	\$ 9,638	\$ 5,668	\$ 2,642	\$ 8,310
% of segment pre-tax profit after eliminations	65.5%	34.5%	100.0%	68.2%	31.8%	100.0%
Segment assets <i>(dollars in millions)</i>	\$ 2,017	\$ 42	\$ 2,059	\$ 1,769	\$ 46	\$ 1,815

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

<i>(dollars in thousands)</i>	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012		
	Banking	Wealth Management	Consolidated	Banking	Wealth Management	Consolidated
Net interest income	\$ 53,863	\$ 2	\$ 53,865	\$ 47,836	\$ 3	\$ 47,839



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

Less: loan loss provision	2,763		2,763	3,003		3,003
Net interest income after loan loss provision	51,100	2	51,102	44,833	3	44,836
Other income:						
Fees for wealth management services		26,078	26,078		21,433	21,433
Service charges on deposit accounts	1,807		1,807	1,823		1,823
Loan servicing and other fees	1,380		1,380	1,303		1,303
Net gain on sale of loans	3,588		3,588	4,311		4,311
Net gain on sale of available for sale securities	2		2	1,132		1,132
Net loss on sale of other real estate owned	(194)		(194)	(86)		(86)
BOLI income	270		270	330		330
Other operating income	3,051	138	3,189	2,903	67	2,970
Total other income	9,904	26,216	36,120	11,716	21,500	33,216
Other expenses:						
Salaries & wages	17,898	9,010	26,908	16,294	7,989	24,283
Employee benefits	4,235	2,198	6,433	4,239	1,847	6,086
Occupancy & equipment	3,994	1,130	5,124	3,001	1,257	4,258
Amortization of intangible assets	237	1,741	1,978	218	1,520	1,738
Professional fees	1,732	143	1,875	1,672	165	1,837
Other operating expenses	15,082	2,682	17,764	13,602	2,008	15,610
Total other expenses	43,178	16,904	60,082	39,026	14,786	53,812
Segment profit	17,826	9,314	27,140	17,523	6,717	24,240
Intersegment (revenues) expenses*	(323)	323		(368)	368	
Pre-tax segment profit after eliminations	\$ 17,503	\$ 9,637	\$ 27,140	\$ 17,155	\$ 7,085	\$ 24,240
% of segment pre-tax profit after eliminations	64.5%	35.5%	100.0%	70.8%	29.2%	100.0%
Segment assets ( <i>dollars in millions</i> )	\$ 2,017	\$ 42	\$ 2,059	\$ 1,769	\$ 46	\$ 1,815

Other segment information:

**Wealth Management Segment Information**

	<i>(dollars in millions)</i>	
	September 30, 2013	December 31, 2012
Assets under management, administration, supervision and brokerage	\$ 7,082.9	\$ 6,663.2

## Table of Contents

### Note 12 - Mortgage Servicing Rights

The following tables summarize the Corporation's activity related to mortgage servicing rights (MSRs) for the three and nine months ended September 30, 2013 and 2012:

<i>(dollars in thousands)</i>	<b>Three Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of period	\$ 4,790	\$ 4,220
Additions	174	385
Amortization	(187)	(243)
Recovery		
Impairment	(33)	(105)
Balance, end of period	\$ 4,744	\$ 4,257
Fair value	\$ 5,622	\$ 4,279
Loans serviced for others	\$ 627,058	\$ 583,859

<i>(dollars in thousands)</i>	<b>Nine Months Ended September 30,</b>	
	<b>2013</b>	<b>2012</b>
Balance, beginning of period	\$ 4,491	\$ 4,041
Additions	883	1,016
Amortization	(617)	(718)
Recovery	91	109
Impairment	(104)	(191)
Balance, end of period	\$ 4,744	\$ 4,257
Fair value	\$ 5,622	\$ 4,279
Loans serviced for others	\$ 627,058	\$ 583,859

As of September 30, 2013 and December 31, 2012, key economic assumptions and the sensitivity of the current fair value of MSRs to immediate 10 and 20 percent adverse changes in those assumptions are as follows:

<i>(dollars in thousands)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Fair value amount of MSRs	\$ 5,622	\$ 4,638
Weighted average life (in years)	6.1	4.8
Prepayment speeds (constant prepayment rate)*	11.9	15.9
Impact on fair value:		
10% adverse change	\$ (220)	\$ (230)
20% adverse change	\$ (426)	\$ (442)
Discount rate	10.50%	10.50%
Impact on fair value:		
10% adverse change	\$ (220)	\$ (158)
20% adverse change	\$ (424)	\$ (306)

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

\* Represents the weighted average prepayment rate for the life of the MSR asset.

These assumptions and sensitivities are hypothetical and should be used with caution. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which could magnify or counteract the sensitivities.

**Table of Contents****Note 13 - Goodwill and Other Intangibles**

The Corporation's goodwill and intangible assets related to the acquisitions of Lau Associates LLC ( Lau ) in July, 2008, First Keystone Financial, Inc. ( FKF ) in July, 2010, the Private Wealth Management Group of the Hershey Trust Company ( PWMG ) in May, 2011, DTC in May, 2012 and the FBD Transaction in November, 2012 are detailed below:

<i>(dollars in thousands)</i>	Balance December 31, 2012	Additions/ Adjustments	Amortization	Balance September 30, 2013	Amortization Period
Goodwill - Wealth segment	\$ 20,466	\$ (54)	\$	\$ 20,412	Indefinite
Goodwill - Banking segment	12,431			12,431	Indefinite
<b>Total</b>	<b>\$ 32,897</b>	<b>\$ (54)</b>	<b>\$</b>	<b>\$ 32,843</b>	
Core deposit intangible	\$ 1,654	\$	\$ (237)	\$ 1,417	10 Years
Customer relationships	14,890		(971)	13,919	10 to 20 Years
Non compete agreements	4,244		(770)	3,474	5 to 5 1/2 Years
Trade name	1,210			1,210	Indefinite
<b>Total</b>	<b>\$ 21,998</b>	<b>\$</b>	<b>\$ (1,978)</b>	<b>\$ 20,020</b>	
<b>Grand total</b>	<b>\$ 54,895</b>	<b>\$ (54)</b>	<b>\$ (1,978)</b>	<b>\$ 52,863</b>	

The Corporation performed its annual review of goodwill and identifiable intangible assets as of December 31, 2012 in accordance with ASC 350, Intangibles Goodwill and Other. For the three months ended September 30, 2013, the Corporation determined there were no events that would necessitate impairment testing of goodwill and other intangible assets.

**Note 14 - Accumulated Other Comprehensive Loss**

The following tables detail the components of accumulated other comprehensive (loss) income for the three and nine month periods ended September 30, 2013 and 2012:

<i>(dollars in thousands)</i>	Net Change in Unrealized Gains on Available-for- Sale Investment Securities	Net Change in Fair Value of Derivative Used for Cash Flow Hedge	Net Change in Unfunded Pension Liability	Accumulated Other Comprehensive Loss
Balance, June 30, 2013	\$ (123)	\$ 577	\$ (11,559)	\$ (11,105)
Net change	50		246	296
<b>Balance, September 30, 2013</b>	<b>\$ (73)</b>	<b>\$ 577</b>	<b>\$ (11,313)</b>	<b>\$ (10,809)</b>
Balance, June 30, 2012	\$ 2,735	\$	\$ (12,613)	\$ (9,878)
Net change	951		272	1,223

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

Balance, September 30, 2012	\$	3,686	\$	(12,341)	\$	(8,655)
-----------------------------	----	-------	----	----------	----	---------

**Table of Contents**

	Net Change in Unrealized Gains on Available-for- Sale Investment Securities	Net Change in Fair Value of Derivative Used for Cash Flow Hedge	Net Change in Unfunded Pension Liability	Accumulated Other Comprehensive Loss
<i>(dollars in thousands)</i>				
Balance, December 31, 2012	\$ 3,164	\$ (24)	\$ (13,218)	\$ (10,078)
Net change	(3,237)	601	1,905	(731)
Balance, September 30, 2013	\$ (73)	\$ 577	\$ (11,313)	\$ (10,809)
Balance, December 31, 2011	\$ 1,792	\$	\$ (13,157)	\$ (11,365)
Net change	1,894		816	2,710
Balance, September 30, 2012	\$ 3,686	\$	\$ (12,341)	\$ (8,655)

The following tables detail the amounts reclassified from each component of accumulated other comprehensive loss for the three and nine month periods ended September 30, 2013 and 2012:

Description of Accumulated Other Comprehensive Loss Component	Amount Reclassified from Accumulated Other Comprehensive Loss For The Three Months Ended September 30,		Affected Income Statement Category
	2013	2012	
<i>Net unrealized gain on investment securities available for sale:</i>			
Realization of gain on sale of investment securities available for sale	\$	\$ (416)	Net gain on sale of available for sale investment securities
		(146)	Less: income tax expense
	\$	\$ (270)	Net of income tax
<i>Unfunded pension liability:</i>			
Amortization of net loss included in net periodic pension costs*	\$ 463	\$ 488	Employee benefits
Amortization of prior service cost included in net periodic pension costs*	3	21	Employee benefits
Amortization of transition obligation included in net periodic pension costs*		7	Employee benefits
	466	516	Total expense before income tax benefit
	163	181	Less: income tax benefit

\$ 303	\$ 335	Net of income tax
--------	--------	-------------------

**Table of Contents**

Description of Accumulated Other Comprehensive Loss Component	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Income Statement Category
	For The Nine Months Ended September 30,		
	2013	2012	
<i>Net unrealized gain on investment securities available for sale:</i>			
Realization of gain on sale of investment securities available for sale	\$ (2)	\$ (1,132)	Net gain on sale of available for sale investment securities
	(1)	(396)	Less: income tax expense
	\$ (1)	\$ (736)	Net of income tax
<i>Unfunded pension liability:</i>			
Amortization of net loss included in net periodic pension costs*	\$ 1,390	\$ 1,466	Employee benefits
Amortization of prior service cost included in net periodic pension costs*	10	62	Employee benefits
Amortization of transition obligation included in net periodic pension costs*		20	Employee benefits
Gain on curtailment of SERP II	(690)		Net gain on curtailment of nonqualified pension plan
	710	1,548	Total expense before income tax benefit
	249	703	Less: income tax benefit
	\$ 461	\$ 845	Net of income tax

\* Accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 10 - Pension and Other Post-Retirement Benefit Plans

**Note 15 - Shareholders Equity****Dividend**

During the third quarter of 2013, the Corporation declared and paid a regular quarterly dividend of \$0.17 per share. This payment totaled \$2.3 million, based on outstanding shares at August 6, 2013 of 13,545,713. On October 24, 2013, the Corporation's Board of Directors declared a regular quarterly dividend of \$0.18 per share payable December 1, 2013 to shareholders of record as of November 6, 2013.

**S-3 Shelf Registration Statement and Offerings Thereunder**

In April 2012, the Corporation filed a shelf registration statement (the Shelf Registration Statement) to replace its 2009 Shelf Registration Statement, which was set to expire in June 2012. This new Shelf Registration Statement allows the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, debt securities, warrants to purchase common stock, stock purchase contracts and units or units consisting of any combination of the foregoing securities. Using the prospectus in the Shelf Registration Statement, together with applicable prospectus supplements, the Corporation may sell, from time to time, in one or more offerings, such securities in a



dollar amount up to \$150,000,000, in the aggregate.

The Corporation has in place under its Shelf Registration Statement a Dividend Reinvestment and Stock Purchase Plan (the "Plan"), which was amended and restated on April 27, 2012, primarily to increase the number of shares which can be issued by the Corporation from 850,000 to 1,500,000 shares of registered common stock. The Plan allows for the grant of a request for waiver ("RFW") above the Plan's maximum investment of \$120 thousand per account per year. An RFW is granted based on a variety of factors, including the Corporation's current and projected capital needs, prevailing market prices of the Corporation's common stock and general economic and market conditions.

The Plan is intended to allow both existing shareholders and new investors to easily and conveniently increase their investment in the Corporation without incurring many of the fees and commissions normally associated with brokerage transactions. For the nine months ended September 30, 2013, the Corporation issued 6,924 shares and raised \$161 thousand through the Plan.

## **Table of Contents**

### **Options**

In addition to shares issued through the Plan, the Corporation also issues shares through the exercise of stock options. During the nine months ended September 30, 2013, 134,700 shares were issued pursuant to the exercise of stock options, increasing shareholders' equity by \$2.6 million.

### **Note 16 - Accounting for Uncertainty in Income Taxes**

The Corporation recognizes the financial statement benefit of a tax position only after determining that the Corporation would be more likely than not to sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority.

The Corporation is subject to income taxes in the United States federal jurisdiction and multiple state jurisdictions. The Corporation is no longer subject to U.S. federal income tax examination by taxing authorities for years before 2010.

The Corporation's policy is to record interest and penalties on uncertain tax positions as income tax expense. No interest or penalties were accrued in the three or nine month periods ended September 30, 2013 or 2012. There were no reserves for uncertain income tax positions recorded during the three or nine month periods ended September 30, 2013 or 2012.

### **Note 17 - Fair Value Measurement**

The following disclosures are made in conjunction with the application of fair value measurements.

FASB ASC 820 "Fair Value Measurement" establishes a fair value hierarchy based on the nature of data inputs for fair value determinations, under which the Corporation is required to value each asset using assumptions that market participants would utilize to value that asset. When the Corporation uses its own assumptions, it is required to disclose additional information about the assumptions used and the effect of the measurement on earnings or the net change in assets for the period.

The Corporation's investment securities available for sale, which generally include state and municipal securities, U.S. government agencies and mortgage-related securities, are reported at fair value. These securities are valued by an independent third party. The third party's evaluations are based on market data. They utilize evaluated pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, their pricing applications apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (only obtained from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. For certain securities, additional inputs may be used or some market inputs may not be applicable. Inputs are prioritized differently on any given day based on market conditions.

U.S. Government agencies are evaluated and priced using multi-dimensional relational models and option-adjusted spreads. State and municipal securities are evaluated on a series of matrices including reported trades and material event notices. Mortgage-related securities are evaluated using matrix correlation to treasury or floating index benchmarks, prepayment speeds, monthly payment information and other benchmarks. Other available for sale investments are evaluated using a broker-quote based application, including quotes from issuers.

The value of the investment portfolio is determined using three broad levels of inputs:

**Level 1** - Quoted prices in active markets for identical securities.

**Level 2** - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

**Level 3** - Instruments whose significant value drivers are unobservable.

These levels are not necessarily an indication of the risks or liquidity associated with these investments. The following tables summarize the assets at September 30, 2013 and December 31, 2012 that are recognized on the Corporation's balance sheet using fair value measurement determined based on the differing levels of input.



**Table of Contents**

Fair value of assets measured on a recurring and non-recurring basis as of September 30, 2013:

<i>(dollars in millions)</i>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets Measured at Fair Value on a Recurring Basis:</b>				
Investment securities available for sale:				
U.S. Treasury securities	\$ 0.1	\$ 0.1	\$	\$
Obligations of the U.S. government agencies	90.9		90.9	
Obligations of state & political subdivisions	40.1		40.1	
Mortgage-backed securities	124.3		124.3	
Collateralized mortgage obligations	47.3		47.3	
Mutual funds	11.5	11.5		
Other investments	5.7		5.7	
Total investment securities available for sale	319.9	11.6	308.3	
Trading securities	2.4		2.4	
Total assets measured on a recurring basis at fair value	\$ 322.3	\$ 11.6	\$ 310.7	\$
<b>Assets Measured at Fair Value on a Non-Recurring Basis</b>				
Mortgage servicing rights	\$ 0.8	\$	\$	