

BRYN MAWR BANK CORP
Form 10-Q
November 08, 2013
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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

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incorporation or organization)

identification No.)

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

19010
(Zip Code)

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

Not Applicable

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

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

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

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

Class	Outstanding at November 4, 2013
Common Stock, par value \$1	16,586,437

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED September 30, 2013

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

<i>(dollars in thousands)</i>	(unaudited) September 30, 2013	December 31, 2012
Assets		
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
Liabilities		
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

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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>				
Interest income:				
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
Interest expense on:				
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
Provision for loan and lease losses	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
Non-interest income:				
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
Non-interest expenses:				
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

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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
Net income	\$ 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**

(dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	\$ 6,401	\$ 5,425	\$ 17,973	\$ 15,843
Other comprehensive income (loss):				
Net change in unrealized (losses) gains on investment securities available for sale:				
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
Net change in fair value of derivative used for cash flow hedge:				
Change in fair value of hedging instruments, net of tax expense of \$0, \$0, \$324 and \$0, respectively			601	
Net change in unfunded pension liability:				
Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax expense of \$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**

<i>(dollars in thousands)</i>	Nine Months Ended September 30,	
	2013	2012
Operating activities:		
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
Investing activities:		
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)
Financing activities:		
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	

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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:	

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Nonmaturity deposits	27,080
Time deposits	43,257
Unfavorable lease	140
Other liabilities	390
Total liabilities	70,867
Net assets acquired	7,250
Goodwill resulting from the FBD Transaction	\$ 3,309

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)

Consideration paid:	
Cash	\$ 9,450
Contingent payment liability	1,050
Value of consideration	10,500
Assets acquired:	
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
Liabilities assumed:	
Deferred tax liability	2,125
Miscellaneous liabilities	885
Total liabilities	3,010
Net assets acquired	5,655
Goodwill resulting from acquisition of DTC	\$ 4,845

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.

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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,	
<i>(dollars in thousands except per share data)</i>	2013	2012	2013	2012
Numerator:				
Net income available to common shareholders	\$ 6,401	\$ 5,425	\$ 17,973	\$ 15,843
Denominator for basic earnings per share - weighted average shares outstanding	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
Denominator for diluted earnings per share - adjusted weighted average shares outstanding	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

<i>(dollars in thousands)</i>	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
Total	\$ 320,030	\$ 2,787	\$ (2,900)	\$ 319,917

As of December 31, 2012

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
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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

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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)
Total	\$ 138,802	\$ (2,883)	\$ 1,606	\$ (17)	\$ 140,408	\$ (2,900)

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)
Total	\$ 53,426	\$ (214)	\$	\$	\$ 53,426	\$ (214)

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.

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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:

<i>(dollars in thousands)</i>	September 30, 2013		December 31, 2012	
	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

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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⁽¹⁾**

<i>(dollars in thousands)</i>	September 30, 2013	December 31, 2012
Non-accrual loans and leases:		
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
Total	\$ 10,613	\$ 14,040
Loans and leases 90 days or more past due, still accruing:		
Construction		728
Total nonperforming loans and leases	\$ 10,613	\$ 14,768

⁽¹⁾ Purchased credit-impaired loans, which have been recorded at their fair values at acquisition, and which are performing, are excluded from this table, with the exception of \$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>	September 30, 2013	December 31, 2012
Outstanding principal balance	\$ 15,975	\$ 19,527
Carrying amount ⁽¹⁾	\$ 10,622	\$ 12,128

⁽¹⁾ 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 accretible 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 accretible yield.

The following table presents changes in the accretible 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>	Accretible Discount
Balance, December 31, 2012	\$ 8,025
Accretion	(1,404)
Reclassifications from nonaccretible difference	998

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

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

<i>(dollars in thousands)</i>	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			
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

<i>(dollars in thousands)</i>	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			
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