

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)

of the Securities Exchange Act of 1934

For Quarter ended September 30, 2014

Commission File Number 1-35746

Bryn Mawr Bank Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

23-2434506
(I.R.S. Employer

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

incorporation or organization)

identification No.)

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

19010
(Zip Code)

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

Not Applicable

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

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

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

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

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

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

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

Table of Contents

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED September 30, 2014

Index

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

Consolidated Financial Statements Page 3

Notes to Consolidated Financial Statements Page 8

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

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

ITEM 4. Controls and Procedures Page 52

PART II - OTHER INFORMATION Page 52

ITEM 1. Legal Proceedings Page 52

ITEM 1A. Risk Factors Page 52

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

ITEM 3. Defaults Upon Senior Securities Page 53

ITEM 4. Mine Safety Disclosures Page 54

ITEM 5. Other Information Page 54

ITEM 6. Exhibits Page 54

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

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

Shareholders equity

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

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

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

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

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

(dollars in thousands, except per share data)

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

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

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

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

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

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

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

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

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

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

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

Supplemental cash flow information:

Cash paid during the year for:

Income taxes	\$ 9,005	\$ 6,703
Interest	4,477	4,418

Non-cash information:

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

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

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

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

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

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

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

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

Note 2 - Earnings per Common Share

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

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

Note 3 - Investment Securities

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

As of September 30, 2014

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

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

Table of Contents**As of December 31, 2013**

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

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

As of September 30, 2014

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

As of December 31, 2013

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

C. Non-Performing Loans and Leases⁽¹⁾

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

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

D. Purchased Credit-Impaired Loans

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

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

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

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

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

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

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

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

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases		
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Past Due				Total Past Due	Current
<i>(dollars in thousands)</i>										
As of September 30, 2014										
Commercial mortgage		\$		\$		\$	682,849	\$ 682,849	\$ 709	\$ 683,558
Home equity lines and loans	443		180		623	181,678	182,301	1,013	183,314	
Residential mortgage	896		35		931	309,445	310,376	3,751	314,127	
Construction						59,660	59,660	263	59,923	
Commercial and industrial	34		136		170	339,784	339,954	2,570	342,524	
Consumer						16,810	16,810		16,810	
Leases	2		15		17	44,935	44,952	30	44,982	
	\$ 1,375	\$ 366	\$	\$	\$ 1,741	\$ 1,635,161	\$ 1,636,902	\$ 8,336	\$ 1,645,238	

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases	
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Past Due				Total Past Due
<i>(dollars in thousands)</i>									
As of December 31, 2013									
Commercial mortgage	\$ 241	\$		\$	\$ 241	\$ 624,622	\$ 624,863	\$ 478	\$ 625,341
Home equity lines and loans	209				209	188,100	188,309	1,262	189,571
Residential mortgage	773		35		808	295,058	295,866	4,377	300,243
Construction						45,539	45,539	830	46,369
Commercial and industrial	334				334	324,586	324,920	3,539	328,459
Consumer	2		4		6	16,900	16,906	20	16,926
Leases	60		60		120	40,132	40,252	24	40,276
	\$ 1,619	\$ 99	\$	\$	\$ 1,718	\$ 1,534,937	\$ 1,536,655	\$ 10,530	\$ 1,547,185

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

Pass Loans considered satisfactory with no indications of deterioration.

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

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

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

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

Credit Risk Profile by Internally Assigned Grade

<i>(dollars in thousands)</i>	Commercial Mortgage		Construction		Commercial and Industrial		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Pass	\$ 677,136	\$ 620,227	\$ 59,660	\$ 43,812	\$ 335,153	\$ 320,211	\$ 1,071,949	\$ 984,250
Special Mention	4,789	2,793			1,405	387	6,194	3,180
Substandard	1,633	2,321	263	2,557	5,966	7,861	7,862	12,739
Total	\$ 683,558	\$ 625,341	\$ 59,923	\$ 46,369	\$ 342,524	\$ 328,459	\$ 1,086,005	\$ 1,000,169

Credit Risk Profile by Payment Activity

<i>(dollars in thousands)</i>	Residential Mortgage		Home Equity Lines and Loans		Consumer		Leases		Total	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Performing	\$ 310,376	\$ 295,866	\$ 182,301	\$ 188,309	\$ 16,810	\$ 16,906	\$ 44,952	\$ 40,252	\$ 554,439	\$ 541,333
Non-performing	3,751	4,377	1,013	1,262		20	30	24	4,794	5,683
Total	\$ 314,127	\$ 300,243	\$ 183,314	\$ 189,571	\$ 16,810	\$ 16,926	\$ 44,982	\$ 40,276	\$ 559,233	\$ 547,016

G. Troubled Debt Restructurings (TDRs):

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents**H. Impaired Loans**

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

	Recorded Investment⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized
<i>(dollars in thousands)</i>					