

BRYN MAWR BANK CORP

Form 10-Q

November 04, 2016

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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 Exchange Act of 1934

For Quarter ended September 30, 2016

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

incorporation or organization)

**(I.R.S.
Employer**

**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 classes of common stock, as of the latest practicable date.

Classes	Outstanding at November 2, 2016
Common Stock, par value \$1	16,913,268

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

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QUARTER ENDED September 30, 2016

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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>	September 30, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and due from banks	\$ 18,905	\$ 18,452
Interest bearing deposits with banks	30,118	124,615
Cash and cash equivalents	49,023	143,067
Investment securities available for sale, at fair value (amortized cost of \$361,849 and \$347,776 as of September 30, 2016 and December 31, 2015 respectively)	366,910	348,966
Investment securities held to maturity, at amortized cost (fair value of \$2,902 and \$0 as of September 30, 2016 and December 31, 2015, respectively)	2,896	-
Investment securities, trading	3,702	3,950
Loans held for sale	11,506	8,987
Portfolio loans and leases, originated	2,176,549	1,883,869

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Portfolio loans and leases, acquired	316,808		385,119	
Total portfolio loans and leases	2,493,357		2,268,988	
Less: Allowance for originated loan and lease losses	(17,716)	(15,857)
Less: Allowance for acquired loan and lease losses	(28)	-	
Total allowance for loans and lease losses	(17,744)	(15,857)
Net portfolio loans and leases	2,475,613		2,253,131	
Premises and equipment, net	42,559		45,339	
Accrued interest receivable	8,066		7,869	
Mortgage servicing rights	4,793		5,142	
Bank owned life insurance	39,055		38,371	
Federal Home Loan Bank stock	13,185		12,942	
Goodwill	104,765		104,765	
Intangible assets	21,235		23,903	
Other investments	9,121		9,460	
Other assets	21,651		25,105	
Total assets	\$ 3,174,080		\$ 3,030,997	
Liabilities				
Deposits:				
Non-interest-bearing	\$ 718,015		\$ 626,684	
Interest-bearing	1,759,862		1,626,041	
Total deposits	2,477,877		2,252,725	
Short-term borrowings	50,065		94,167	
Long-term FHLB advances	204,772		254,863	
Subordinated notes	29,518		29,479	
Accrued interest payable	1,854		1,851	
Other liabilities	31,535		32,201	
Total liabilities	2,795,621		2,665,286	
Shareholders' equity				
Common stock, par value \$1; authorized 100,000,000 shares; issued 21,063,536 and 20,931,416 shares as of September 30, 2016 and December 31, 2015, respectively, and outstanding of 16,893,878 and 17,071,523 as of September 30, 2016 and December 31, 2015, respectively	21,064		20,931	

Paid-in capital in excess of par value	231,398		228,814	
Less: Common stock in treasury at cost - 4,169,658 and 3,859,893 shares as of September 30, 2016 and December 31, 2015, respectively	(66,895)	(58,144)
Accumulated other comprehensive income (loss), net of tax	2,128		(412)
Retained earnings	190,764		174,522	
Total shareholders' equity	378,459		365,711	
Total liabilities and shareholders' equity	\$ 3,174,080		\$ 3,030,997	

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,	
	2016	2015	2016	2015
<i>(dollars in thousands, except per share data)</i>				
Interest income:				
Interest and fees on loans and leases	\$27,931	\$25,620	\$82,306	\$76,352
Interest on cash and cash equivalents	27	107	115	346
Interest on investment securities:				
Taxable	1,373	1,135	4,108	3,616
Non-taxable	125	125	379	366
Dividends	58	42	161	96
Total interest income	29,514	27,029	87,069	80,776
Interest expense:				
Interest on deposits	1,575	1,076	4,053	3,166
Interest on short-term borrowings	34	8	71	39
Interest on FHLB advances and other borrowings	818	881	2,593	2,642
Interest on subordinated notes	370	231	1,106	231
Total interest expense	2,797	2,196	7,823	6,078
Net interest income	26,717	24,833	79,246	74,698
Provision for loan and lease losses	1,412	1,200	3,267	2,619
Net interest income after provision for loan and lease losses	25,305	23,633	75,979	72,079
Non-interest income:				
Fees for wealth management services	9,100	9,194	27,363	27,899
Insurance commissions	886	1,065	3,007	2,903
Service charges on deposits	688	721	2,103	2,185
Loan servicing and other fees	497	397	1,528	1,585
Net gain on sale of loans	985	685	2,641	2,271
Net (loss) gain on sale of investment securities available for sale	(28) 60	(86) 873
Net (loss) gain on sale of other real estate owned ("OREO")	-	-	(76) 90
Dividends on FHLB and FRB stock	277	138	754	1,052
Other operating income	1,487	1,090	3,686	3,434
Total non-interest income	13,892	13,350	40,920	42,292
Non-interest expenses:				
Salaries and wages	11,621	10,941	35,556	32,875
Employee benefits	2,420	2,590	7,341	7,937
Occupancy and bank premises	2,349	2,557	7,204	7,831
Furniture, fixtures, and equipment	1,837	1,712	5,651	4,712
Advertising	334	410	990	1,446
Amortization of intangible assets	888	953	2,668	2,890

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Impairment of mortgage servicing rights ("MSR"s)	29	36	711	87
Due diligence, merger-related and merger integration expenses	-	1,015	-	4,810
Professional fees	937	843	2,696	2,343
Pennsylvania bank shares tax	675	433	1,953	1,299
Information technology	881	1,053	2,804	2,569
Other operating expenses	3,506	2,860	9,213	10,015
Total non-interest expenses	25,477	25,403	76,787	78,814
Income before income taxes	13,720	11,580	40,112	35,557
Income tax expense	4,346	4,084	13,484	12,448
Net income	\$9,374	\$7,496	\$26,628	\$23,109
Basic earnings per common share	\$0.56	\$0.43	\$1.58	\$1.31
Diluted earnings per common share	\$0.55	\$0.42	\$1.57	\$1.29
Dividends declared per share	\$0.21	\$0.20	\$0.61	\$0.58
Weighted-average basic shares outstanding	16,860,727	17,572,421	16,840,457	17,610,353
Dilutive shares	211,631	261,877	153,998	320,067
Adjusted weighted-average diluted shares	17,072,358	17,834,298	16,994,455	17,930,420

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, 2016		Nine Months Ended September 30, 2016	
	2015	2015	2015	2015
Net income	\$9,374	\$7,496	\$26,628	\$23,109
Other comprehensive (loss) income:				
Net change in unrealized gains (losses) on investment securities available for sale:				
Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$(212), \$503, \$1,336 and \$803, respectively	(394)	935	2,459	1,489
Less: reclassification adjustment for net losses (gains) on sales realized in net income, net of tax (benefit) expense of \$(10), \$21, \$(30) and \$306, respectively	18	(39)	56	(567)
Unrealized investment gains (losses), net of tax expense (benefit) of \$(202), \$482, \$1,366 and \$497, respectively	(376)	896	2,515	922
Net change in fair value of derivative used for cash flow hedge:				
Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$0, \$(188), \$0 and \$(216), respectively	-	(349)	-	(400)
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 \$9, \$26, \$13 and \$76, respectively	16	47	25	142
Total other comprehensive (loss) income	(360)	594	2,540	664
Total comprehensive income	\$9,014	\$8,090	\$29,168	\$23,773

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***(dollars in thousands)*

	Nine Months Ended September 30,	
	2016	2015
Operating activities:		
Net Income	\$26,628	\$23,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	3,267	2,619
Depreciation of fixed assets	4,234	3,510
Net amortization of investment premiums and discounts	2,415	2,486
Net loss (gain) on sale of investment securities available for sale	86	(873)
Net gain on sale of loans	(2,641)	(2,271)
Stock based compensation cost	1,233	1,047
Amortization and net impairment of mortgage servicing rights	1,236	531
Net accretion of fair value adjustments	(2,966)	(4,029)
Amortization of intangible assets	2,668	2,890
Impairment of other real estate owned ("OREO")	-	90
Net loss (gain) on sale of OREO	76	(90)
Net increase in cash surrender value of bank owned life insurance ("BOLI")	(684)	(568)
Other, net	(545)	1,770
Loans originated for resale	(114,087)	(110,098)
Proceeds from loans sold	113,322	107,240
Provision for deferred income taxes	790	2,753
Excess tax benefit from stock-based compensation	-	(715)
Change in income taxes payable/receivable	412	1,824
Change in accrued interest receivable	(197)	(90)
Change in accrued interest payable	3	109
Net cash provided by operating activities	35,250	31,244
Investing activities:		
Purchases of investment securities available for sale	(120,839)	(124,161)
Purchases of investment securities held to maturity	(2,928)	-
Proceeds from maturity and paydowns of investment securities available for sale	45,666	48,968
Proceeds from maturity and paydowns of investment securities held to maturity	22	-
Proceeds from sale of investment securities available for sale	202	64,528
Net change in FHLB stock	(243)	4,762
Proceeds from calls of investment securities	58,406	80,465
Net change in other investments	339	(4,223)
Net portfolio loan and lease originations	(223,438)	(150,812)
Purchases of premises and equipment	(1,559)	(5,194)
Purchases of BOLI	-	(5,000)
Acquisitions, net of cash acquired	-	16,129

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Proceeds from sale of OREO	1,806	928
Net cash (used in) provided by investing activities	(242,566)	(73,610)
Financing activities:		
Change in deposits	225,352	70,780
Change in short-term borrowings	(44,091)	(108,066)
Dividends paid	(10,400)	(10,395)
Change in FHLB advances and other borrowings	(50,000)	(24,883)
Net proceeds from issuance of subordinated notes	-	29,466
Excess tax benefit from stock-based compensation	-	715
Cash payments to taxing authorities on employees' behalf from shares withheld from stock-based compensation	(726)	-
Net purchase of treasury stock for deferred compensation plans	(97)	-
Net purchase of treasury stock	(7,971)	(21,402)
Proceeds from issuance of common stock	-	20
Proceeds from exercise of stock options	1,205	5,003
Net cash provided by (used in) financing activities	113,272	(58,762)
Change in cash and cash equivalents	(94,044)	(101,128)
Cash and cash equivalents at beginning of period	143,067	219,269
Cash and cash equivalents at end of period	\$49,023	\$118,141
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	\$12,372	\$7,301
Interest	\$7,823	\$5,674
Non-cash information:		
Available for sale securities purchased, not settled	\$-	\$664
Change in other comprehensive income	\$2,540	\$357
Change in deferred tax due to change in comprehensive income	\$1,379	\$401
Issuance of shares and options for acquisitions	\$-	\$123,734
Acquisition of noncash assets and liabilities:		
Assets acquired	\$-	\$727,379
Liabilities assumed	\$-	\$619,774

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 per share information)*

	For the Nine Months Ended September 30, 2016						Total Shareholders' Equity
	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	
Balance December 31, 2015	20,931,416	\$ 20,931	\$ 228,814	\$(58,144)	\$ (412)	\$ 174,522	\$ 365,711
Net income	-	-	-	-	-	26,628	26,628
Tax provision to return adjustment related to excess tax benefit on stock-based compensation	-	-	197	-	-	-	197
Dividends declared, \$0.61 per share	-	-	-	-	-	(10,386)	(10,386)
Other comprehensive income, net of tax expense of \$1,379	-	-	-	-	2,540	-	2,540
Stock based compensation	-	-	1,233	-	-	-	1,233
Retirement of treasury stock	(4,320)	(4)	(39)	43	-	-	-
Net purchase of treasury stock	-	-	-	(8,794)	-	-	(8,794)
Common stock issued through share-based awards and options exercises	136,440	137	1,193	-	-	-	1,330
Balance September 30, 2016	21,063,536	\$ 21,064	\$ 231,398	\$(66,895)	\$ 2,128	\$ 190,764	\$ 378,459

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, 2015 (the “2015 Annual Report”).

The results of operations for the three and nine months ended September 30, 2016 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
<i>(dollars in thousands except per share data)</i>				
Numerator:				
Net income available to common shareholders	\$9,374	\$7,496	\$26,628	\$23,109
	16,860,727	17,572,421	16,840,457	17,610,353

Denominator for basic earnings per share – weighted				
average shares outstanding				
Effect of dilutive common shares	211,631	261,877	153,998	320,067
Denominator for diluted earnings per share – adjusted				
weighted average shares outstanding	17,072,358	17,834,298	16,994,455	17,930,420
Basic earnings per share	\$0.56	\$0.43	\$1.58	\$1.31
Diluted earnings per share	\$0.55	\$0.42	\$1.57	\$1.29
Antidilutive shares excluded from computation of average dilutive earnings per share	—	—	—	—

Note 3 - Business Combinations

Robert J. McAllister Agency, Inc. (“RJM”)

The acquisition of RJM, an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed on April 1, 2015. The consideration paid by the Corporation was \$1.0 million, of which \$500 thousand was paid at closing, with five contingent cash payments, not to exceed \$100 thousand each, to be payable on each of March 31, 2016, March 31, 2017, March 31, 2018, March 31, 2019, and March 31, 2020, subject to the attainment of certain revenue targets during the related periods. During the three months ended September 30, 2016, the first contingent payment in the amount of \$85 thousand was issued. The acquisition enhanced the Corporation’s ability to offer comprehensive insurance solutions to both individual and business clients.

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In connection with the RJM acquisition, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and subsequent adjustments, during the measurement period, to the fair value of the assets acquired, liabilities assumed and the resulting goodwill recorded:

<i>(dollars in thousands)</i>	Original Estimates	Adjustments to Estimates	Final Valuation
Consideration paid:			
Cash paid at closing	\$ 500	\$ —	\$ 500
Contingent payment liability	500	—	500
Value of consideration	1,000	—	1,000
Assets acquired:			
Cash operating accounts	20	—	20
Intangible assets – trade name	129	(129)	—
Intangible assets – customer relationships	424	—	424
Intangible assets – non-competition agreements	257	—	257
Other assets	4	—	4
Total assets	834	(129)	705
Liabilities assumed:			
Deferred tax liability	336	(45)	291
Other liabilities	46	—	46
Total liabilities	382	(45)	337
Net assets acquired	452	(84)	368
Goodwill resulting from acquisition of RJM	\$ 548	\$ 84	\$ 632

During the three months ended December 31, 2015, a measurement-period adjustment was made which eliminated the value initially placed on the trade name (and its associated deferred tax liability), as the entity was immediately merged into PCPB.

As of December 31, 2015, the estimates of fair values of the assets acquired and liabilities assumed in the acquisition of RJM were finalized.

Continental Bank Holdings, Inc.

On January 1, 2015, the previously announced merger of Continental Bank Holdings, Inc. (“CBH”) with and into the Corporation, and the merger of Continental Bank with and into the Bank (collectively, the “Merger”) as contemplated by the Agreement and Plan of Merger, by and between CBH and the Corporation, dated as of May 5, 2014 (as amended by the Amendment to Agreement and Plan of Merger, dated as of October 23, 2014, the “Agreement”), were completed. In accordance with the Agreement, the aggregate share consideration paid to CBH shareholders consisted of 3,878,383 shares (which included fractional shares paid in cash) of the Corporation’s common stock. Shareholders of CBH received 0.45 shares of Corporation common stock for each share of CBH common stock they owned as of the effective date of the Merger. Holders of options to purchase shares of CBH common stock received options to purchase shares of Corporation common stock, converted at the same ratio of 0.45. In addition, \$1.3 million was paid to certain warrant holders to cash-out certain warrants. In accordance with the acquisition method of accounting, assets acquired and liabilities assumed were preliminarily adjusted to their fair values as of the date of the Merger. The excess of consideration paid above the fair value of net assets acquired was recorded as goodwill. This goodwill is not amortizable nor is it deductible for income tax purposes.

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In connection with the Merger, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and the subsequent adjustments, during the measurement period, to the fair value of the assets acquired, liabilities assumed and the resulting goodwill recorded:

<i>(dollars in thousands)</i>	Original	Adjustments to	Final
	Estimates	Estimates	Valuation
Consideration paid:			
Common shares issued (3,878,304)	\$ 121,391	\$ —	\$ 121,391
Cash in lieu of fractional shares	2	—	2
Cash-out of certain warrants	1,323	—	1,323
Fair value of options assumed	2,343	—	2,343
Value of consideration	125,059	—	125,059
Assets acquired:			
Cash and due from banks	17,934	—	17,934
Investment securities available for sale	181,838	—	181,838
Loans*	426,601	(1,864)	424,737
Premises and equipment	9,037	—	9,037
Deferred income taxes	6,288	1,396	7,684
Bank-owned life insurance	12,054	—	12,054
Core deposit intangible	4,191	—	4,191
Favorable lease asset	792	(68)	724
Other assets	18,085	(111)	17,974
Total assets	676,820	(647)	676,173
Liabilities assumed:			
Deposits	481,674	—	481,674
FHLB and other long-term borrowings	19,726	—	19,726
Short-term borrowings	108,609	—	108,609
Unfavorable lease liability	2,884	—	2,884
Other liabilities	4,706	1,867	6,573
Total liabilities	617,599	1,867	619,466
Net assets acquired	59,221	(2,514)	56,707
Goodwill resulting from the Merger	\$ 65,838	\$ 2,514	\$ 68,352

*includes \$507 thousand in loans held for sale

During the measurement period subsequent to the Merger, adjustments to the fair value of the assets acquired and liabilities assumed were related to circumstances that existed prior to the Merger date, but that were not known to the Corporation. The adjustments included reductions in the fair value of certain loans, unrecorded liabilities of CBH, and an immaterial adjustment to the calculation of a favorable lease asset, which reduced its value, along with the associated deferred tax items.

As of December 31, 2015, the estimates of fair values of the assets acquired and liabilities assumed in the Merger were finalized.

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Due diligence, merger-related and merger integration expenses include consultant costs, investment banker fees, contract breakage fees, retention bonuses for severed employees, and salary and wages for redundant staffing involved in the integration of the institutions. The following table details the costs identified and classified as due diligence, merger-related and merger integration costs for the periods indicated:

<i>(dollars in thousands)</i>	Three Months Ended September 30, 2016	Nine months Ended September 30, 2015
Advertising	\$—\$ 36	\$—\$ 83
Employee benefits	— 60	— 213
Furniture, fixtures and equipment	— 64	— 93
Professional fees	— 319	— 2,084
Salaries and wages	— 480	— 1,224
Other	— 56	— 1,113
Total due diligence and merger-related expenses	\$—\$ 1,015	\$—\$ 4,810

Note 4 - Investment Securities

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

As of September 30, 2016

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized	Gross Unrealized	Fair Value
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		Gains	Losses	
U.S. Treasury securities	\$ 101	\$ —	\$ —	\$ 101
Obligations of the U.S. government and agencies	75,652	987	(41)	76,598
Obligations of state and political subdivisions	37,128	156	(20)	37,264
Mortgage-backed securities	181,118	3,805	(5)	184,918
Collateralized mortgage obligations	51,091	326	(72)	51,345
Other investments	16,759	108	(183)	16,684
Total	\$ 361,849	\$ 5,382	\$ (321)	\$ 366,910

As of December 31, 2015

	Amortized	Gross	Gross	Fair
		Unrealized	Unrealized	
<i>(dollars in thousands)</i>	Cost	Gains	Losses	
U.S. Treasury securities	\$ 101	\$ —	\$ (1)	\$ 100
Obligations of the U.S. government and agencies	101,342	470	(317)	101,495
Obligations of state and political subdivisions	41,892	123	(49)	41,966
Mortgage-backed securities	157,422	1,482	(215)	158,689
Collateralized mortgage obligations	29,756	166	(123)	29,799
Other investments	17,263	38	(384)	16,917
Total	\$ 347,776	\$ 2,279	\$ (1,089)	\$ 348,966

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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, 2016

<i>(dollars in thousands)</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of the U.S. government and agencies	\$ 10,959	\$ (41)	\$ —	\$ —	\$ 10,959	\$ (41)
Obligations of state and political subdivisions	12,802	(20)	—	—	12,802	(20)
Mortgage-backed securities	5,444	(5)	—	—	5,444	(5)
Collateralized mortgage obligations	19,742	(72)	—	—	19,742	(72)
Other investments	1,245	(74)	11,847	(109)	13,092	(183)
Total	\$ 50,192	\$ (212)	\$ 11,847	\$ (109)	\$ 62,039	\$ (321)

As of December 31, 2015

<i>(dollars in thousands)</i>	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 100	\$ (1)	\$ —	\$ —	\$ 100	\$ (1)
Obligations of the U.S. government and agencies	49,759	(317)	—	—	49,759	(317)
Obligations of state and political subdivisions	18,725	(46)	2,016	(3)	20,741	(49)
Mortgage-backed securities	55,763	(215)	—	—	55,763	(215)
Collateralized mortgage obligations	6,407	(85)	2,436	(38)	8,843	(123)
Other investments	3,945	(238)	11,810	(146)	15,755	(384)
Total	\$ 134,699	\$ (902)	\$ 16,262	\$ (187)	\$ 150,961	\$ (1,089)

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 fair 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.

As of September 30, 2016 and December 31, 2015, securities having fair values of \$130.8 million and \$128.9 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.

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The amortized cost and fair value of investment securities *available for sale* as of September 30, 2016 and December 31, 2015, by contractual maturity, are shown below:

	September 30, 2016		December 31, 2015	
	Amortized Fair		Amortized Fair	
(dollars in thousands)	Cost	Value	Cost	Value
Investment securities:				
Due in one year or less	\$12,702	\$12,706	\$9,570	\$9,574
Due after one year through five years	43,579	43,910	61,368	61,467
Due after five years through ten years	39,539	39,659	53,193	53,070
Due after ten years	18,511	19,138	20,904	21,141
Subtotal	114,331	115,413	145,035	145,252
Mortgage-related securities ¹	232,209	236,263	187,178	188,488
Mutual funds with no stated maturity	15,309	15,234	15,563	15,226
Total	\$361,849	\$366,910	\$347,776	\$348,966

¹ 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.

The amortized cost and fair value of investment securities *held to maturity* as of September 30, 2016 are as follows:

As of September 30, 2016

	Amortized Cost	Gross	Gross	Fair Value
		Unrealized Gains	Unrealized Losses	
(dollars in thousands)				
Mortgage-backed securities	\$ 2,896	\$ 6	\$ —	\$2,902
Total	\$ 2,896	\$ 6	\$ —	\$2,902

The amortized cost and fair value of investment securities *held to maturity* as of September 30, 2016, by contractual maturity, are shown below:

**September 30,
2016**

(dollars in thousands)

	Cost	Value
Mortgage-related securities ¹	2,896	2,902
Total	\$2,896	\$2,902

¹ 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 December 31, 2015, there were no investments *held to maturity*.

As of September 30, 2016 and December 31, 2015, the Corporation's investment securities held in *trading* accounts were comprised of three deferred compensation trust accounts which are invested in marketable securities whose diversification is at the discretion of the deferred compensation plan participants.

Note 5 - Loans and Leases

The loan and lease portfolio consists of loans and leases originated by the Corporation, as well as loans acquired in mergers and acquisitions. These mergers and acquisitions include the January 2015 acquisition of CBH, the November 2012 transaction with First Bank of Delaware ("FBD") and the July 2010 acquisition of First Keystone Financial, Inc. ("FKF"). Many of the tables in this footnote are presented for all loans as well as supplemental tables for *originated* and *acquired* loans.

Table Of Contents**A. The table below details *all* portfolio loans and leases as of the dates indicated:**

	September 30,	December 31,
	2016	2015
Loans held for sale	\$ 11,506	\$ 8,987
Real estate loans:		
Commercial mortgage	\$ 1,089,621	\$ 964,259
Home equity lines and loans	206,578	209,473
Residential mortgage	418,408	406,404
Construction	133,269	90,421
Total real estate loans	1,847,876	1,670,557
Commercial and industrial	565,497	524,515
Consumer	23,717	22,129
Leases	56,267	51,787
Total portfolio loans and leases	2,493,357	2,268,988
Total loans and leases	\$ 2,504,863	\$ 2,277,975
Loans with fixed rates	\$ 1,135,918	\$ 1,103,622
Loans with adjustable or floating rates	1,368,945	1,174,353
Total loans and leases	\$ 2,504,863	\$ 2,277,975
Net deferred loan origination fees included in the above loan table	\$(795)	\$(70)

The table below details the Corporation's *originated* portfolio loans and leases as of the dates indicated:

	September 30,	December 31,
	2016	2015
Loans held for sale	\$ 11,506	\$ 8,987
Real estate loans:		
Commercial mortgage	\$ 920,304	\$ 772,571
Home equity lines and loans	174,774	171,189
Residential mortgage	344,540	316,487
Construction	133,269	87,155
Total real estate loans	1,572,887	1,347,402
Commercial and industrial	523,798	462,746
Consumer	23,597	21,934
Leases	56,267	51,787
Total portfolio loans and leases	2,176,549	1,883,869
Total loans and leases	\$ 2,188,055	\$ 1,892,856
Loans with fixed rates	\$ 988,721	\$ 932,575

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Loans with adjustable or floating rates	1,199,334	960,281
Total originated loans and leases	\$2,188,055	\$1,892,856
Net deferred loan origination fees included in the above loan table	\$(795)	\$(70)

The table below details the Corporation's *acquired* portfolio loans as of the dates indicated:

	September 30, 2016	December 31, 2015
Real estate loans:		
Commercial mortgage	\$ 169,317	\$ 191,688
Home equity lines and loans	31,804	38,284
Residential mortgage	73,868	89,917
Construction	—	3,266
Total real estate loans	274,989	323,155
Commercial and industrial	41,699	61,769
Consumer	120	195
Total portfolio loans and leases	316,808	385,119
Total loans and leases	\$ 316,808	\$ 385,119
Loans with fixed rates	\$ 147,197	\$ 171,047
Loans with adjustable or floating rates	169,611	214,072
Total acquired loans and leases	\$ 316,808	\$ 385,119

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

<i>(dollars in thousands)</i>	September 30,	December 31,
	2016	2015
Minimum lease payments receivable	\$ 62,950	\$ 58,422
Unearned lease income	(8,875)	(8,919)
Initial direct costs and deferred fees	2,192	2,284
Total	\$ 56,267	\$ 51,787

C. Non-Performing Loans and Leases⁽¹⁾

The following table details *all* non-performing portfolio loans and leases as of the dates indicated:

<i>(dollars in thousands)</i>	September 30,	December 31,
	2016	2015
Non-accrual loans and leases:		
Commercial mortgage	\$ 139	\$ 829
Home equity lines and loans	2,827	2,027
Residential mortgage	2,845	3,212
Construction	—	34
Commercial and industrial	3,960	4,133
Consumer	2	—
Leases	110	9
Total	\$ 9,883	\$ 10,244

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 \$389 thousand and \$661 thousand of purchased credit-impaired loans as of September 30, 2016 and December 31, 2015, respectively, which became non-performing subsequent to acquisition.

The following table details non-performing *originated* portfolio loans and leases as of the dates indicated:

<i>(dollars in thousands)</i>	September 30,	December 31,
	2016	2015
Non-accrual originated loans and leases:		
Commercial mortgage	\$ 83	\$ 279
Home equity lines and loans	2,633	1,788
Residential mortgage	1,851	1,964
Construction	—	34
Commercial and industrial	2,440	3,044
Consumer	2	—
Leases	110	9
Total	\$ 7,119	