BRYN MAWR BANK CORP
Form 10-Q
August 05, 2016
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 June 30, 2016

Commission File Number 1-35746

Bryn Mawr Bank Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2434506**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**identification No.)**
801 Lancaster Avenue, Bryn Mawr, Pennsylvania	**19010**
(Address of principal executive offices)	**(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 August 2, 2016**
Common Stock, par value $1	16,833,180

Table Of Contents

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED June 30, 2016

Index

Table Of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands)	**June 30, 2016 (unaudited)**	**December 31, 2015**
Assets		
Cash and due from banks	$ 13,710	$ 18,452
Interest bearing deposits with banks	20,481	124,615
Cash and cash equivalents	34,191	143,067
Investment securities available for sale, at fair value (amortized cost of $359,832 and $347,776 as of June 30, 2016 and December 31, 2015 respectively)	365,470	348,966
Investment securities held to maturity, at amortized cost (fair value of $2,916 and $0 as of June 30, 2016 and December 31, 2015, respectively)	2,915	-
Investment securities, trading	3,521	3,950
Loans held for sale	11,882	8,987
Portfolio loans and leases, originated	2,090,069	1,883,869
Portfolio loans and leases, acquired	333,752	385,119
Total portfolio loans and leases	2,423,821	2,268,988
Less: Allowance for originated loan and lease losses	(17,008)	(15,857)
Less: Allowance for acquired loan and lease losses	(28)	-
Total allowance for loans and lease losses	(17,036)	(15,857)
Net portfolio loans and leases	2,406,785	2,253,131
Premises and equipment, net	43,607	45,339
Accrued interest receivable	8,144	7,869
Mortgage servicing rights	4,646	5,142
Bank owned life insurance	38,836	38,371
Federal Home Loan Bank stock	10,618	12,942

Goodwill	104,765	104,765
Intangible assets	22,123	23,903
Other investments	8,722	9,460
Other assets	23,865	25,105
Total assets	$ 3,090,090	$ 3,030,997
Liabilities		
Deposits:		
Non-interest-bearing	$ 689,214	$ 626,684
Interest-bearing	1,720,477	1,626,041
Total deposits	2,409,691	2,252,725
Short-term borrowings	19,119	94,167
Long-term FHLB advances	224,802	254,863
Subordinated notes	29,505	29,479
Accrued interest payable	1,846	1,851
Other liabilities	32,660	32,201
Total liabilities	2,717,623	2,665,286
Shareholders' equity		
Common stock, par value $1; authorized 100,000,000 shares; issued 20,971,551 and 20,931,416 shares as of June 30, 2016 and December 31, 2015, respectively, and outstanding of 16,824,564 and 17,071,523 as of June 30, 2016 and December 31, 2015, respectively	20,972	20,931
Paid-in capital in excess of par value	230,311	228,814
Less: Common stock in treasury at cost - 4,146,987 and 3,859,893 shares as of June 30, 2016 and December 31, 2015, respectively	(66,200)	(58,144)
Accumulated other comprehensive income (loss), net of tax	2,488	(412)
Retained earnings	184,896	174,522
Total shareholders' equity	372,467	365,711
Total liabilities and shareholders' equity	$ 3,090,090	$ 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 June 30,		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
(dollars in thousands, except per share data)				
Interest income:				
Interest and fees on loans and leases	$27,679	$25,568	$54,375	$50,732
Interest on cash and cash equivalents	42	124	88	239
Interest on investment securities:				
Taxable	1,384	1,161	2,735	2,481
Non-taxable	126	106	254	241
Dividends	55	34	103	54
Total interest income	29,286	26,993	57,555	53,747
Interest expense:				
Interest on deposits	1,402	1,062	2,478	2,090
Interest on short-term borrowings	20	10	37	31
Interest on FHLB advances and other borrowings	867	851	1,775	1,761
Interest on subordinated notes	370	-	736	-
Total interest expense	2,659	1,923	5,026	3,882
Net interest income	26,627	25,070	52,529	49,865
Provision for loan and lease losses	445	850	1,855	1,419
Net interest income after provision for loan and lease losses	26,182	24,220	50,674	48,446
Non-interest income:				
Fees for wealth management services	9,431	9,600	18,263	18,705
Insurance commissions	845	817	2,121	1,838
Service charges on deposits	713	752	1,415	1,464
Loan servicing and other fees	539	597	1,031	1,188
Net gain on sale of loans	896	778	1,656	1,586
Net (loss) gain on sale of investment securities available for sale	(43)	3	(58)	813
Net gain (loss) on sale of other real estate owned ("OREO")	-	75	(76)	90
Dividends on FHLB and FRB stock	263	299	477	914
Other operating income	1,176	1,256	2,199	2,344
Total non-interest income	13,820	14,177	27,028	28,942
Non-interest expenses:				
Salaries and wages	12,197	11,064	23,935	21,934
Employee benefits	2,436	2,618	4,921	5,347
Occupancy and bank premises	2,367	2,808	4,855	5,274
Furniture, fixtures, and equipment	1,895	1,488	3,814	3,000
Advertising	372	479	656	1,036

Amortization of intangible assets	889	955	1,780	1,937
Impairment (recovery) of mortgage servicing rights ("MSR"s)	599	(22)	682	51
Due diligence, merger-related and merger integration expenses	-	1,294	-	3,795
Professional fees	946	827	1,759	1,500
Pennsylvania bank shares tax	640	433	1,278	866
Information technology	875	814	1,923	1,516
Other operating expenses	3,043	3,224	5,707	7,155
Total non-interest expenses	26,259	25,982	51,310	53,411
Income before income taxes	13,743	12,415	26,392	23,977
Income tax expense	4,823	4,296	9,198	8,364
Net income	$8,920	$8,119	$17,194	$15,613
Basic earnings per common share	$0.53	$0.46	$1.02	$0.89
Diluted earnings per common share	$0.52	$0.45	$1.01	$0.87
Dividends declared per share	$0.20	$0.19	$0.40	$0.38
Weighted-average basic shares outstanding	16,812,219	17,713,794	16,830,211	17,630,263
Dilutive shares	212,818	340,869	123,905	349,163
Adjusted weighted-average diluted shares	17,025,037	18,054,663	16,954,116	17,979,426

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 June 30,**		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Net income	$8,920	$8,119	$17,194	$15,613
Other comprehensive income (loss):				
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 $537, $(685), $1,588 and $299, respectively	942	(1,273)	2,853	554
Less: reclassification adjustment for net losses (gains) on sales realized in net income, net of tax (benefit) expense of $(15), $1, $(20) and $285, respectively	28	(2)	38	(528)
Unrealized investment gains (losses), net of tax expense (benefit) of $522, $(686), $1,568 and $14, respectively	970	(1,275)	2,891	26
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, $98, $0 and $(28), respectively	-	183	-	(51)
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 (benefit) of $9, $(137), $5 and $51, respectively	16	(255)	9	95
Total other comprehensive income (loss)	986	(1,347)	2,900	70
Total comprehensive income	$9,906	$6,772	$20,094	$15,683

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)	**Six Months Ended June 30,**	
	2016	**2015**
Operating activities:		
Net Income	$17,194	$15,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	1,855	1,419
Depreciation of fixed assets	2,818	2,302
Net amortization of investment premiums and discounts	1,589	1,593
Net loss (gain) on sale of investment securities available for sale	58	(813)
Net gain on sale of loans	(1,656)	(1,586)
Stock based compensation cost	789	737
Amortization and net impairment of mortgage servicing rights	998	315
Net accretion of fair value adjustments	(2,310)	(2,994)
Amortization of intangible assets	1,780	1,937
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")	(465)	(352)
Other, net	(2,651)	3
Loans originated for resale	(63,480)	(75,646)
Proceeds from loans sold	61,739	65,738
Provision for deferred income taxes	225	3,215
Excess tax benefit from stock-based compensation	(20)	(470)
Change in income taxes payable/receivable	1,339	(1,418)
Change in accrued interest receivable	(275)	136
Change in accrued interest payable	(5)	(43)
Net cash provided by operating activities	19,598	9,686
Investing activities:		
Purchases of investment securities available for sale	(75,999)	(90,142)
Purchases of investment securities held to maturity	(2,928)	-
Proceeds from maturity and paydowns of investment securities available for sale	28,358	33,980
Proceeds from maturity and paydowns of investment securities held to maturity	18	-
Proceeds from sale of investment securities available for sale	132	62,827
Net change in FHLB stock	2,324	4,962
Proceeds from calls of investment securities	33,801	55,365
Net change in other investments	738	(4,019)
Net portfolio loan and lease originations	(153,480)	(75,683)
Purchases of premises and equipment	(1,152)	(2,747)
Acquisitions, net of cash acquired	-	16,129
Capitalize costs to OREO	(28)	-
Proceeds from sale of OREO	1,806	928
Net cash (used in) provided by investing activities	(166,410)	1,600

Financing activities:		
Change in deposits	157,137	91,394
Change in short-term borrowings	(75,037)	(105,958)
Dividends paid	(6,732)	(6,719)
Change in FHLB advances and other borrowings	(30,000)	(34,884)
Excess tax benefit from stock-based compensation	20	470
Net purchase of treasury stock for deferred compensation plans	(65)	(71)
Net purchase of treasury stock	(8,034)	(2,677)
Proceeds from issuance of common stock	-	20
Proceeds from exercise of stock options	647	4,410
Net cash provided by (used in) financing activities	37,936	(54,015)
Change in cash and cash equivalents	(108,876)	(42,729)
Cash and cash equivalents at beginning of period	143,067	219,269
Cash and cash equivalents at end of period	$34,191	$176,540
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$7,712	$6,600
Interest	$5,031	$3,630
Non-cash information:		
Available for sale securities purchased, not settled	$-	$851
Change in other comprehensive income	$2,900	$70
Change in deferred tax due to change in comprehensive income	$1,573	$37
Transfer of loans to other real estate owned	$-	$234
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 Six Months Ended June 30, 2016

	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2015	20,931,416	$ 20,931	$ 228,814	$ (58,144)	$ (412)	$ 174,522	$ 365,711
Net income	-	-	-	-	-	17,194	17,194
Dividends declared, $0.40 per share	-	-	-	-	-	(6,820)	(6,820)
Other comprehensive income, net of tax expense of $1,573	-	-	-	-	2,900	-	2,900
Stock based compensation	-	-	789	-	-	-	789
Excess tax benefit from stock-based compensation	-	-	20	-	-	-	20
Retirement of treasury stock	(4,320)	(4)	(39)	43	-	-	-
Net purchase of treasury stock	-	-	-	(8,099)	-	-	(8,099)
Common stock issued through share-based awards and options exercises	44,455	45	727	-	-	-	772
Balance June 30, 2016	20,971,551	$ 20,972	$ 230,311	$ (66,200)	$ 2,488	$ 184,896	$ 372,467

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 six months ended June 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 June 30,		Six Months Ended June 30,	
(dollars in thousands except per share data)	2016	2015	2016	2015
Numerator:				
Net income available to common shareholders	$8,920	$8,119	$17,194	$15,613
	16,812,219	17,713,794	16,830,211	17,630,263

Denominator for basic earnings per share – weighted average shares outstanding				
Effect of dilutive common shares	212,818	340,869	123,905	349,163
Denominator for diluted earnings per share – adjusted weighted average shares outstanding	17,025,037	18,054,663	16,954,116	17,979,426
Basic earnings per share	$0.53	$0.46	$1.02	$0.89
Diluted earnings per share	$0.52	$0.45	$1.01	$0.87
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 June 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.

Table Of Contents

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:

(dollars in thousands)	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.

Table Of Contents

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:

(dollars in thousands)	Original Estimates	Adjustments to Estimates	Final 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.

Table Of Contents

Due Diligence, Merger-Related and Merger Integration Expenses

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:

(dollars in thousands)	**Three Months Ended June 30, 2016**	**Three Months Ended June 30, 2015**	**Six Months Ended June 30, 2016**	**Six Months Ended June 30, 2015**
Employee benefits	$—	$59	$—	$152
Furniture, fixtures and equipment	—	9	—	29
Information technology	—	218	—	457
Professional fees	—	572	—	1,766
Salaries and wages	—	264	—	744
Other	—	172	—	647
Total due diligence and merger-related expenses	$—	$1,294	$—	$3,795

Note 4 - Investment Securities

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

As of June 30, 2016

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized**	**Gross Unrealized**	**Fair Value**

		Gains	Losses	
U.S. Treasury securities	$ 101	$ 1	$ —	$ 102
Obligations of the U.S. government and agencies	84,952	1,183	(1)	86,134
Obligations of state and political subdivisions	39,331	255	(7)	39,579
Mortgage-backed securities	182,397	3,957	—	186,354
Collateralized mortgage obligations	36,205	497	—	36,702
Other investments	16,846	71	(318)	16,599
Total	$ 359,832	$ 5,964	$ (326)	$ 365,470

As of December 31, 2015

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

Table Of Contents

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

As of June 30, 2016

(dollars in thousands)	**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	$2,999	$ (1)	$—	$ —	$2,999	$ (1)
Obligations of state and political subdivisions	4,115	(4)	2,537	(3)	6,652	(7)
Other investments	1,077	(136)	11,774	(182)	12,851	(318)
Total	$8,191	$ (141)	$14,311	$ (185)	$22,502	$ (326)

As of December 31, 2015

(dollars in thousands)	**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 June 30, 2016 and December 31, 2015, securities having fair values of $119.7 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.

Table Of Contents

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

(dollars in thousands)	June 30, 2016 Amortized Cost	June 30, 2016 Fair Value	December 31, 2015 Amortized Cost	December 31, 2015 Fair Value
Investment securities:				
Due in one year or less	$11,915	$11,924	$9,570	$9,574
Due after one year through five years	49,916	50,355	61,368	61,467
Due after five years through ten years	44,597	44,872	53,193	53,070
Due after ten years	19,406	20,114	20,904	21,141
Subtotal	125,834	127,265	145,035	145,252
Mortgage-related securities[1]	218,602	223,056	187,178	188,488
Mutual funds with no stated maturity	15,396	15,149	15,563	15,226
Total	$359,832	$365,470	$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 June 30, 2016 are as follows:

As of June 30, 2016

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	$ 2,915	$ 2	$ (1)	$2,916
Total	$ 2,915	$ 2	$ (1)	$2,916

The following tables detail the amount of investment securities *held to maturity* that were in an unrealized loss position as of June 30, 2016:

As of June 30, 2016

	Less than 12 Months		12 Months or Longer		Total	
(dollars in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
Mortgage-backed securities	$1,438	$ (1)	$ —	$ —	$1,438	$ (1)
Total	$1,438	$ (1)	$ —	$ —	$1,438	$ (1)

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

	June 30, 2016	
(dollars in thousands)	**Amortized Cost**	**Fair Value**
Mortgage-related securities[1]	2,915	2,916
Total	$2,915	$2,916

[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 June 30, 2016 and December 31, 2015, 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.

Table Of Contents

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.

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

	June 30, 2016	December 31, 2015
Loans held for sale	$11,882	$8,987
Real estate loans:		
Commercial mortgage	$1,055,934	$964,259
Home equity lines and loans	202,989	209,473
Residential mortgage	414,863	406,404
Construction	133,313	90,421
Total real estate loans	1,807,099	1,670,557
Commercial and industrial	538,684	524,515
Consumer	21,561	22,129
Leases	56,477	51,787
Total portfolio loans and leases	2,423,821	2,268,988
Total loans and leases	$2,435,703	$2,277,975
Loans with fixed rates	$1,160,008	$1,103,622
Loans with adjustable or floating rates	1,275,695	1,174,353
Total loans and leases	$2,435,703	$2,277,975
Net deferred loan origination fees included in the above loan table	$(165)	$(70)

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

	June 30, 2016	December 31, 2015
Loans held for sale	$11,882	$8,987
Real estate loans:		
Commercial mortgage	$882,513	$772,571
Home equity lines and loans	168,796	171,189
Residential mortgage	334,620	316,487
Construction	132,953	87,155
Total real estate loans	1,518,882	1,347,402
Commercial and industrial	493,293	462,746
Consumer	21,417	21,934
Leases	56,477	51,787
Total portfolio loans and leases	2,090,069	1,883,869
Total loans and leases	$2,101,951	$1,892,856
Loans with fixed rates	$1,005,985	$932,575
Loans with adjustable or floating rates	1,095,966	960,281
Total originated loans and leases	$2,101,951	$1,892,856
Net deferred loan origination fees included in the above loan table	$(165)	$(70)

Table Of Contents

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

	June 30, 2016	December 31, 2015
Real estate loans:		
Commercial mortgage	$173,421	$191,688
Home equity lines and loans	34,193	38,284
Residential mortgage	80,243	89,917
Construction	360	3,266
Total real estate loans	288,217	323,155
Commercial and industrial	45,391	61,769
Consumer	144	195
Total portfolio loans and leases	333,752	385,119
Total loans and leases	$333,752	$385,119
Loans with fixed rates	$154,023	$171,047
Loans with adjustable or floating rates	179,729	214,072
Total acquired loans and leases	$333,752	$385,119

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

(dollars in thousands)	June 30, 2016	December 31, 2015
Minimum lease payments receivable	$63,366	$ 58,422
Unearned lease income	(9,188)	(8,919)
Initial direct costs and deferred fees	2,299	2,284
Total	$56,477	$ 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:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Non-accrual loans and leases:		
Commercial mortgage	$139	$ 829
Home equity lines and loans	3,011	2,027
Residential mortgage	2,909	3,212
Construction	—	34
Commercial and industrial	3,457	4,133
Consumer	4	—
Leases	97	9
Total	$9,617	$ 10,244

(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 $143 thousand and $661 thousand of purchased credit-impaired loans as of June 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:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Non-accrual originated loans and leases:		
Commercial mortgage	$83	$ 279
Home equity lines and loans	2,810	1,788
Residential mortgage	1,839	1,964
Construction	—	34
Commercial and industrial	2,480	3,044
Consumer	4	
Leases	97	9
Total	$7,313	$ 7,118

Table Of Contents

The following table details non-performing *acquired* portfolio loans[(1)] as of the dates indicated:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Non-accrual acquired loans and leases:		
Commercial mortgage	$56	$ 550
Home equity lines and loans	201	239
Residential mortgage	1,070	1,248
Commercial and industrial	977	1,089
Total	$2,304	$ 3,126

(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 $143 thousand and $661 thousand of purchased credit-impaired loans as of June 30, 2016 and December 31, 2015, 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:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Outstanding principal balance	$21,694	$ 24,879
Carrying amount[(1)]	$14,885	$ 16,846

(1) *Includes $181 thousand and $699 thousand of purchased credit-impaired loans as of June 30, 2016 and December 31, 2015, 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 accretable yield is recognized. Additionally, the table above includes $143 thousand and $661 thousand of purchased credit-impaired loans as of June 30, 2016 and December 31, 2015, respectively, which became non-performing subsequent to acquisition, which are disclosed in Note 5C,*

above, and which also have no accretable yield.

The following table presents changes in the accretable discount on purchased credit-impaired loans, for which the Corporation applies ASC 310-30, for the six months ended June 30, 2016:

(dollars in thousands)	**Accretable Discount**
Balance, December 31, 2015	$ 6,115
Accretion	(1,234)
Reclassifications from nonaccretable difference	7
Additions/adjustments	68
Disposals	(721)
Balance, June 30, 2016	$ 4,235

E. Age Analysis of Past Due Loans and Leases

The following tables present an aging of *all* portfolio loans and leases as of the dates indicated:

(dollars in thousands)	**Accruing Loans and Leases**							
As of June 30, 2016	**30 – 59 Days Past Due**	**60 – 89 Days Past Due**	**Over 89 Days Past Due**	**Total Past Due**	**Current**	**Total Accruing Loans and Leases**	**Nonaccrual Loans and Leases**	**Total Loans and Leases**
Commercial mortgage	$1,889	$—	$ —	$1,889	$1,053,906	$1,055,795	$139	$1,055,934
Home equity lines and loans	47	340	—	387	199,591	199,978	3,011	202,989
Residential mortgage	315	48	—	363	411,591	411,954	2,909	414,863
Construction	—	—	—	—	133,313	133,313	—	133,313
Commercial and industrial	—	371	—	371	534,856	535,227	3,457	538,684
Consumer	48	—	—	48	21,509	21,557	4	21,561
Leases	427	77	—	504	55,876	56,380	97	56,477
	$2,726	$836	$ —	$3,562	$2,410,642	$2,414,204	$9,617	$2,423,821

16

Table Of Contents

(dollars in thousands) As of December 31, 2015	Accruing Loans and Leases 30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$1,126	$211	$ —	$1,337	$962,093	$963,430	$ 829	$964,259
Home equity lines and loans	1,596	15	—	1,611	205,835	207,446	2,027	209,473
Residential mortgage	1,923	74	—	1,997	401,195	403,192	3,212	406,404
Construction	—	—	—	—	90,387	90,387	34	90,421
Commercial and industrial	99	39	—	138	520,244	520,382	4,133	524,515
Consumer	20	—	—	20	22,109	22,129	—	22,129
Leases	375	123	—	498	51,280	51,778	9	51,787
	$5,139	$462	$ —	$5,601	$2,253,143	$2,258,744	$ 10,244	$2,268,988

The following tables present an aging of *originated* portfolio loans and leases as of the dates indicated:

(dollars in thousands) As of June 30, 2016	Accruing Loans and Leases 30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$1,889	$—	$ —	$1,889	$880,541	$882,430	$ 83	$882,513
Home equity lines and loans	47	250	—	297	165,689	165,986	2,810	168,796
Residential mortgage	69	—	—	69	332,712	332,781	1,839	334,620
Construction	—	—	—	—	132,953	132,953	—	132,953
Commercial and industrial	—	—	—	—	490,813	490,813	2,480	493,293
Consumer	48	—	—	48	21,365	21,413	4	21,417
Leases	427	77	—	504	55,876	56,380	97	56,477
	$2,480	$327	$ —	$2,807	$2,079,949	$2,082,756	$ 7,313	$2,090,069

Accruing Loans and Leases

(dollars in thousands) As of December 31, 2015	30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$1,016	$155	$ —	$1,171	$771,121	$772,292	$ 279	$772,571
Home equity lines and loans	1,445	—	—	1,445	167,956	169,401	1,788	171,189
Residential mortgage	1,475	9	—	1,484	313,039	314,523	1,964	316,487
Construction	—	—	—	—	87,121	87,121	34	87,155
Commercial and industrial	—	—	—	—	459,702	459,702	3,044	462,746
Consumer	20	—	—	20	21,914	21,934	—	21,934
Leases	375	123	—	498	51,280	51,778	9	51,787
	$4,331	$287	$ —	$4,618	$1,872,133	$1,876,751	$ 7,118	$1,883,869

The following tables present an aging of *acquired* portfolio loans and leases as of the dates indicated:

	Accruing Loans and Leases							
(dollars in thousands) As of June 30, 2016	30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$—	$—	$ —	$—	$173,365	$173,365	$ 56	$173,421
Home equity lines and loans	—	90	—	90	33,902	33,992	201	34,193
Residential mortgage	246	48	—	294	78,879	79,173	1,070	80,243
Construction	—	—	—	—	360	360	—	360
Commercial and industrial	—	371	—	371	44,043	44,414	977	45,391
Consumer	—	—	—	—	144	144	—	144
	$246	$509	$ —	$755	$330,693	$331,448	$ 2,304	$333,752

Table Of Contents

(dollars in thousands) As of December 31, 2015	Accruing Loans and Leases 30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$110	$56	$ —	$166	$190,972	$191,138	$ 550	$191,688
Home equity lines and loans	151	15	—	166	37,879	38,045	239	38,284
Residential mortgage	448	65	—	513	88,156	88,669	1,248	89,917
Construction	—	—	—	—	3,266	3,266	—	3,266
Commercial and industrial	99	39	—	138	60,542	60,680	1,089	61,769
Consumer	—	—	—	—	195	195	—	195
	$808	$175	$ —	$983	$381,010	$381,993	$ 3,126	$385,119

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

The following table details the roll-forward of the Allowance for the three and six months ended June 30, 2016:

(dollars in thousands)	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
Balance, March 31, 2016	$ 5,856	$1,126	$ 1,868	$ 1,902	$ 5,445	$ 120	$528	$ —	$16,845
Charge-offs	—	(11)	(267)	—	(4)	(32)	(111)	—	(425)
Recoveries	3	—	5	62	48	2	51	—	171
Provision for loan and lease losses	162	70	343	180	(444)	37	97	—	445
Balance, June 30, 2016	$ 6,021	$1,185	$ 1,949	$ 2,144	$ 5,045	$ 127	$565	$ —	$17,036

(dollars in thousands)	Commercial Mortgage	Home Equity	Residential Mortgage	Construction	Commercial and	Consumer	Leases	Unallocated	Total

		Lines and Loans			Industrial				
Balance, December 31, 2015	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857
Charge-offs	(110)	(85)	(271)	—	(33)	(66)	(411)		(976)
Recoveries	6	4	44	63	51	16	116		300
Provision for loan and lease losses	926	(41)	436	757	(582)	35	342	(18)	1,855
Balance June 30, 2016	$ 6,021	$ 1,185	$ 1,949	$ 2,144	$ 5,045	$ 127	$ 565	$ —	$ 17,036

The following tables detail the roll-forward of the Allowance for the three and six months ended June 30, 2015:

(dollars in thousands)	Commercial Mortgage	Home Equity Lines and Loans	Residential Mortgage	Construction	Commercial and Industrial	Consumer	Leases	Unallocated	Total
Balance, March 31, 2015	$ 3,776	$ 2,051	$ 1,866	$ 1,373	$ 3,985	$ 257	$ 484	$ 504	$ 14,296
Charge-offs	(50)	(75)	(47)	—	—	(40)	(105)	—	(317)
Recoveries	2	64	4	1	10	5	44	—	130
Provision for loan and lease losses	(69)	(71)	(15)	88	891	102	76	(152)	850
Balance, June 30, 2015	$ 3,659	$ 1,969	$ 1,808	$ 1,462	$ 4,886	$ 324	$ 499	$ 352	$ 14,959

Table Of Contents

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
Balance, December 31, 2014	$ 3,948	$ 1,917	$ 1,736	$ 1,367	$ 4,533	$ 238	$ 468	$ 379	$ 14,586
Charge-offs	(50)	(204)	(515)	—	(271)	(75)	(125)	—	(1,240)
Recoveries	23	69	8	2	26	8	58	—	194
Provision for loan and lease losses	(262)	187	579	93	598	153	98	(27)	1,419
Balance June 30, 2015	$ 3,659	$ 1,969	$ 1,808	$ 1,462	$ 4,886	$ 324	$ 499	$ 352	$ 14,959

The following table details the allocation of the Allowance for *all* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of June 30, 2016									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 74	$ —	$ 519	$ 7	$ —	$ —	$ 600
Collectively evaluated for impairment	6,021	1,185	1,875	2,144	4,526	120	565	—	16,436
Purchased credit-impaired[(1)]	—	—	—	—	—	—	—	—	—
Total	$ 6,021	$ 1,185	$ 1,949	$ 2,144	$ 5,045	$ 127	$ 565	$ —	$ 17,036
As of December 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ 115	$ 54	$ —	$ 519	$ 5	$ —	$ —	$ 693
	5,199	1,192	1,686	1,324	5,090	137	518	18	15,164

Collectively evaluated for impairment									
Purchased credit-impaired[1]	—	—	—	—	—	—	—	—	—
Total	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857

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

Table Of Contents

The following table details the carrying value for *all* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2016								
Carrying value of loans and leases:								
Individually evaluated for impairment	$139	$3,082	$7,466	$—	$3,576	$34	$—	$14,297
Collectively evaluated for impairment	1,045,211	199,789	407,388	133,313	530,934	21,527	56,477	2,394,639
Purchased credit-impaired[(1)]	10,584	118	9	—	4,174	—	—	14,885
Total	$1,055,934	$202,989	$414,863	$133,313	$538,684	$21,561	$56,477	$2,423,821
As of December 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$349	$1,980	$7,754	$33	$4,240	$30	$—	$14,386
Collectively evaluated for impairment	952,448	207,378	398,635	89,625	515,784	22,099	51,787	2,237,756
Purchased credit-impaired[(1)]	11,462	115	15	763	4,491	—	—	16,846
Total	$964,259	$209,473	$406,404	$90,421	$524,515	$22,129	$51,787	$2,268,988

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

The following table details the allocation of the Allowance for *originated* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of June 30, 2016									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 46	$ —	$ 519	$ 7	$ —	$ —	$ 572
Collectively evaluated for impairment	6,021	1,185	1,875	2,144	4,526	120	565	—	16,436
Total	$ 6,021	$ 1,185	$ 1,921	$ 2,144	$ 5,045	$ 127	$ 565	$ —	$ 17,008
As of December 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ 115	$ 54	$ —	$ 519	$ 5	$ —	$ —	$ 693
Collectively evaluated for impairment	5,199	1,192	1,686	1,324	5,090	137	518	18	15,164
Total	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857

Table Of Contents

The following table details the carrying value for *originated* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2016								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 83	$ 2,971	$ 4,248	$ —	$ 2,652	$ 34	$ —	$ 9,988
Collectively evaluated for impairment	882,430	165,825	330,372	132,953	490,641	21,383	56,477	2,080,081
Total	$ 882,513	$ 168,796	$ 334,620	$ 132,953	$ 493,293	$ 21,417	$ 56,477	$ 2,090,069
As of December 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 279	$ 1,832	$ 4,394	$ 33	$ 3,229	$ 30	$ —	$ 9,797
Collectively evaluated for impairment	772,292	169,357	312,093	87,122	459,517	21,904	51,787	1,874,072
Total	$ 772,571	$ 171,189	$ 316,487	$ 87,155	$ 462,746	$ 21,934	$ 51,787	$ 1,883,869

The following table details the allocation of the Allowance for *acquired* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**

As of June 30, 2016																	
Allowance on loans and leases:																	
Individually evaluated for impairment	$	—	$	—	$	28	$	—	$	—	$	—	$	—	$	—	$ 28
Collectively evaluated for impairment		—		—		—		—		—		—		—		—	—
Purchased credit-impaired[(1)]		—		—		—		—		—		—		—		—	—
Total	$	—	$	—	$	28	$	—	$	—	$	—	$	—	$	—	$ 28
As of December 31, 2015																	
Allowance on loans and leases:																	
Individually evaluated for impairment	$	—	$	—	$	—	$	—	$	—	$	—	$	—	$	—	$ —
Collectively evaluated for impairment		—		—		—		—		—		—		—		—	—
Purchased credit-impaired[(1)]		—		—		—		—		—		—		—		—	—
Total	$	—	$	—	$	—	$	—	$	—	$	—	$	—	$	—	$ —

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

Table Of Contents

The following table details the carrying value for *acquired* portfolio loans and leases by portfolio segment based on the methodology used to evaluate the loans and leases for impairment as of June 30, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2016								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 56	$ 111	$ 3,218	$ —	$ 924	$ —	$ —	$ 4,309
Collectively evaluated for impairment	162,781	33,964	77,016	360	40,293	144	—	314,558
Purchased credit-impaired[1]	10,584	118	9	—	4,174	—	—	14,885
Total	$ 173,421	$ 34,193	$ 80,243	$ 360	$ 45,391	$ 144	$ —	$ 333,752
As of December 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 70	$ 148	$ 3,360	$ —	$ 1,011	$ —	$ —	$ 4,589
Collectively evaluated for impairment	180,156	38,021	86,542	2,503	56,267	195	—	363,684
Purchased credit-impaired[1]	11,462	115	15	763	4,491	—	—	16,846
Total	$ 191,688	$ 38,284	$ 89,917	$ 3,266	$ 61,769	$ 195	$ —	$ 385,119

(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 *all* portfolio loans and leases by portfolio segment based on the credit quality indicators used to determine the Allowance as of June 30, 2016 and December 31, 2015:

	Credit Risk Profile by Internally Assigned Grade							
(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	June 30, 2016	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Pass	$1,045,010	$946,887	$130,163	$88,653	$526,570	$510,040	$1,701,743	$1,545,580
Special Mention	1,257	7,029	—	—	2,483	1,123	3,740	8,152

Substandard	9,667	10,343	3,150	1,768	8,356	13,352	21,173	25,463
Doubtful	—	—	—	—	1,275	—	1,275	—
Total	$1,055,934	$964,259	$133,313	$90,421	$538,684	$524,515	$1,727,931	$1,579,195

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	June 30, 2016	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Performing	$411,954	$403,192	$199,978	$207,446	$21,557	$22,129	$56,380	$51,778	$689,869	$684,545
Non-performing	2,909	3,212	3,011	2,027	4	—	97	9	6,021	5,248
Total	$414,863	$406,404	$202,989	$209,473	$21,561	$22,129	$56,477	$51,787	$695,890	$689,793

The following tables detail the carrying value of *originated* portfolio loans and leases by portfolio segment based on the credit quality indicators used to determine the Allowance as of June 30, 2016 and December 31, 2015:

	Credit Risk Profile by Internally Assigned Grade							
(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	June 30, 2016	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Pass	$873,873	$758,240	$129,804	$86,065	$488,396	$454,454	$1,492,073	$1,298,759
Special Mention	1,256	7,029	—	—	1,264	1,015	2,520	8,044
Substandard	7,384	7,302	3,149	1,090	3,633	7,277	14,166	15,669
Total	$882,513	$772,571	$132,953	$87,155	$493,293	$462,746	$1,508,759	$1,322,472

Table Of Contents

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	June 30, 2016	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Performing	$332,781	$314,523	$165,986	$169,401	$21,413	$21,934	$56,380	$51,778	$576,560	$557,636
Non-performing	1,839	1,964	2,810	1,788	4	—	97	9	4,750	3,761
Total	$334,620	$316,487	$168,796	$171,189	$21,417	$21,934	$56,477	$51,787	$581,310	$561,397

The following tables detail the carrying value of *acquired* portfolio loans and leases by portfolio segment based on the credit quality indicators used to determine the Allowance as of June 30, 2016 and December 31, 2015:

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	June 30, 2016	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Pass	$171,137	$188,647	$359	$ 2,588	$38,174	$ 55,586	$209,670	$246,821
Special Mention	1	—	—	—	1,219	108	1,220	108
Substandard	2,283	3,041	1	678	4,723	6,075	7,007	9,794
Doubtful	—	—	—	—	1,275	—	1,275	—
Total	$173,421	$191,688	$360	$ 3,266	$45,391	$ 61,769	$219,172	$256,723

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**	**Home Equity Lines and Loans**	**Consumer**	**Total**
				June 30,

	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015	2016	December 31, 2015
Performing	$79,173	$ 88,669	$33,992	$ 38,045	$144	$ 195	$113,309	$126,909
Non-performing	1,070	1,248	201	239	—	—	1,271	1,487
Total	$80,243	$ 89,917	$34,193	$ 38,284	$144	$ 195	$114,580	$128,396

G. Troubled Debt Restructurings ("TDRs")

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

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

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

(dollars in thousands)	June 30, 2016	December 31, 2015

TDRs included in nonperforming loans and leases	$1,779	$ 1,935
TDRs in compliance with modified terms	4,984	4,880
Total TDRs	$6,763	$ 6,815

Table Of Contents

The following tables present information regarding loan and lease modifications categorized as TDRs for the three and six months ended June 30, 2016:

	For the Three Months Ended June 30, 2016		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Home equity loans and lines	2	$ 169	$ 169
Residential mortgage	1	27	27
Total	3	$ 196	$ 196

	For the Six Months Ended June 30, 2016		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Home equity loans and lines	3	$ 251	$ 204
Residential mortgage	1	27	27
Leases	2	67	67
Total	6	$ 345	$ 298

The following tables present information regarding the types of loan and lease modifications made for the three and six months ended June 30, 2016:

	Number of Contracts for the Three Months Ended June 30, 2016					
	Loan Term Extension	Interest Rate	Interest Rate Change	Contractual Payment	Forgiveness of Interest	Forgiveness of Principal

	Change		Change and Term Extension	and/or Interest-Only Period	Reduction (Leases only)		
Home equity loans and lines	—	—	—	2	—	—	—
Residential mortgage	—	—	1	—	—	—	—
Total	—	—	1	2	—	—	—

	Number of Contracts for the Six Months Ended June 30, 2016						
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest Rate Change and/or Interest-Only Period	Contractual Payment Reduction (Leases only)	Forgiveness of Interest	Forgiveness of Principal
Home equity loans and lines	—	—	—	2	—	—	1
Residential mortgage	—	—	1	—	—	—	—
Leases	—	—	—	—	2	—	—
Total	—	—	1	2	2	—	1

During the three and six months ended June 30, 2016, 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:

(dollars in thousands)	**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 June 30, 2016						
Impaired loans with related Allowance:						
Residential mortgage	$ 626	$ 626	$ 74	$ 640	$ 7	$ —
Commercial and industrial	1,874	1,874	519	1,941	1	—
Consumer	32	32	7	32	—	—
Total	$ 2,532	$ 2,532	$ 600	$ 2,613	$ 8	$ —
Impaired loans without related Allowance[(1) (3)]:						
Commercial mortgage	$ 139	$ 139	$ —	$ 142	$ 1	$ —
Home equity lines and loans	3,082	3,400	—	3,568	2	—
Residential mortgage	6,840	7,169	—	8,041	52	—
Commercial and industrial	1,702	2,309	—	2,636	1	—
Consumer	2	2	—	2	—	—
Total	$ 11,765	$ 13,019	$ —	$ 14,389	$ 56	$ —
Grand total	$ 14,297	$ 15,551	$ 600	$ 17,002	$ 64	$ —

(1) *The table above does not include the recorded investment of $161 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.*

(dollars in thousands)	**Recorded Investment**[(2)]	**Principal Balance**	**Related Allowance**	**Average Principal Balance**	**Interest Income Recognized**	**Cash-Basis Interest Income Recognized**
As of or for the six months ended June 30, 2016						
Impaired loans with related Allowance:						

Residential mortgage	$ 626	$ 626	$ 74	$ 641	$ 14	$ —
Commercial and industrial	1,874	1,874	519	1,965	3	—
Consumer	32	32	7	32	1	—
Total	$ 2,532	$ 2,532	$ 600	$ 2,638	$ 18	$ —
Impaired loans without related Allowance[(1) (3)]:						
Commercial mortgage	$ 139	$ 139	$ —	$ 143	$ 1	$ —
Home equity lines and loans	3,082	3,400	—	3,578	19	—
Residential mortgage	6,840	7,169	—	7,723	106	—
Commercial and industrial	1,702	2,309	—	3,079	2	—
Consumer	2	2	—	2	—	—
Total	$ 11,765	$ 13,019	$ —	$ 14,525	$ 128	$ —
Grand total	$ 14,297	$ 15,551	$ 600	$ 17,163	$ 146	$ —

(1) *The table above does not include the recorded investment of $161 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.*

26

Table Of Contents

(dollars in thousands)	**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 June 30, 2015						
Impaired loans with related Allowance:						
Residential mortgage	$ 710	$ 724	$ 76	$ 726	$ 8	$ —
Commercial and industrial	951	950	103	962	13	—
Consumer	31	31	5	31	—	—
Total	$ 1,692	$ 1,705	$ 184	$ 1,719	$ 21	$ —
Impaired loans without related Allowance[1] [3]:						
Commercial mortgage	$ 92	$ 92	$ —	$ 99	$ —	$ —
Home equity lines and loans	1,719	1,819	—	1,948	1	—
Residential mortgage	7,502	8,535	—	8,812	31	—
Construction	139	910	—	930	—	—
Commercial and industrial	1,360	1,381	—	1,425	1	—
Total	$ 10,812	$ 12,737	$ —	$ 13,214	$ 33	$ —
Grand total	$ 12,504	$ 14,442	$ 184	$ 14,933	$ 54	$ —

(1) *The table above does not include the recorded investment of $70 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.*

(dollars in thousands)	**Recorded Investment**[2]	**Principal Balance**	**Related Allowance**	**Average Principal Balance**	**Interest Income Recognized**	**Cash-Basis Interest Income Recognized**
As of or for the six months ended June 30, 2015						
Impaired loans with related Allowance:						
Residential mortgage	$ 710	$ 724	$ 76	$ 727	$ 17	$ —
Commercial and industrial	951	950	103	972	26	—
Consumer	31	31	5	31	1	—
Total	$ 1,692	$ 1,705	$ 184	$ 1,730	$ 44	$ —
Impaired loans without related Allowance[1] [3]:						

Commercial mortgage	$ 92	$ 92	$ —	$ 100	$ —	$ —
Home equity lines and loans	1,719	1,819	—	1,960	11	—
Residential mortgage	7,502	8,535	—	8,832	66	—
Construction	139	910	—	950	—	—
Commercial and industrial	1,360	1,381	—	1,429	3	—
Total	$ 10,812	$ 12,737	$ —	$ 13,271	$ 80	$ —
Grand total	$ 12,504	$ 14,442	$ 184	$ 15,001	$ 124	$ —

(1) *The table above does not include the recorded investment of $70 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.*

27

Table Of Contents

(dollars in thousands)	**Recorded Investment**[(2)]	**Principal Balance**	**Related Allowance**
As of December 31, 2015			
Impaired loans with related allowance:			
Home equity lines and loans	$ 115	$ 115	$ 115
Residential mortgage	515	527	54
Commercial and industrial	2,011	2,002	519
Consumer	30	30	5
Total	$ 2,671	$ 2,674	$ 693
Impaired loans[(1)(3)] without related allowance:			
Commercial mortgage	$ 349	$ 358	$ —
Home equity lines and loans	1,865	2,447	—
Residential mortgage	7,239	8,166	—
Construction	33	996	—
Commercial and industrial	2,229	3,089	—
Total	$ 11,715	$ 15,056	$ —
Grand total	$ 14,386	$ 17,730	$ 693

(1) *The table above does not include the recorded investment of $77 thousand of impaired leases without a related Allowance.*

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

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

I. Loan Mark

Loans acquired in mergers and acquisitions are recorded at fair value as of the date of the transaction. This adjustment to the acquired principal amount is referred to as the “Loan Mark”. With the exception of purchased credit impaired loans, whose Loan Mark is accounted for under ASC 310-30, the Loan Mark is amortized or accreted as an adjustment to yield over the lives of the loans. The following tables detail, for *acquired loans*, the outstanding principal, remaining loan mark, and recorded investment, by portfolio segment, as of the dates indicated:

(dollars in thousands)	As of June 30, 2016		
	Outstanding Principal	Remaining Loan Mark	Recorded Investment
Commercial mortgage	$ 178,346	$ (4,925)	$ 173,421
Home equity lines and loans	36,044	(1,851)	34,193
Residential mortgage	83,148	(2,905)	80,243
Construction	360	—	360
Commercial and industrial	50,254	(4,863)	45,391
Consumer	167	(23)	144
Total	$ 348,319	$ (14,567)	$ 333,752

(dollars in thousands)	As of December 31, 2015		
	Outstanding Principal	Remaining Loan Mark	Recorded Investment
Commercial mortgage	$ 197,532	$ (5,844)	$ 191,688
Home equity lines and loans	40,258	(1,974)	38,284
Residential mortgage	93,230	(3,313)	89,917
Construction	3,807	(541)	3,266
Commercial and industrial	67,181	(5,412)	61,769
Consumer	220	(25)	195
Total	$ 402,228	$ (17,109)	$ 385,119

Table Of Contents

Note 6 - Deposits

The following table details the components of deposits:

(dollars in thousands)	June 30, 2016	December 31, 2015
Interest-bearing checking accounts	$333,425	$338,861
Money market accounts	718,144	749,726
Savings accounts	217,877	187,299
Wholesale non-maturity deposits	58,690	67,717
Wholesale time deposits	113,274	53,185
Time deposits	279,067	229,253
Total interest-bearing deposits	1,720,477	1,626,041
Non-interest-bearing deposits	689,214	626,684
Total deposits	$2,409,691	$2,252,725

Table Of Contents

Note 7 - Borrowings

A. Short-term borrowings

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

A summary of short-term borrowings is as follows:

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Repurchase agreements* – commercial customers	$19,119	$ 29,156
Repurchase agreement** – correspondent bank	—	5,011
Short-term FHLB advances	—	30,000
Overnight federal funds	—	30,000
Total short-term borrowings	$19,119	$ 94,167

** overnight repurchase agreements with no expiration date*

*** overnight repurchase agreement, expired January 2016*

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

(dollars in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2016	**2015**	**2016**	**2015**
Balance at period-end	$19,119	$26,406	$19,119	$26,406
Maximum amount outstanding at any month-end	54,715	36,911	54,715	38,546

Average balance outstanding during the period	32,328		34,980		33,243		45,038	
Weighted-average interest rate:								
As of period-end	0.10	%	0.10	%	0.10	%	0.10	%
Paid during the period	0.25	%	0.11	%	0.22	%	0.14	%

B. Long-term FHLB Advances and Other Borrowings

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

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

(dollars in thousands)	**June 30, 2016**	**December 31, 2015**
Within one year	$60,000	$75,000
Over one year through five years	164,802	179,863
Total	$224,802	$254,863

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

(dollars in thousands)	**Maturity Range[1]**		**Weighted Average Rate[1]**		**Coupon Rate[1]**		**Balance**	
Description	**From**	**To**			**From**	**To**	**June 30, 2016**	**December 31, 2015**
Bullet maturity – fixed rate	08/23/2016	12/19/2020	1.41	%	0.80%	2.13%	$188,612	$198,612
Bullet maturity – variable rate	11/28/2017	11/28/2017	0.56	%	0.56%	0.90%	15,000	35,000
Convertible-fixed[2]	01/03/2018	08/20/2018	2.94	%	2.58%	3.50%	21,190	21,251
Total							$224,802	$254,863

[1]*Maturity range, weighted average rate and coupon rate range refers to June 30, 2016 balances*
[2]*FHLB advances whereby the FHLB has the option, at predetermined times, to convert the fixed interest rate to an adjustable interest rate indexed to the London Interbank Offered Rate ("LIBOR"). The Corporation has the option to prepay these advances, without penalty, if the FHLB elects to convert the interest rate to an adjustable rate. As of June 30, 2016, substantially all FHLB advances with this convertible feature are subject to conversion in fiscal 2016. These advances are included in the maturity ranges in which they mature, rather than the period in which they are*

subject to conversion.

C. Other Borrowings Information

As of June 30, 2016 the Corporation had a maximum borrowing capacity with the FHLB of approximately $1.19 billion, of which the unused capacity was $933.4 million. In addition, there were unused capacities of $79.0 million in overnight federal funds line, $137.8 million of Federal Reserve Discount Window borrowings and $5.0 million in a revolving line of credit from a correspondent bank as of June 30, 2016. In connection with its FHLB borrowings, the Corporation is required to hold the capital stock of the FHLB. The amount of FHLB capital stock held was $10.6 million and $12.9 million as of June 30, 2016 and December 31, 2015, respectively. The carrying amount of the FHLB capital stock is its redemption value.

Note 8 – Stock-Based Compensation

A. General Information

Prior to April 25, 2007, all shares authorized for grant as stock-based compensation were limited to grants of stock options. On April 25, 2007, the shareholders of the Corporation approved the Corporation's "2007 Long-Term Incentive Plan" (the "2007 LTIP") under which a total of 428,996 shares of the Corporation's common stock were made available for award grants. On April 28, 2010, the shareholders of the Corporation approved the Corporation's "2010 Long Term Incentive Plan" (the "2010 LTIP") under which a total of 445,002 shares of the Corporation's common stock were made available for award grants. On April 30, 2015, the shareholders of the Corporation approved the Amended and Restated Bryn Mawr Bank Corporation 2010 Long-Term Incentive Plan (the "Amended 2010 LTIP"), under which the total number of shares of Corporation Common Stock made available for award grants was increased by 500,000 shares to 945,002 shares.

In addition to the shareholder-approved plans mentioned in the preceding paragraph, the Corporation periodically authorizes grants of stock-based compensation as inducement awards to new employees. This type of award does not require shareholder approval in accordance with Rule 5635(c)(4) of the Nasdaq listing rules.

Equity awards are authorized to be in the form of, among others, options to purchase the Corporation's common stock, restricted stock awards or units ("RSAs" or "RSUs") and performance stock awards or units ("PSAs" or "PSUs").

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

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

B. Stock Options

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

The following table provides information about options outstanding for the three months ended June 30, 2016:

	Shares	**Weighted Average Exercise Price**	**Weighted Average Grant Date Fair Value**
Options outstanding, March 31, 2016	274,900	$ 21.07	$ 5.35
Forfeited	—	$ —	$ —
Expired	—	$ —	$ —
Exercised	(16,850)	$ 21.54	$ 5.08
Options outstanding, June 30, 2016	258,050	$ 21.03	$ 5.37

Table Of Contents

The following table provides information about options outstanding for the six months ended June 30, 2016:

	Shares	**Weighted Average Exercise Price**	**Weighted Average Grant Date Fair Value**
Options outstanding, December 31, 2015	290,853	$ 20.88	$ 5.77
Forfeited	—	$ —	$ —
Expired	—	$ —	$ —
Exercised	(32,803)	$ 19.69	$ 8.90
Options outstanding, June 30, 2016	258,050	$ 21.03	$ 5.37

As of June 30, 2016, there were no unvested stock options.

For the three months ended June 30, 2016, the Corporation did not recognize any expense related to stock options. As of June 30, 2016, there was no unrecognized expense related to stock options.

Proceeds, related tax benefits realized from options exercised and intrinsic value of options exercised during the three and six months ended June 30, 2016 and 2015 are detailed below:

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Proceeds from exercise of stock options	$363	$1,905	$647	$4,410
Related tax benefit recognized	13	169	13	446
Net proceeds of options exercised	$376	$2,074	$660	$4,856
Intrinsic value of options exercised	$124	$1,064	$255	$2,464

The following table provides information about options outstanding and exercisable at June 30, 2016:

(dollars in thousands, except exercise price)	**Outstanding**	**Exercisable**
Number of shares	258,050	258,050
Weighted average exercise price	$ 21.03	$ 21.03
Aggregate intrinsic value	$ 2,109	$ 2,109
Weighted average contractual term in years	2.4	2.4

C. Restricted Stock Awards and Performance Stock Awards

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

RSAs and RSUs

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

For the three and six months ended June 30, 2016, the Corporation recognized $131 thousand and $262 thousand, respectively, of expense related to the Corporation's RSAs and RSUs. As of June 30, 2016, there was $677 thousand of unrecognized compensation cost related to RSAs and RSUs. This cost will be recognized over a weighted average period of 1.8 years.

The following table details the unvested RSAs and RSUs for the three and six months ended June 30, 2016:

Three Months Ended June 30, 2016		Six Months Ended June 30, 2016	
	Weighted		Weighted

	Number of Shares	Average Grant Date Fair Value	Number of Shares	Average Grant Date Fair Value
Beginning balance	44,052	$ 28.43	43,802	$ 28.61
Granted	2,500	$ 25.65	4,750	$ 25.96
Vested	(5,332)	$ 22.40	(7,332)	$ 24.56
Forfeited	(1,250)	$ 29.12	(1,250)	$ 29.12
Ending balance	39,970	$ 29.02	39,970	$ 29.02

Table Of Contents

For the three and six months ended June 30, 2016, the Corporation recorded $10 thousand and $7 thousand excess tax benefits related to the vesting of RSAs and RSUs.

PSAs and PSUs

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

For the three and six months ended June 30, 2016, the Corporation recognized $255 thousand and $526 thousand, respectively, of expense related to the PSAs and PSUs. As of June 30, 2016, there was $1.2 million of unrecognized compensation cost related to PSAs. This cost will be recognized over a weighted average period of 1.7 years.

The following table details the unvested PSAs and PSUs for the three and six months ended June 30, 2016:

	Three Months Ended June 30, 2016		**Six Months Ended June 30, 2016**	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Beginning balance	216,820	$ 15.07	216,820	$ 15.07
Granted	—	$ —	—	$ —

Vested	—	$ —	—	$ —
Forfeited	(1,844)	$ 15.18	(1,844)	$ 15.18
Ending balance	214,976	$ 15.07	214,976	$ 15.07

Note 9 - Pension and Other Post-Retirement Benefit Plans

Prior to the December 2015 settlement of the qualified defined benefits plan (the “QDBP”), the Corporation had three defined benefit pension plans: the QDBP which covered all employees over age 20 1/2 who met certain service requirements, and two non-qualified defined-benefit pension plans (“SERP I” and “SERP II”) which are restricted to certain senior officers of the Corporation.

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

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

On April 1, 2008, the Corporation added SERP II, a non-qualified defined-benefit plan which was restricted to certain senior officers of the Corporation. Effective January 1, 2013, the Corporation curtailed SERP II, as further increases to the defined-benefit amounts to over 20% of the participants were frozen.

On May 29, 2015, by unanimous consent, the Board of Directors of the Corporation voted to terminate the QDBP. On June 2, 2015, notices were sent to participants informing them of the termination. Final distributions to participants were completed by December 31, 2015.

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

Table Of Contents

The following tables provide details of the components of the net periodic benefits cost (benefit) for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Service cost	$—	$ —	$—	$—	$—	$ —
Interest cost	46	46	—	397	5	5
Expected return on plan assets	—	—	—	(804)	—	—
Amortization of prior service costs	—	—	—	—	—	—
Amortization of net loss	14	16	—	479	10	9
Net periodic benefit cost	$ 60	$ 62	$—	$ 72	$ 15	$ 14

	Six Months Ended June 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Service cost	$—	$—	$—	$—	$—	$ —
Interest cost	92	93	—	795	9	9
Expected return on plan assets	—	—	—	(1,608)	—	—
Amortization of prior service costs	—	—	—	—	—	—
Amortization of net loss	28	32	—	957	20	19
Net periodic benefit cost	$ 120	$ 125	$—	$ 144	$ 29	$ 28

QDBP: The QDBP was settled as of December 31, 2015. As such, no contributions were made during the three or six months ended June 30, 2016.

SERP I and SERP II: The Corporation contributed $65 thousand and $130 thousand during the three and six months ended June 30, 2016, respectively, and is expected to contribute an additional $130 thousand to the SERP I and SERP II plans for the remaining six months of 2016.

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

Note 10 - Segment Information

FASB Codification 280 – "Segment Reporting" identifies operating segments as components of an enterprise which are evaluated regularly by the Corporation's Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to allocate resources and assess performance. The Corporation has applied the aggregation criterion set forth in this codification to the results of its operations.

The Corporation's Banking segment consists of commercial and retail banking. The Banking segment is evaluated as a single strategic unit which generates revenues from a variety of products and services. The Banking segment generates interest income from its lending (including leasing) and investing activities and is dependent on the gathering of lower cost deposits from its branch network or borrowed funds from other sources for funding its loans, resulting in the generation of net interest income. The Banking segment also derives revenues from other sources including gains on the sale of available for sale investment securities, gains on the sale of residential mortgage loans, service charges on deposit accounts, cash sweep fees, overdraft fees, BOLI income and interchange revenue associated with its Visa Check Card offering.

The Wealth Management segment has responsibility for a number of activities within the Corporation, including trust administration, other related fiduciary services, custody, investment management and advisory services, employee benefits and IRA administration, estate settlement, tax services and brokerage. Bryn Mawr Trust of Delaware and Lau Associates are included in the Wealth Management segment of the Corporation since they have similar economic characteristics, products and services to those of the Wealth Management Division of the Corporation. Powers Craft Parker and Beard ("PCPB"), which was merged with the Corporation's existing insurance subsidiary, Insurance Counsellors of Bryn Mawr ("ICBM"), and RJM, which was acquired on April 1, 2015, now operate under the Powers Craft Parker and Beard, Inc. name. The Wealth Management Division has assumed oversight responsibility for all insurance services of the Corporation. Prior to the PCPB and RJM acquisitions, ICBM was reported through the Banking segment. Any adjustments to prior year figures are immaterial and are not reflected in the tables below.

Table Of Contents

The following tables detail segment information for the three and six months ended June 30, 2016 and 2015:

(dollars in thousands)	**Three Months Ended June 30, 2016** Banking	**Wealth Management**	**Consolidated**	**Three Months Ended June 30, 2015** Banking	**Wealth Management**	**Consolidated**
Net interest income	$26,626	$ 1	$ 26,627	$25,069	$ 1	$ 25,070
Less: loan loss provision	445	—	445	850	—	850
Net interest income after loan loss provision	26,181	1	26,182	24,219	1	24,220
Other income:						
Fees for wealth management services	—	9,431	9,431	—	9,600	9,600
Service charges on deposit accounts	713	—	713	752	—	752
Loan servicing and other fees	539	—	539	597	—	597
Net (loss) gain on sale of loans	896	—	896	778	—	778
Net gain on sale of available for sale securities	(43)	—	(43)	3	—	3
Net (loss) gain on sale of other real estate owned	—	—	—	75	—	75
Insurance commissions	—	845	845	—	817	817
Other operating income	1,411	28	1,439	1,519	36	1,555
Total other income	3,516	10,304	13,820	3,724	10,453	14,177
Other expenses:						
Salaries & wages	8,282	3,915	12,197	7,481	3,583	11,064
Employee benefits	1,590	846	2,436	1,888	730	2,618
Occupancy & equipment	1,971	396	2,367	2,390	418	2,808
Amortization of intangible assets	218	671	889	281	674	955
Professional fees	897	49	946	767	60	827
Other operating expenses	6,320	1,104	7,424	6,819	891	7,710
Total other expenses	19,278	6,981	26,259	19,626	6,356	25,982
Segment profit	10,419	3,324	13,743	8,317	4,098	12,415
Intersegment (revenues) expenses*	(99)	99	—	(106)	106	—
Pre-tax segment profit after eliminations	$10,320	$ 3,423	$ 13,743	$8,211	$ 4,204	$ 12,415
% of segment pre-tax profit after eliminations	75.1 %	24.9 %	100.0 %	66.1 %	33.9 %	100.0 %
Segment assets *(dollars in millions)*	$3,042	$ 48	$ 3,090	$2,899	$ 51	$ 2,950

35

Table Of Contents

	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
(dollars in thousands)	**Banking**	**Wealth Management**	**Consolidated**	**Banking**	**Wealth Management**	**Consolidated**
Net interest income	$52,528	$ 1	$ 52,529	$49,864	$ 1	$ 49,865
Less: loan loss provision	1,855	—	1,855	1,419	—	1,419
Net interest income after loan loss provision	50,673	1	50,674	48,445	1	48,446
Other income:						
Fees for wealth management services	—	18,263	18,263	—	18,705	18,705
Service charges on deposit accounts	1,415	—	1,415	1,464	—	1,464
Loan servicing and other fees	1,031	—	1,031	1,188	—	1,188
Net (loss) gain on sale of loans	1,656	—	1,656	1.586	—	1.586
Net gain on sale of available for sale securities	(58)	—	(58)	813	—	813
Net (loss) gain on sale of other real estate owned	(76)	—	(76)	90	—	90
Insurance commissions	—	2,121	2,121	—	1,838	1,838
Other operating income	2,612	64	2,676	3,181	77	3,258
Total other income	6,580	20,448	27,028	8,322	20,620	28,942
Other expenses:						
Salaries & wages	16,179	7,756	23,935	14,976	6,958	21,934
Employee benefits	3,235					