

BRYN MAWR BANK CORP
Form 10-Q
May 08, 2015
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 March 31, 2015
Commission File Number 1-35746

Bryn Mawr Bank Corporation
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-2434506
(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 class of common stock, as of the latest practicable date.

Class	Outstanding at May 4, 2015
Common Stock, par value \$1	17,800,223

Table of Contents

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED March 31, 2015

Index

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements (unaudited)

Consolidated Financial Statements Page 3

Notes to Consolidated Financial Statements Page 8

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Page 38

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk Page 54

ITEM 4. Controls and Procedures Page 54

PART II - OTHER INFORMATION Page 54

ITEM 1. Legal Proceedings Page 54

ITEM 1A. Risk Factors Page 54

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds Page 55

ITEM 3. Defaults Upon Senior Securities Page 55

ITEM 4. Mine Safety Disclosures Page 55

ITEM 5. Other Information Page 55

ITEM 6. Exhibits Page 56

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

<i>(dollars in thousands)</i>	(unaudited) March 31, 2015	December 31, 2014
Assets		
Cash and due from banks	\$ 17,269	\$ 16,717
Interest bearing deposits with banks	244,248	202,552
Cash and cash equivalents	261,517	219,269
Investment securities available for sale, at fair value (amortized cost of \$330,721 and \$227,553 as of March 31, 2015 and December 31, 2014 respectively)	334,746	229,577
Investment securities, trading	4,035	3,896
Loans held for sale	6,656	3,882
Portfolio loans and leases	2,088,531	1,652,257
Less: Allowance for loan and lease losses	(14,296)	(14,586)
Net portfolio loans and leases	2,074,235	1,637,671
Premises and equipment, net	42,888	33,748
Accrued interest receivable	7,465	5,560
Deferred income taxes	12,057	7,209
Mortgage servicing rights	4,815	4,765
Bank owned life insurance	32,772	20,535
Federal Home Loan Bank stock	11,541	11,523
Goodwill	101,619	35,781
Intangible assets	26,522	22,521
Other investments	9,238	5,226
Other assets	13,073	5,343
Total assets	\$ 2,943,179	\$ 2,246,506
Liabilities		
Deposits:		
Non-interest-bearing	\$ 582,495	\$ 446,903
Interest-bearing	1,658,869	1,241,125
Total deposits	2,241,364	1,688,028
Short-term borrowings	38,372	23,824
FHLB advances and other borrowings	250,088	260,146
Accrued interest payable	1,201	1,040

Other liabilities	34,251	27,994
Total liabilities	2,565,276	2,001,032
Shareholders equity		
Common stock, par value \$1; authorized 100,000,000 shares; issued 20,750,427 and 16,742,135 shares as of March 31, 2015 and December 31, 2014, respectively, and outstanding of 17,777,628 and 13,769,336 as of March 31, 2015 and December 31, 2014, respectively	20,750	16,742
Paid-in capital in excess of par value	223,389	100,486
Less: Common stock in treasury at cost - 2,972,799 and 2,972,799 shares as of March 31, 2015 and December 31, 2014, respectively	(31,646)	(31,642)
Accumulated other comprehensive loss, net of tax benefit	(10,287)	(11,704)
Retained earnings	175,697	171,592
Total shareholders equity	377,903	245,474
Total liabilities and shareholders equity	\$ 2,943,179	\$ 2,246,506

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 March 31,	
	2015	2014
<i>(dollars in thousands, except per share data)</i>		
Interest income:		
Interest and fees on loans and leases	\$ 25,164	\$ 19,042
Interest on cash and cash equivalents	115	37
Interest on investment securities:		
Taxable	1,320	951
Non-taxable	135	103
Dividends	20	28
 Total interest income	 26,754	 20,161
Interest expense on:		
Deposits	1,028	689
Short-term borrowings	21	3
FHLB advances and other borrowings	910	746
 Total interest expense	 1,959	 1,438
Net interest income	24,795	18,723
Provision for loan and lease losses	569	750
 Net interest income after provision for loan and lease losses	 24,226	 17,973
Non-interest income:		
Fees for wealth management services	9,105	8,913
Service charges on deposits	712	601
Loan servicing and other fees	591	446
Net gain on sale of residential mortgage loans	808	324
Net gain (loss) on sale of investment securities available for sale	810	(4)
Net gain on sale of other real estate owned	15	
Dividends on bank stocks	615	80
Insurance commissions	1,021	105
Other operating income	1,088	674
 Total non-interest income	 14,765	 11,139
Non-interest expenses:		
Salaries and wages	10,870	8,440
Employee benefits	2,729	1,979
Occupancy and bank premises	2,466	1,933
Furniture, fixtures, and equipment	1,512	983
Advertising	557	339

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Amortization of intangible assets	982	637
Due diligence and merger-related expenses	2,501	264
Professional fees	673	593
Pennsylvania bank shares tax	433	368
Information technology	702	649
Other operating expenses	4,004	2,714
Total non-interest expenses	27,429	18,899
Income before income taxes	11,562	10,213
Income tax expense	4,068	3,524
Net income	\$ 7,494	\$ 6,689
Basic earnings per common share	\$ 0.43	\$ 0.50
Diluted earnings per common share	\$ 0.42	\$ 0.49
Dividends declared per share	\$ 0.19	\$ 0.18
Weighted-average basic shares outstanding	17,545,802	13,485,213
Dilutive shares	357,456	304,828
Adjusted weighted-average diluted shares	17,903,258	13,790,041

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 March 31,	
	2015	2014
Net income	\$ 7,494	\$ 6,689
Other comprehensive income (loss):		
Net change in unrealized gains on investment securities available for sale:		
Net unrealized gains arising during the period, net of tax expense of \$983 and \$615, respectively	1,828	1,142
Less: reclassification adjustment for net (gains) losses on sales realized in net income, net of tax expense (benefit) of \$283 and \$(1), respectively	(527)	3
Unrealized investment gains, net of tax expense of \$700 and \$616, respectively	1,301	1,145
Net change in fair value of derivative used for cash flow hedge:		
Change in fair value of hedging instruments, net of tax benefit of \$(126) and \$(123), respectively	(234)	(227)
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 \$188 and \$25, respectively	350	46
Total other comprehensive income	1,417	964
Total comprehensive income	\$ 8,911	\$ 7,653

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)*

	Three Months Ended March 31,	
	2015	2014
Operating activities:		
Net Income	\$ 7,494	\$ 6,689
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	569	750
Depreciation of fixed assets and net amortization of investment premiums and discounts	1,925	1,364
Net (gain) loss on sale of investment securities available for sale	(810)	4
Net gain on sale of residential mortgages	(808)	(324)
Stock based compensation cost	376	307
Amortization and net impairment of mortgage servicing rights	187	107
Net accretion of fair value adjustments	(1,461)	(770)
Amortization of intangible assets	982	637
Impairment of other real estate owned (OREO)	90	
Net gain on sale of OREO	(15)	
Net increase in cash surrender value of bank owned life insurance	(183)	(81)
Other, net	3,038	(5,214)
Loans originated for resale	(29,479)	(9,228)
Proceeds from loans sold	27,783	9,471
Provision for deferred income taxes	677	655
Change in income taxes payable/receivable	(875)	(482)
Change in accrued interest receivable	189	41
Change in accrued interest payable	(134)	39
Net cash provided by operating activities	9,545	3,965
Investing activities:		
Purchases of investment securities	(22,088)	(7,289)
Proceeds from maturity of investment securities and paydowns of mortgage-related securities	12,468	9,126
Proceeds from sale of investment securities available for sale	62,788	1,025
Net proceeds from redemptions of FHLB stock	4,963	(257)
Proceeds from calls of investment securities	25,525	11,500
Net change in other investments	(3,962)	45
Net portfolio loan and lease originations	(10,194)	(18,569)
Purchases of premises and equipment	(1,273)	(1,465)
Acquisitions, net of cash acquired	16,609	
Proceeds from sale of OREO	279	5
Net cash provided by (used in) investing activities	85,115	(5,879)

Financing activities:			
Change in deposits	71,907		(11,745)
Change in short-term borrowings	(94,026)		(152)
Dividends paid	(3,335)		(2,432)
Change in FHLB advances and other borrowings	(29,749)		9,026
Excess tax benefit from stock-based compensation	277		73
Proceeds from sale of treasury stock from deferred compensation plans			67
Purchase of treasury stock	(6)		(169)
Proceeds from issuance of common stock	16		16
Proceeds from exercise of stock options	2,504		103
Net cash used in financing activities	(52,412)		(5,213)
Change in cash and cash equivalents	42,248		(7,127)
Cash and cash equivalents at beginning of period	219,269		81,071
Cash and cash equivalents at end of period	\$ 261,517	\$	73,944

Supplemental cash flow information:

Cash paid during the year for:

Income taxes	\$ 3,399	\$	3,278
Interest	\$ 1,798	\$	1,399
Change in other comprehensive loss	\$ 1,417	\$	964
Change in deferred tax due to change in comprehensive income	\$ 762	\$	518
Transfer of loans to other real estate owned	\$ 282	\$	190
Acquisition of noncash assets and liabilities:			
Assets acquired	\$ 724,724	\$	
Liabilities assumed	\$ 617,599	\$	

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***(All amounts in thousands, except per share information)*

	For the Three Months Ended March 31, 2015						
	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasur Stock	Accumulated Other Comprehensiv Loss	Retained Earnings	Total Sharehold Equity
Balance December 31, 2014	16,742,135	\$ 16,742	\$ 100,486	\$ (31,642)	\$ (11,704)	\$ 171,592	\$ 245,477
Net income						7,494	7,494
Dividends declared, \$0.19 per share						(3,389)	(3,389)
Other comprehensive income, net of tax expense of \$2					1,417		1,417
Stock based compensation			376				376
Stock benefit from stock-based compensation			277				277
Retirement of treasury stock	(198)		(2)	2			
Net purchase of treasury stock by deferred compensation plans				(6)			
Shares issued in acquisitions	3,878,304	3,878	117,513				121,399
Intangible assets assumed in acquisitions			2,343				2,343
Common stock issued:							
Dividend Reinvestment and Stock Purchase Plan	546	1	15				1
Share-based awards and options exercises	129,640	129	2,381				2,510
Balance March 31, 2015	20,750,427	\$ 20,750	\$ 223,389	\$ (31,646)	\$ (10,287)	\$ 175,697	\$ 377,900

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, 2014 (the 2014 Annual Report).

The results of operations for the three months ended March 31, 2015 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 March 31,	
<i>(dollars in thousands except per share data)</i>	2015	2014
Numerator:		
Net income available to common shareholders	\$ 7,494	\$ 6,689
Denominator for basic earnings per share		
weighted average shares outstanding	17,545,802	13,485,213
Effect of dilutive common shares	357,456	304,828
Denominator for diluted earnings per share		
adjusted weighted average shares outstanding	17,903,258	13,790,041
Basic earnings per share	\$ 0.43	\$ 0.50
Diluted earnings per share	\$ 0.42	\$ 0.49
Antidilutive shares excluded from computation of average dilutive earnings per share		

Note 3 Business Combinations

Continental Bank Holdings, Inc.

On January 1, 2015, the previously announced merger (the Merger) of Continental Bank Holdings, Inc. (CBH) with and into the Corporation, and the merger of Continental Bank with and into the The Bryn Mawr Trust Company, the wholly-owned subsidiary of the Corporation (the Bank), 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 rate of 0.45. In addition, \$1,323,000 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 consideration paid and the estimated fair value of identifiable assets acquired and liabilities assumed as of the date of the Merger are summarized in the following table:

(dollars in thousands)

Consideration paid:	
Common shares issued (3,878,304)	\$ 121,391
Cash in lieu of fractional shares	2
Cash-out of certain warrants	1,323
Fair value of options assumed	2,343
Value of consideration	125,059
Assets acquired:	
Cash and due from banks	17,934
Investment securities available for sale	181,838
Loans	426,601
Premises and equipment	9,037
Deferred income taxes	6,288
Bank-owned life insurance	12,054
Core deposit intangible	4,191
Favorable lease asset	792
Other assets	18,085
Total assets	676,820
Liabilities assumed:	
Deposits	481,674
FHLB and other long-term borrowings	19,726
Short-term borrowings	108,609
Unfavorable lease liability	2,884
Other liabilities	4,706
Total liabilities	617,599
Net assets acquired	59,221
Goodwill resulting from acquisition of CBH	\$ 65,838

The fair values of the assets acquired and liabilities assumed are preliminary estimates.

Pro Forma Income Statements

The following pro forma income statements for the three months ended March 31, 2014 and 2015 present the pro forma results of operations of the combined institution (CBH and the Corporation) had the merger occurred on January 1, 2014 and January 1, 2015, respectively. The pro forma income statement adjustments are limited to the effects of fair value mark amortization and accretion and intangible asset amortization. No cost savings or additional merger expenses have been included in the pro forma results of operations for the three months ended March 31, 2014.

	Three Months Ended	
	March 31,	
<i>(dollars in thousands except per share data)</i>	2015	2014
Net interest income	\$ 24,795	\$ 24,664
Provision for loan and lease losses	569	1,119
Net interest income after provision for loan and lease losses	24,226	23,545
Non-interest income	14,765	11,729
Non-interest expense	27,429	23,543
Income before income taxes	11,562	11,731
Income tax expense	4,068	3,967
Net income	\$ 7,494	\$ 7,764
Per share data*:		
Weighted average basic shares outstanding	17,545,802	17,363,517
Dilutive shares	357,456	383,411
Adjusted weighted-average diluted shares	17,903,258	17,746,928
Basic earnings per common share	\$ 0.43	\$ 0.45
Diluted earnings per common share	\$ 0.42	\$ 0.44

* Assumes that the common shares outstanding as of December 31, 2014 for CBH were outstanding for the full three months ended March 31, 2014 and therefore equal the weighted average common shares outstanding for the three months ended March 31, 2014. The merger conversion of 8,618,629 CBH common shares equals 3,878,304 Corporation common shares (8,618,629 times 0.45 minus 79 fractional shares paid in cash).

Table of Contents**Powers Craft Parker and Beard, Inc. (PCPB)**

The acquisition of PCPB, an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed on October 1, 2014. The consideration paid by the Corporation was \$7.0 million, of which \$5.4 million was paid at closing and three contingent cash payments, not to exceed \$542 thousand each, will be payable on each of September 30, 2015, September 30, 2016 and September 30, 2017, subject to the attainment of certain revenue targets during the related periods. The acquisition will enable the Corporation to offer a comprehensive line of insurance solutions to both individual and business clients.

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

(dollars in thousands)

Consideration paid:	
Cash paid at closing	\$ 5,399
Contingent payment liability	1,625
Value of consideration	7,024
Assets acquired:	
Cash operating accounts	1,274
Other investments	302
Premises and equipment	100
Intangible assets customer relationships	3,280
Intangible assets non-competition agreements	1,580
Intangible assets trade name	955
Other assets	850
Total assets	8,341
Liabilities assumed:	
Deferred tax liability	2,437
Other liabilities	1,818
Total liabilities	4,255
Net assets acquired	4,086
Goodwill resulting from acquisition of PCPB	\$ 2,938

As of December 31, 2014, the Corporation had finalized its fair value estimates related to the acquisition of PCPB.

Note 4 Investment Securities

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

As of March 31, 2015

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 102	\$	\$	\$ 102
Obligations of U.S. government agency securities	89,078	659	(68)	89,669
Obligations of state & political subdivisions	32,128	161	(28)	32,261
Mortgage-backed securities	159,472	2,901	(2)	162,371
Collateralized mortgage obligations	32,412	389	(42)	32,759
Other investments	17,529	164	(109)	17,584
Total	\$ 330,721	\$ 4,274	\$ (249)	\$ 334,746

Table of Contents**As of December 31, 2014**

<i>(dollars in thousands)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 102	\$	\$ (2)	\$ 100
Obligations of the U.S. government and agencies	66,881	171	(290)	66,762
Obligations of state and political subdivisions	28,955	137	(47)	29,045
Mortgage-backed securities	79,498	1,914	(30)	81,382
Collateralized mortgage obligations	34,618	299	(120)	34,797
Other investments	17,499	173	(181)	17,491
Total	\$ 227,553	\$ 2,694	\$ (670)	\$ 229,577

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 March 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
Obligations of the U.S. government and agencies	\$ 10,315	\$ (51)	\$ 6,006	\$ (17)	\$ 16,321	\$ (68)
Obligations of state and political subdivisions	7,711	(18)	2,751	(10)	10,462	(28)
Mortgage-backed securities	1,188	(2)			1,188	(2)
Collateralized mortgage obligations	3,459	(26)	2,970	(16)	6,429	(42)
Other investments	13,161	(109)			13,161	(109)
Total	\$ 35,834	\$ (206)	\$ 11,727	\$ (43)	\$ 47,561	\$ (249)

As of December 31, 2014

<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	\$ (2)	\$ 100	\$ (2)

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Obligations of the U.S. government and agencies	16,822	(28)	22,691	(262)	39,513	(290)
Obligations of state and political subdivisions	4,777	(19)	4,060	(28)	8,837	(47)
Mortgage-backed securities	2,289	(14)	3,814	(16)	6,103	(30)
Collateralized mortgage obligations	3,274	(22)	9,507	(98)	12,781	(120)
Other investments	13,717	(181)			13,717	(181)
Total	\$ 40,879	\$ (264)	\$ 40,172	\$ (406)	\$ 81,051	\$ (670)

Table of Contents

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 March 31, 2015 and December 31, 2014, securities having fair values of \$160.9 million and \$91.9 million, respectively, were specifically pledged as collateral for public funds, trust deposits, the Federal Reserve Bank of Philadelphia discount window program, Federal Home Loan Bank of Pittsburgh (FHLB) borrowings and other purposes. The FHLB has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Corporation's borrowing agreement with the FHLB.

The amortized cost and fair value of investment securities available for sale as of March 31, 2015 and December 31, 2014, by contractual maturity, are shown below:

	March 31, 2015		December 31, 2014	
	Amortized	Fair	Amortized	Fair
<i>(dollars in thousands)</i>	Cost	Value	Cost	Value
Investment securities ¹ :				
Due in one year or less	\$ 16,620	\$ 16,635	\$ 15,254	\$ 15,277
Due after one year through five years	57,316	57,520	59,433	59,463
Due after five years through ten years	25,653	25,761	23,151	23,067
Due after ten years	23,619	24,015		
Subtotal	123,208	123,931	97,838	97,807
Mortgage-related securities ²	191,884	195,130	114,116	116,179
Total	\$ 315,092	\$ 319,061	\$ 211,954	\$ 213,986

¹ Included in the investment portfolio, but not in the table above, are mutual funds with a fair value, as of March 31, 2015 and December 31, 2014, of \$15.7 million and \$15.6 million, respectively, which have no stated maturity.

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

As of March 31, 2015 and December 31, 2014, 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 and the July 2010 acquisition of First Keystone Financial, Inc. 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:

	March 31, 2015	December 31, 2014
Loans held for sale	\$ 6,656	\$ 3,882
Real estate loans:		
Commercial mortgage	\$ 892,675	\$ 689,528
Home equity lines and loans	209,037	182,082
Residential mortgage	379,363	313,442
Construction	81,408	66,267
Total real estate loans	1,562,483	1,251,319
Commercial and industrial	457,432	335,645
Consumer	20,204	18,480
Leases	48,412	46,813
Total portfolio loans and leases	2,088,531	1,652,257
Total loans and leases	\$ 2,095,187	\$ 1,656,139
Loans with fixed rates	\$ 1,086,804	\$ 927,009
Loans with adjustable or floating rates	1,008,383	729,130
Total loans and leases	\$ 2,095,187	\$ 1,656,139
Net deferred loan origination costs included in the above loan table	\$ 302	\$ 324

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

	March 31, 2015	December 31, 2014
Loans held for sale	\$ 6,656	\$ 3,882
Real estate loans:		
Commercial mortgage	\$ 663,658	\$ 637,100

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Home equity lines and loans	163,878	164,554
Residential mortgage	275,653	276,596
Construction	67,615	66,206
Total real estate loans	1,170,804	1,144,456
Commercial and industrial	332,593	325,264
Consumer	19,568	18,471
Leases	48,412	46,813
Total portfolio loans and leases	1,571,377	1,535,004
Total loans and leases	\$ 1,578,033	\$ 1,538,886
Loans with fixed rates	\$ 867,480	\$ 856,203
Loans with adjustable or floating rates	710,553	682,683
Total originated loans and leases	\$ 1,578,033	\$ 1,538,886

Table of Contents

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

	March 31, 2015	December 31, 2014
Real estate loans:		
Commercial mortgage	\$ 229,017	\$ 52,428
Home equity lines and loans	45,159	17,528
Residential mortgage	103,710	36,846
Construction	13,793	61
Total real estate loans	391,679	106,863
Commercial and industrial	124,839	10,381
Consumer	636	9
Total portfolio loans and leases	517,154	117,253
Total loans and leases	\$ 517,154	\$ 117,253
Loans with fixed rates	\$ 219,324	\$ 70,806
Loans with adjustable or floating rates	297,830	46,447
Total acquired loans and leases	\$ 517,154	\$ 117,253

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

<i>(dollars in thousands)</i>	March 31, 2015	December 31, 2014
Minimum lease payments receivable	\$ 54,833	\$ 53,131
Unearned lease income	(8,673)	(8,546)
Initial direct costs and deferred fees	2,252	2,228
Total	\$ 48,412	\$ 46,813

C. Non-Performing Loans and Leases⁽¹⁾

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

<i>(dollars in thousands)</i>	March 31, 2015	December 31, 2014
Non-accrual loans and leases:		
Commercial mortgage	\$ 600	\$ 668
Home equity lines and loans	924	1,061

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Residential mortgage	5,129	5,693
Construction	201	263
Commercial and industrial	2,218	2,390
Consumer	9	
Leases	49	21
Total	\$ 9,130	\$ 10,096

- (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 \$692 thousand and \$572 thousand of purchased credit-impaired loans as of March 31, 2015 and December 31, 2014, respectively, which became non-performing subsequent to acquisition.*

Table of Contents

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

<i>(dollars in thousands)</i>	March 31, 2015	December 31, 2014
Non-accrual originated loans and leases:		
Commercial mortgage	\$	\$
Home equity lines and loans	786	904
Residential mortgage	4,215	4,662
Construction	201	263
Commercial and industrial	1,009	1,583
Consumer	9	
Leases	49	21
Total	\$ 6,269	\$ 7,433

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

<i>(dollars in thousands)</i>	March 31, 2015	December 31, 2014
Non-accrual acquired loans and leases:		
Commercial mortgage	\$ 600	\$ 668
Home equity lines and loans	138	157
Residential mortgage	914	1,031
Construction		
Commercial and industrial	1,209	807
Consumer		
Total	\$ 2,861	\$ 2,663

⁽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 \$692 thousand and \$572 thousand of purchased credit-impaired loans as of March 31, 2015 and December 31, 2014, 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)

	March 31, 2015	December 31, 2014
Outstanding principal balance	\$ 25,461	\$ 12,491
Carrying amount ⁽¹⁾	\$ 16,894	\$ 9,045

⁽¹⁾ Includes \$1.3 million and \$105 thousand purchased credit-impaired loans as of March 31, 2015 and December 31, 2014, respectively, for which the Corporation could not estimate the timing or amount of expected cash flows to be collected at acquisition, and for which no accretible yield is recognized. Additionally, the table above includes \$692 thousand and \$572 thousand of purchased credit-impaired loans as of March 31, 2015 and December 31, 2014, respectively, which became non-performing subsequent to acquisition, which are disclosed in Note 5C, above, and which also have no accretible yield.

The following table presents changes in the accretible discount on purchased credit-impaired loans, for which the Corporation applies ASC 310-30, for the three months ended March 31, 2015:

<i>(dollars in thousands)</i>	Accretible Discount
Balance, December 31, 2014	\$ 5,357
Accretion	(521)
Reclassifications from nonaccretible difference	2
Additions/adjustments	3,050
Disposals	(277)
Balance, March 31, 2015	\$ 7,611

Table of Contents**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:

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Total Past Due			
<i>(dollars in thousands)</i>								
As of March 31, 2015								
Commercial mortgage	\$ 467	\$ 299	\$	\$ 766	\$ 891,309	\$ 892,075	\$ 600	\$ 892,675
Home equity lines and loans	876	803		1,679	206,434	208,113	924	209,037
Residential mortgage	76			76	374,158	374,234	5,129	379,363
Construction					81,207	81,207	201	81,408
Commercial and industrial	331	349		680	454,534	455,214	2,218	457,432
Consumer		15		15	20,180	20,195	9	20,204
Leases	129	16		145	48,218	48,363	49	48,412
	\$ 1,879	\$ 1,482	\$	\$ 3,361	\$ 2,076,040	\$ 2,079,401	\$ 9,130	\$ 2,088,531

	Accruing Loans and Leases					Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Total Past Due			
<i>(dollars in thousands)</i>								
As of December 31, 2014								
Commercial mortgage	\$ 71	\$ 1,185	\$	\$ 1,256	\$ 687,604	\$ 688,860	\$ 668	\$ 689,528
Home equity lines and loans	26			26	180,995	181,021	1,061	182,082
Residential mortgage	381	123		504	307,245	307,749	5,693	313,442
Construction					66,004	66,004	263	66,267
Commercial and industrial	390			390	332,865	333,255	2,390	335,645
Consumer	19	3		22	18,458	18,480		18,480
Leases	18	17		35	46,757	46,792	21	46,813
	\$ 905	\$ 1,328	\$	\$ 2,233	\$ 1,639,928	\$ 1,642,161	\$ 10,096	\$ 1,652,257

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

Accruing Loans and Leases

<i>(dollars in thousands)</i>	30	59	60	89	Over 89	Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
	Days Past Due	Days Past Due	Days Past Due	Days Past Due	Days Past Due					
As of March 31, 2015										
Commercial mortgage	\$ 467	\$ 299	\$	\$	\$ 766	\$ 662,892	\$ 663,658	\$	\$	\$ 663,658
Home equity lines and loans	710	803			1,513	161,580	163,093	786		163,879
Residential mortgage Construction						271,438	271,438	4,215		275,653
Commercial and industrial	45				45	331,539	331,584	1,009		332,593
Consumer Leases	129	16			145	48,217	48,362	49		48,411
	\$ 1,351	\$ 1,118	\$	\$	\$ 2,469	\$ 1,562,638	\$ 1,565,107	\$ 6,269	\$	\$ 1,571,376

Table of Contents

Accruing Loans and Leases									
<i>(dollars in thousands)</i>	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
As of December 31, 2014									
Commercial mortgage	\$		\$ 1,185	\$	\$ 1,185	\$ 635,914	\$ 637,099	\$	\$ 637,099
Home equity lines and loans		19			19	163,631	163,650	904	164,554
Residential mortgage		218		123	341	271,593	271,934	4,662	276,596
Construction						65,943	65,943	263	66,206
Commercial and industrial		119			119	323,561	323,680	1,583	325,263
Consumer		19		3	22	18,450	18,472		18,472
Leases		18		17	35	46,757	46,792	21	46,813
		\$ 393	\$ 1,328	\$	\$ 1,721	\$ 1,525,849	\$ 1,527,570	\$ 7,433	\$ 1,535,003

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

Accruing Loans and Leases									
<i>(dollars in thousands)</i>	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Total Past Due	Current	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
As of March 31, 2015									
Commercial mortgage	\$	\$	\$	\$	\$	\$ 228,417	\$ 228,417	\$ 600	\$ 229,017
Home equity lines and loans		166			166	44,854	45,020	138	45,158
Residential mortgage		76			76	102,720	102,796	914	103,710
Construction						13,793	13,793		13,793
Commercial and industrial		286		349	635	122,995	123,630	1,209	124,839
Consumer				15	15	622	637		637
		\$ 528	\$ 364	\$	\$ 892	\$ 513,401	\$ 514,293	\$ 2,861	\$ 517,154

Accruing Loans and Leases									
<i>(dollars in thousands)</i>	30 Days Past Due	59 Days Past Due	60 Days Past Due	89 Days Past Due	Over 89 Days Total Past Due	Current	Total Accruing Loans	Nonaccrual Loans and	Total Loans and

					and Leases	Leases	Leases
As of December 31, 2014							
Commercial mortgage	\$ 71	\$	\$ 71	\$ 51,690	\$ 51,761	\$ 668	\$ 52,429
Home equity lines and loans	7		7	17,364	17,371	157	17,528
Residential mortgage	163		163	35,652	35,815	1,031	36,846
Construction				61	61		61
Commercial and industrial	271		271	9,304	9,575	807	10,382
Consumer				8	8		8
	\$ 512	\$	\$ 512	\$ 114,079	\$ 114,591	\$ 2,663	\$ 117,254

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

The following tables detail the roll-forward of the Allowance for the three months ended March 31, 2015:

	Home Equity Lines		Commercial and Residential		Commercial and Industrial		Consumer	Leases	Unallocated	Total
	Mortgage	Loans	Mortgage	Construction	Industrial	Consumer	Leases	Unallocated	Total	
<i>(dollars in thousands)</i>										
Balance, December 31, 2014	\$ 3,948	\$ 1,917	\$ 1,736	\$ 1,367	\$ 4,533	\$ 238	\$ 468	\$ 379	\$ 14,586	
Charge-offs		(129)	(468)		(276)	(35)	(20)		(928)	
Recoveries	21	4	5	1	21	3	14		69	
Provision for loan and lease losses	(193)	259	593	5	(293)	51	22	125	569	
Balance March 31, 2015	\$ 3,776	\$ 2,051	\$ 1,866	\$ 1,373	\$ 3,985	\$ 257	\$ 484	\$ 504	\$ 14,296	

The following table details the roll-forward of the Allowance for the three months ended March 31, 2014:

	Home Equity Lines		Commercial and Residential		Commercial and Industrial		Consumer	Leases	Unallocated	Total
	Mortgage	Loans	Mortgage	Construction	Industrial	Consumer	Leases	Unallocated	Total	
<i>(dollars in thousands)</i>										
Balance, December 31, 2013	\$ 3,797	\$ 2,204	\$ 2,446	\$ 845	\$ 5,011	\$ 259	\$ 604	\$ 349	\$ 15,515	
Charge-offs	(20)	(386)	(17)		(1)	(32)	(82)		(538)	
Recoveries	1		5		1	2	34		43	
Provision for loan and lease losses	193	311	(116)	22	345	57	59	(121)	750	
Balance, March 31, 2014	\$ 3,971	\$ 2,129	\$ 2,318	\$ 867	\$ 5,356	\$ 286	\$ 615	\$ 228	\$ 15,770	

Table of Contents

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 March 31, 2015 and December 31, 2014:

(dollars in thousands)	Home Equity Lines			Commercial and			Leases	Unallocated	Total
	Commercial Mortgage	and Loans	Residential Mortgage	Construction	Industrial	Consumer			
As of March 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 26	\$ 65	\$	\$ 103	\$ 15	\$	\$	\$ 209
Collectively evaluated for impairment	3,776	2,025	1,801	1,373	3,882	242	484	504	14,087
Purchased credit-impaired ⁽¹⁾									
Total	\$ 3,776	\$ 2,051	\$ 1,866	\$ 1,373	\$ 3,985	\$ 257	\$ 484	\$ 504	\$ 14,296
As of December 31, 2014									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 4	\$ 184	\$	\$ 448	\$ 32	\$	\$	\$ 668
Collectively evaluated for impairment	3,948	1,913	1,552	1,366	4,085	206	468	379	13,917
Purchased credit-impaired ⁽¹⁾				1					1
Total	\$ 3,948	\$ 1,917	\$ 1,736	\$ 1,367	\$ 4,533	\$ 238	\$ 468	\$ 379	\$ 14,586

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

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 March 31, 2015 and December 31, 2014:

(dollars in thousands)	Home Equity Lines			Commercial and			Leases	Total
	Commercial Mortgage	and Loans	Residential Mortgage	Construction	Industrial	Consumer		
As of March 31, 2015								

Carrying value of
loans and leases:

Individually evaluated for impairment	\$ 94	\$ 1,038	\$ 8,055	\$ 201	\$ 3,085	\$ 40	\$	\$ 12,513
Collectively evaluated for impairment	879,037	207,817	371,285	79,094	453,315	20,164	48,412	2,059,124
Purchased credit-impaired ⁽¹⁾	13,544	182	23	2,113	1,032			16,894
Total	\$ 892,675	\$ 209,037	\$ 379,363	\$ 81,408	\$ 457,432	\$ 20,204	\$ 48,412	\$ 2,088,531

As of December 31, 2014

Carrying value of
loans and leases:

Individually evaluated for impairment	\$ 97	\$ 1,155	\$ 8,642	\$ 264	\$ 3,460	\$ 31	\$	\$ 13,649
Collectively evaluated for impairment	680,820	180,912	304,773	65,942	331,854	18,449	46,813	1,629,563
Purchased credit-impaired ⁽¹⁾	8,611	15	27	61	331			9,045
Total	\$ 689,528	\$ 182,082	\$ 313,442	\$ 66,267	\$ 335,645	\$ 18,480	\$ 46,813	\$ 1,652,257

⁽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 March 31, 2015 and December 31, 2014:

(dollars in thousands)	Home Equity			Commercial				Unallocated	Total
	Commercial Mortgage	Lines and Residential Mortgage	Residential	Construction	Industrial	Consumer	Leases		
As of March 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$ 26	\$ 43	\$	\$ 103	\$ 15	\$	\$	\$ 187
Collectively evaluated for impairment	3,776	1,956	1,769	1,373	3,882	242	484	504	13,986
Total	\$ 3,776	\$ 1,982	\$ 1,812	\$ 1,373	\$ 3,985	\$ 257	\$ 484	\$ 504	\$ 14,173
As of December 31, 2014									
Allowance on loans and leases:									
	\$	\$ 4	\$ 162	\$	\$ 448	\$ 32	\$	\$	\$ 646

Individually evaluated for impairment										
Collectively evaluated for impairment	3,948	1,851	1,551	1,366	4,085	206	468	379	13,854	
Total	\$ 3,948	\$ 1,855	\$ 1,713	\$ 1,366	\$ 4,533	\$ 238	\$ 468	\$ 379	\$ 14,500	

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 March 31, 2015 and December 31, 2014:

(dollars in thousands)	Home Equity			Commercial			Leases	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage	Construction	Industrial	Consumer		
As of March 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$	\$ 900	\$ 6,743	\$ 201	\$ 2,044	\$ 40	\$	\$ 9,928
Collectively evaluated for impairment	663,658	162,978	268,908	67,414	330,549	19,528	48,412	1,561,447
Total	\$ 663,658	\$ 163,878	\$ 275,651	\$ 67,615	\$ 332,593	\$ 19,568	\$ 48,412	\$ 1,571,375

As of December 31, 2014

Carrying value of loans and leases:								
Individually evaluated for impairment	\$	\$ 998	\$ 7,211	\$ 264	\$ 2,632	\$ 31	\$	\$ 11,136
Collectively evaluated for impairment	637,099	163,557	269,385	65,942	322,632	18,440	46,813	1,523,868
Total	\$ 637,099	\$ 164,555	\$ 276,596	\$ 66,206	\$ 325,264	\$ 18,471	\$ 46,813	\$ 1,535,004

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 March 31, 2015 and December 31, 2014:

(dollars in thousands)	Home Equity			Commercial			Lease	Unallocated	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage	Construction	Industrial	Consumer			
As of March 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	\$	\$	\$ 22	\$	\$	\$	\$	\$	\$ 22
Collectively evaluated for impairment			69	32					101
Purchased credit-impaired ⁽¹⁾									

Total	\$	\$ 69	\$ 54	\$	\$	\$	\$	\$	\$ 123
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As of December 31, 2014

Allowance on loans and leases:

Individually evaluated for impairment	\$	\$	\$ 22	\$	\$	\$	\$	\$	\$ 22
Collectively evaluated for impairment		62	1						63
Purchased credit-impaired ⁽¹⁾				1					1
Total	\$	\$ 62	\$ 23	\$ 1	\$	\$	\$	\$	\$ 86

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

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 March 31, 2015 and December 31, 2014:

<i>(dollars in thousands)</i>	Home Equity			Commercial and			Leases	Total
	Commercial Mortgage	Lines and Loans	Residential Mortgage	Construction	Industrial	Consumer		
As of March 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 94	\$ 138	\$ 1,312	\$	\$ 1,041	\$	\$	\$ 2,585
Collectively evaluated for impairment	215,379	44,839	102,377	11,680	122,766	636		497,677
Purchased credit-impaired ⁽¹⁾	13,544	182	23	2,113	1,032			16,894
Total	\$ 229,017	\$ 45,159	\$ 103,712	\$ 13,793	\$ 124,839	\$ 636	\$	\$ 517,156
As of December 31, 2014								
Carrying value of loans and leases:								
Individually evaluated for impairment	\$ 97	\$ 157	\$ 1,431	\$	\$ 828	\$	\$	\$ 2,513
Collectively evaluated for impairment	43,721	17,355	35,388		9,222	9		105,695
Purchased credit-impaired ⁽¹⁾	8,611	15	27	61	331			9,045
Total	\$ 52,429	\$ 17,527	\$ 36,846	\$ 61	\$ 10,381	\$ 9	\$	\$ 117,253

⁽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 results 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 March 31, 2015 and December 31, 2014:

Credit Risk Profile by Internally Assigned Grade

<i>(dollars in thousands)</i>	Commercial		Construction		Commercial and Industrial		Total	
	Mortgage							
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
Pass	\$ 874,635	\$ 683,549	\$ 76,392	\$ 66,004	\$ 445,073	\$ 329,299	\$ 1,396,100	\$ 1,078,852
Special Mention	5,315	4,364			6,200	1,149	11,515	5,513
Substandard	12,725	1,615	2,971	263	5,973	5,197	21,669	7,075
Doubtful			2,045		186		2,231	
Total	\$ 892,675	\$ 689,528	\$ 81,408	\$ 66,267	\$ 457,432	\$ 335,645	\$ 1,431,515	\$ 1,091,440

Credit Risk Profile by Payment Activity

<i>(dollars in thousands)</i>	Home Equity Lines									
	Residential		and		Consumer		Leases		Total	
	Mortgage		Loans							
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
performing	\$ 374,234	\$ 307,749	\$ 208,114	\$ 181,021	\$ 20,195	\$ 18,480	\$ 48,363	\$ 46,792	\$ 650,906	\$ 554,043
non-performing	5,129	5,693	923	1,061	9		49	21	6,110	6,774
Total	\$ 379,363	\$ 313,442	\$ 209,037	\$ 182,082	\$ 20,204	\$ 18,480	\$ 48,412	\$ 46,813	\$ 657,016	\$ 560,817

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 March 31, 2015 and December 31, 2014:

Credit Risk Profile by Internally Assigned Grade

<i>(dollars in thousands)</i>	Commercial		Construction		Commercial and		Total	
	Mortgage				Industrial			
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	2015	2014	2015	2014	2015	2014	2015	2014
Pass	\$ 658,321	\$ 631,910	\$ 66,628	\$ 65,943	\$ 327,622	\$ 319,723	\$ 1,052,571	\$ 1,017,576
Special Mention	4,365	4,364			1,149	1,149	5,514	5,513
Substandard	972	825	987	263	3,822	4,391	5,781	5,479
Total	\$ 663,658	\$ 637,099	\$ 67,615	\$ 66,206	\$ 332,593	\$ 325,263	\$ 1,063,866	\$ 1,028,568

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

	Home Equity Lines and									
	Residential Mortgage		Loans		Consumer		Leases		Total	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
(dollars in thousands)										
Performing	\$ 271,437	\$ 271,933	\$ 163,093	\$ 163,651	\$ 19,559	\$ 18,471	\$ 48,363	\$ 46,792	\$ 502,452	\$ 500,847
Non-performing	4,215	4,663	786	904	9		49	21	5,059	5,588
Total	\$ 275,652	\$ 276,596	\$ 163,879	\$ 164,555	\$ 19,568	\$ 18,471	\$ 48,412	\$ 46,813	\$ 507,511	\$ 506,435

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 March 31, 2015 and December 31, 2014:

Credit Risk Profile by Internally Assigned Grade

	Commercial				Commercial and Industrial				Total	
	Mortgage		Construction		Industrial					
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
(dollars in thousands)										
Pass	\$ 216,314	\$ 51,639	\$ 9,764	\$ 61	\$ 117,451	\$ 9,576	\$ 343,529	\$ 61,276		
Special Mention	950				5,051		6,001			
Substandard	11,753	790	1,984		2,151	806	15,888	1,596		
Doubtful			2,044		186		2,230			
Total	\$ 229,017	\$ 52,429	\$ 13,792	\$ 61	\$ 124,839	\$ 10,382	\$ 367,648	\$ 62,872		

Credit Risk Profile by Payment Activity

	Home Equity Lines and							
	Residential Mortgage		Loans		Consumer		Total	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
(dollars in thousands)								
Performing	\$ 102,797	\$ 35,816	\$ 45,021	\$ 17,370	\$ 636	\$ 9	\$ 148,454	\$ 53,195
Non-performing	914	1,030	137	157			1,051	1,187
Total	\$ 103,711	\$ 36,846	\$ 45,158	\$ 17,527	\$ 636	\$ 9	\$ 149,505	\$ 54,382

G. Troubled Debt Restructurings (TDRs):

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

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

Table of Contents

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

<i>(dollars in thousands)</i>	March 31, 2015	December 31, 2014
TDRs included in nonperforming loans and leases	\$ 4,217	\$ 4,315
TDRs in compliance with modified terms	4,145	4,157
Total TDRs	\$ 8,362	\$ 8,472

The following tables present information regarding loan and lease modifications categorized as TDRs for the three months ended March 31, 2015:

<i>(dollars in thousands)</i>	For the Three Months Ended March 31, 2015				
	Number of Contracts	Pre-Modification Outstanding	Recorded Investment	Post-Modification Outstanding	Recorded Investment
			Investment		Investment
Residential mortgage	2	\$	383	\$	383
Home equity lines and loans	1		22		22
Leases	1		12		12
Total	4	\$	417	\$	417

	Number of Contracts for the Three Months Ended March 31, 2015					
	Interest Rate Change and/or Interest- Only Period	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
Residential mortgage			2			
Home equity lines and loans				1		
Leases					1	
Total			2	1	1	

During the three months ended March 31, 2015, there were no defaults of loans or leases that had been previously modified to troubled debt restructurings.

H. Impaired Loans

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

<i>(dollars in thousands)</i>	Recorded Investment⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the three months ended March 31, 2015						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 75	\$ 75	\$ 26	\$ 75	\$	\$
Residential mortgage	587	596	65	597	6	
Commercial and industrial	975	972	103	983	13	
Consumer	40	40	15	41		
Total	\$ 1,677	\$ 1,683	\$ 209	\$ 1,696	\$ 19	\$
Impaired loans without related Allowance ^{(1) (3)} :						
Commercial mortgage	\$ 94	\$ 94	\$	\$ 100	\$	\$
Home equity lines and loans	963	1,059		1,174	1	
Residential mortgage	7,468	8,360		8,728	33	
Construction	201	1,163		1,162		
Commercial and industrial	2,110	2,830		2,909	1	
Total	\$ 10,836	\$ 13,506	\$	\$ 14,073	\$ 35	\$
Grand total	\$ 12,513	\$ 15,189	\$ 209	\$ 15,769	\$ 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.

Table of Contents

<i>(dollars in thousands)</i>	Recorded Investment⁽²⁾	Principal Balance	Related Allowance	Average Principal Balance	Interest Income Recognized	Cash-Basis Interest Income Recognized
As of or for the three months ended March 31, 2014						
Impaired loans with related Allowance:						
Home equity lines and loans	\$ 230	\$ 233	\$ 106	\$ 252	\$ 2	\$
Residential mortgage	4,662	4,661				