BRYN MAWR BANK CORP
Form 10-Q
August 07, 2015

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, 2015

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 incorporation or organization)	**(I.R.S. Employer**

	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 4, 2015
Common Stock, par value $1	17,768,900

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED June 30, 2015

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets - Unaudited

(dollars in thousands)	(unaudited) **June 30, 2015**	**December 31, 2014**
Assets		
Cash and due from banks	$20,258	$16,717
Interest bearing deposits with banks	156,282	202,552
Cash and cash equivalents	176,540	219,269
Investment securities available for sale, at fair value (amortized cost of $347,431 and $227,553 as of June 30, 2015 and December 31, 2014 respectively)	349,496	229,577
Investment securities, trading	4,029	3,896
Loans held for sale	15,363	3,882
Portfolio loans and leases, originated	1,692,027	1,535,004
Portfolio loans and leases, acquired	461,236	117,253
Total portfolio loans and leases	2,153,263	1,652,257
Less: Allowance for originated loan and lease losses	(14,937)	(14,500)
Less: Allowance for acquired loan and lease losses	(22)	(86)
Total allowance for loan and lease losses	(14, 959)	(14,586)
Net portfolio loans and leases	2,138,304	1,637,671
Premises and equipment, net	43,164	33,748
Accrued interest receivable	7,518	5,560
Deferred income taxes	11,066	7,209
Mortgage servicing rights	4,970	4,765
Bank owned life insurance	32,941	20,535
Federal Home Loan Bank stock	11,542	11,523
Goodwill	104,322	35,781
Intangible assets	26,309	22,521
Other investments	9,295	5,226
Other assets	15,155	5,343
Total assets	$2,950,014	$2,246,506

Liabilities		
Deposits:		
Non-interest-bearing	$636,390	$446,903
Interest-bearing	1,624,257	1,241,125
Total deposits	2,260,647	1,688,028
Short-term borrowings	26,406	23,824
Long-term FHLB advances and other borrowings	244,923	260,146
Accrued interest payable	1,292	1,040
Other liabilities	35,648	27,994
Total liabilities	2,568,916	2,001,032
Shareholders' equity		
Common stock, par value $1; authorized 100,000,000 shares; issued 20,847,571 and 16,742,135 shares as of June 30, 2015 and December 31, 2014, respectively, and outstanding of 17,786,293 and 13,769,336 as of June 30, 2015 and December 31, 2014, respectively	20,848	16,742
Paid-in capital in excess of par value	225,837	100,486
Less: Common stock in treasury at cost - 3,061,278 and 2,972,799 shares as of June 30, 2015 and December 31, 2014, respectively	(34,346)	(31,642)
Accumulated other comprehensive loss, net of tax benefit	(11,634)	(11,704)
Retained earnings	180,393	171,592
Total shareholders' equity	381,098	245,474
Total liabilities and shareholders' equity	$2,950,014	$2,246,506

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

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income - Unaudited

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
(dollars in thousands, except per share data)				
Interest income:				
Interest and fees on loans and leases	$25,568	$19,876	$50,732	$38,918
Interest on cash and cash equivalents	124	44	239	81
Interest on investment securities:				
Taxable	1,161	891	2,481	1,842
Non-taxable	106	101	241	204
Dividends	34	29	54	57
Total interest income	26,993	20,941	53,747	41,102
Interest expense on:				
Deposits	1,062	713	2,090	1,402
Short-term borrowings	10	5	31	8
FHLB advances and other borrowings	851	781	1,761	1,527
Total interest expense	1,923	1,499	3,882	2,937
Net interest income	25,070	19,442	49,865	38,165
Provision for loan and lease losses	850	(100)	1,419	650
Net interest income after provision for loan and lease losses	24,220	19,542	48,446	37,515
Non-interest income:				
Fees for wealth management services	9,600	9,499	18,705	18,412
Service charges on deposits	752	656	1,464	1,257
Loan servicing and other fees	597	428	1,188	874
Net gain on sale of residential mortgage loans	778	537	1,586	861
Net gain on sale of investment securities available for sale	3	85	813	81
Net gain on sale of other real estate owned ("OREO")	75	220	90	220
Dividend on bank stocks	299	199	914	278
Insurance commissions	817	128	1,838	234
Other operating income	1,256	1,005	2,344	1,679
Total non-interest income	14,177	12,757	28,942	23,896
Non-interest expenses:				
Salaries and wages	11,064	9,694	21,934	18,134
Employee benefits	2,618	1,809	5,347	3,788
Occupancy and bank premises	2,808	1,683	5,274	3,616
Furniture, fixtures, and equipment	1,488	1,089	3,000	2,072
Advertising	479	455	1,036	794
Amortization of intangible assets	955	636	1,937	1,273
Due diligence and merger-related expenses	1,294	377	3,795	641
Professional fees	827	914	1,500	1,507
Pennsylvania bank shares tax	433	412	866	780
Information technology	814	697	1,516	1,346

Other operating expenses	3,202	2,860	7,206	5,574
Total non-interest expenses	25,982	20,626	53,411	39,525
Income before income taxes	12,415	11,673	23,977	21,886
Income tax expense	4,296	4,069	8,364	7,593
Net income	$8,119	$7,604	$15,613	$14,293
Basic earnings per common share	$0.46	$0.56	$0.89	$1.06
Diluted earnings per common share	$0.45	$0.55	$0.87	$1.03
Dividends declared per share	$0.19	$0.18	$0.38	$0.36
Weighted-average basic shares outstanding	17,713,794	13,531,155	17,630,263	13,508,311
Dilutive shares	340,869	304,998	349,163	304,913
Adjusted weighted-average diluted shares	18,054,663	13,836,153	17,979,426	13,813,224

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

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income - Unaudited

(dollars in thousands)	**Three Months Ended June 30, 2015**	**Three Months Ended June 30, 2014**	**Six Months Ended June 30, 2015**	**Six Months Ended June 30, 2014**
Net income	$8,119	$7,604	$15,613	$14,293
Other comprehensive income (loss):				
Net change in unrealized gains (losses) on investment securities available for sale:				
Net unrealized (losses) gains arising during the period, net of tax (benefit) expense of $(685), $702, $299 and $1,317, respectively	(1,273)	1,303	554	2,445
Less: reclassification adjustment for net (gains) losses on sales realized in net income, net of tax expense (benefit) of $1, $30, $285 and $28, respectively	(2)	(55)	(528)	(52)
Unrealized investment (losses) gains, net of tax (benefit) expense of $(686), $672, $14 and $1,289, respectively	(1,275)	1,248	26	2,393
Net change in fair value of derivative used for cash flow hedge:				
Change in fair value of hedging instruments, net of tax expense (benefit) of $98, $(130), $(28) and $(253), respectively	183	(242)	(51)	(469)
Net change in unfunded pension liability:				
Change in unfunded pension liability, net of tax (benefit) expense of $(137), $25, $51 and $50, respectively	(255)	47	95	93
Total other comprehensive (loss) income	(1,347)	1,053	70	2,017
Total comprehensive income	$6,772	$8,657	$15,683	$16,310

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

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows - Unaudited

(dollars in thousands)	**Six Months Ended June 30, 2015**	**2014**
Operating activities:		
Net Income	$ 15,613	$ 14,293
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	1,419	650
Depreciation of fixed assets	2,302	1,606
Net amortization of investment premiums and discounts	1,593	1,212
Net gain on sale of investment securities available for sale	(813)	(81)
Net gain on sale of residential mortgage loans	(1,586)	(861)
Stock based compensation cost	737	609
Amortization and net impairment of mortgage servicing rights	315	231
Net accretion of fair value adjustments	(2,994)	(1,719)
Amortization of intangible assets	1,937	1,273
Impairment of other real estate owned ("OREO")	90	-
Net gain on sale of OREO	(90)	(220)
Net increase in cash surrender value of bank owned life insurance ("BOLI")	(352)	(155)
Other, net	3	(3,099)
Loans originated for resale	(75,646)	(24,672)
Proceeds from loans sold	65,738	25,011
Provision for deferred income taxes	3,215	1,620
Excess tax benefit from stock-based compensation	(470)	(240)
Change in income taxes payable/receivable	(1,418)	53
Change in accrued interest receivable	136	202
Change in accrued interest payable	(43)	(6)
Net cash provided by operating activities	9,686	15,707
Investing activities:		
Purchases of investment securities available for sale	(90,142)	(21,827)
Proceeds from maturity of investment securities and paydowns of mortgage-related securities	33,980	18,159
Proceeds from sale of investment securities available for sale	62,827	4,125
Net change in FHLB stock	4,962	(1,121)
Proceeds from calls of investment securities	55,365	21,500
Net change in other investments	(4,019)	(70)
Net portfolio loan and lease originations	(75,683)	(68,225)
Purchases of premises and equipment	(2,747)	(2,545)
Acquisitions, net of cash acquired	16,129	-
Proceeds from sale of OREO	928	1,097
Net cash provided by (used in) investing activities	1,600	(48,907)
Financing activities:		
Change in deposits	91,394	28,598

Change in short-term borrowings	(105,958)	2,429
Dividends paid	(6,719)	(4,888)
Change in FHLB advances and other borrowings	(34,884)	27,548
Excess tax benefit from stock-based compensation	470	240
Net purchase of treasury stock	(2,748)	(243)
Proceeds from issuance of common stock	20	32
Proceeds from exercise of stock options	4,410	1,377
Net cash (used in) provided by financing activities	(54,015)	55,093
Change in cash and cash equivalents	(42,729)	21,893
Cash and cash equivalents at beginning of period	219,269	81,071
Cash and cash equivalents at end of period	$ 176,540	$ 102,964
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$ 6,600	$ 5,921
Interest	$ 3,630	$ 2,943
Non-cash information:		
Available for sale securities purchased, not settled	$ 851	$ -
Change in other comprehensive loss	$ 70	$ 2,017
Change in deferred tax due to change in comprehensive income	$ 37	$ 1,086
Transfer of loans to other real estate owned	$ 234	$ 875
Issuance of shares and options for acquisitions	$ 123,734	$ -
Acquisition of noncash assets and liabilities:		
Assets acquired	$ 727,379	$ -
Liabilities assumed	$ 619,774	$ -

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

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, 2015

	Shares of Common Stock Issued	Common Stock	Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
Balance December 31, 2014	16,742,135	$ 16,742	$ 100,486	$ (31,642)	$ (11,704)	$ 171,592	$ 245,474
Net income	-	-	-	-	-	15,613	15,613
Dividends declared, $0.38 per share	-	-	-	-	-	(6,812)	(6,812)
Other comprehensive income, net of tax expense of $37	-	-	-	-	70	-	70
Stock based compensation	-	-	737	-	-	-	737
Excess tax benefit from stock-based compensation	-	-	470	-	-	-	470
Retirement of treasury stock	(4,418)	(4)	(40)	44	-	-	-
Net purchase of treasury stock	-	-		(2,748)	-	-	(2,748)
Shares issued in acquisitions	3,878,304	3,878	117,513				121,391
Options assumed in acquisitions	-	-	2,343				2,343
Common stock issued:							-
Dividend Reinvestment and Stock Purchase Plan	663	1	19	-	-	-	20
Share-based awards and options exercises	230,887	231	4,309	-	-	-	4,540
Balance June 30, 2015	20,847,571	$ 20,848	$ 225,837	$ (34,346)	$ (11,634)	$ 180,393	$ 381,098

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

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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 and six months ended June 30, 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 June 30,		Six Months Ended June 30,	
(dollars in thousands except per share data)	2015	2014	2015	2014
Numerator:				
Net income available to common shareholders	$8,119	$7,604	$15,613	$14,293
Denominator for basic earnings per share – weighted average shares outstanding	17,713,794	13,531,155	17,630,263	13,508,311

Effect of dilutive common shares	340,869	304,998	349,163	304,913
Denominator for diluted earnings per share – adjusted weighted average shares outstanding	18,054,663	13,836,153	17,979,426	13,813,224
Basic earnings per share	$0.46	$0.56	$0.89	$1.06
Diluted earnings per share	$0.45	$0.55	$0.87	$1.03
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 and five contingent cash payments, not to exceed $100 thousand each, will 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. The acquisition will enhance the Corporation’s ability to offer comprehensive insurance solutions to both individual and business clients.

In connection with the RJM 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	$500
Contingent payment liability	500
Value of consideration	1,000
Assets acquired:	
Cash operating accounts	20
Intangible assets – customer relationships	424
Intangible assets – non-competition agreements	257
Intangible assets – trade name	129
Other assets	4
Total assets	834
Liabilities assumed:	
Deferred tax liability	336
Other liabilities	46
Total liabilities	382
Net assets acquired	452
Goodwill resulting from acquisition of RJM	$548

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

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 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 ratio 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.

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	424,737
Premises and equipment	9,037
Deferred income taxes	7,445
Bank-owned life insurance	12,054
Core deposit intangible	4,191
Favorable lease asset	724
Other assets	17,998
Total assets	675,958
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	5,999
Total liabilities	618,892
Net assets acquired	57,066
Goodwill resulting from acquisition of CBH	$67,993

The following table details the adjustments to fair value of the net assets acquired and liabilities assumed from the amounts originally reported in the Form 10-Q for the periods ended March 31, 2015:

Goodwill resulting from acquisition of CBH reported on Form 10-Q for the quarter ended March 31, 2015	$65,838
Effect of adjustments to:	

Assets:	
Portfolio loans	(1,864)
Deferred income taxes	1,157
Favorable lease asset	(68)
Other assets	(87)
Liabilities:	
Other liabilities	1,293
Adjusted goodwill resulting from acquisition of CBH as of June 30, 2015	$67,993

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 and six months ended June 30, 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 or six months ended June 30, 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	2015	2014	2015	2014
Net interest income	$25,070	$25,646	$49,865	$50,310
Provision for loan and lease losses	850	88	1,419	1,207
Net interest income after provision for loan and lease losses	24,220	25,558	48,446	49,103
Non-interest income	14,177	13,587	28,942	25,316
Non-interest expense	25,982	25,489	53,411	49,031
Income before income taxes	12,415	13,656	23,977	25,388
Income tax expense	4,296	4,948	8,364	8,916
Net income	$8,119	$8,708	$15,613	$16,472
Per share data*:				
Weighted-average basic shares outstanding	17,713,794	17,409,459	17,630,263	17,386,615
Dilutive shares	340,869	383,581	349,163	383,496
Adjusted weighted-average diluted shares	18,054,663	17,793,040	17,979,426	17,770,111
Basic earnings per common share	$0.46	$0.50	$0.89	$0.95
Diluted earnings per common share	$0.45	$0.49	$0.87	$0.93

** Assumes that the shares of common stock outstanding as of December 31, 2014 for CBH were outstanding for the full three and six months ended June 30, 2014 and therefore equal the weighted average shares of common stock outstanding for the three and six months ended June 30, 2014. The merger conversion of 8,618,629 shares of CBH common stock equals 3,878,304 shares of Corporation common stock (8,618,629 times 0.45 minus 79 fractional shares paid in cash).*

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. As of June 30, 2015, it is anticipated that the revenue target for the September 30, 2015 payment will be met. 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 June 30, 2015

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	$ 101	$ —	$ —	$ 101
Obligations of U.S. government agency securities	92,943	388	(206)	93,125
Obligations of state & political subdivisions	41,269	117	(68)	41,318
Mortgage-backed securities	159,741	1,852	(309)	161,284
Collateralized mortgage obligations	35,871	311	(88)	36,094
Other investments	17,506	158	(90)	17,574
Total	$ 347,431	$ 2,826	$ (761)	$ 349,496

As of December 31, 2014

(dollars in thousands)	**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 June 30, 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**
Obligations of the U.S. government and agencies	$28,236	$ (128)	$2,937	$ (78)	$31,173	$ (206)
Obligations of state and political subdivisions	16,691	(55)	2,734	(13)	19,425	(68)
Mortgage-backed securities	49,824	(309)	—	—	49,824	(309)
Collateralized mortgage obligations	7,411	(59)	2,783	(29)	10,194	(88)
Other investments	14,507	(90)	—	—	14,507	(90)
Total	$116,669	$ (641)	$8,454	$ (120)	$125,123	$ (761)

As of December 31, 2014

(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	$ (2)	$100	$ (2)
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)

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, 2015 and December 31, 2014, securities having fair values of $160.8 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 June 30, 2015 and December 31, 2014, by contractual maturity, are shown below:

(dollars in thousands)	**June 30, 2015**		**December 31, 2014**	
	Amortized	**Fair**	**Amortized**	**Fair**

	Cost	Value	Cost	Value
Investment securities[1]:				
Due in one year or less	$8,888	$8,894	$15,254	$15,277
Due after one year through five years	74,849	74,939	59,433	59,463
Due after five years through ten years	29,898	29,851	23,151	23,067
Due after ten years	22,578	22,753	—	—
Subtotal	136,213	136,437	97,838	97,807
Mortgage-related securities[2]	195,612	197,378	114,116	116,179
Total	$331,825	$333,815	$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 both June 30, 2015 and December 31, 2014, of $15.6 million 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 June 30, 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.

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:

	June 30, 2015	December 31, 2014
Loans held for sale	$15,363	$3,882
Real estate loans:		
Commercial mortgage	$924,161	$689,528
Home equity lines and loans	211,982	182,082
Residential mortgage	381,323	313,442
Construction	88,122	66,267
Total real estate loans	1,605,588	1,251,319
Commercial and industrial	472,702	335,645
Consumer	25,123	18,480
Leases	49,850	46,813
Total portfolio loans and leases	2,153,263	1,652,257
Total loans and leases	$2,168,626	$1,656,139
Loans with fixed rates	$987,527	$927,009
Loans with adjustable or floating rates	1,181,099	729,130
Total loans and leases	$2,168,626	$1,656,139
Net deferred loan origination costs included in the above loan table	$280	$324

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

	June 30, 2015	December 31, 2014
Loans held for sale	$15,363	$3,882
Real estate loans:		
Commercial mortgage	$706,248	$637,100

Home equity lines and loans	170,051	164,554
Residential mortgage	281,741	276,596
Construction	74,339	66,206
Total real estate loans	1,232,379	1,144,456
Commercial and industrial	385,037	325,264
Consumer	24,761	18,471
Leases	49,850	46,813
Total portfolio loans and leases	1,692,027	1,535,004
Total loans and leases	$1,707,390	$1,538,886
Loans with fixed rates	$790,508	$856,203
Loans with adjustable or floating rates	916,882	682,683
Total originated loans and leases	$1,707,390	$1,538,886
Net deferred loan origination costs included in the above loan table	280	324

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

	June 30, 2015	**December 31, 2014**
Real estate loans:		
Commercial mortgage	$217,913	$52,428
Home equity lines and loans	41,931	17,528
Residential mortgage	99,582	36,846
Construction	13,783	61
Total real estate loans	373,209	106,863
Commercial and industrial	87,665	10,381
Consumer	362	9
Total portfolio loans and leases	461,236	117,253
Total loans and leases	$461,236	$117,253
Loans with fixed rates	$197,019	$70,806
Loans with adjustable or floating rates	264,217	46,447
Total acquired loans and leases	$461,236	$117,253

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

(dollars in thousands)	**June 30, 2015**	**December 31, 2014**
Minimum lease payments receivable	$56,398	$53,131
Unearned lease income	(8,832)	(8,546)
Initial direct costs and deferred fees	2,284	2,228
Total	$49,850	$46,813

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,**	**December 31,**

	2015	2014
Non-accrual loans and leases:		
Commercial mortgage	$592	$ 668
Home equity lines and loans	1,605	1,061
Residential mortgage	5,320	5,693
Construction	139	263
Commercial and industrial	1,283	2,390
Consumer	—	—
Leases	57	21
Total	$8,996	$ 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 $500 thousand and $572 thousand of purchased credit-impaired loans as of June 30, 2015 and December 31, 2014, 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, 2015**	**December 31, 2014**
Non-accrual originated loans and leases:		
Commercial mortgage	$—	$ —
Home equity lines and loans	1,477	904
Residential mortgage	4,092	4,662
Construction	139	263
Commercial and industrial	266	1,583
Consumer	—	—
Leases	57	21
Total	$6,031	$ 7,433

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

(dollars in thousands)	**June 30, 2015**	**December 31, 2014**
Non-accrual acquired loans and leases:		
Commercial mortgage	$592	$ 668
Home equity lines and loans	128	157
Residential mortgage	1,228	1,031
Construction	—	—
Commercial and industrial	1,017	807
Consumer	—	—
Total	$2,965	$ 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 $500 thousand and $572 thousand of purchased credit-impaired loans as of June 30, 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)	**June 30, 2015**	**December 31, 2014**
Outstanding principal balance	$26,646	$ 12,491
Carrying amount[1]	$17,355	$ 9,045

(1) *Includes $1.1 million and $105 thousand purchased credit-impaired loans as of June 30, 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 accretable yield is recognized. Additionally, the table above includes $500 thousand and $572 thousand of purchased credit-impaired loans as of June 30, 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 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, 2015:

(dollars in thousands)	**Accretable Discount**
Balance, December 31, 2014	$ 5,357
Accretion	(1,113)
Reclassifications from nonaccretable difference	5
Additions/adjustments	3,132
Disposals	(339)
Balance, June 30, 2015	$ 7,042

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 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
As of June 30, 2015								
Commercial mortgage	$2,748	$—	$ —	$2,748	$920,821	$923,569	$ 592	$924,161
Home equity lines and loans	312	57	—	369	210,008	210,377	1,605	211,982
Residential mortgage	1,312	203	—	1,515	374,488	376,003	5,320	381,323
Construction	—	—	—	—	87,983	87,983	139	88,122
Commercial and industrial	—	303	—	303	471,116	471,419	1,283	472,702
Consumer	—	1	—	1	25,122	25,123	—	25,123
Leases	235	62	—	297	49,496	49,793	57	49,850
	$4,607	$626	$ —	$5,233	$2,139,034	$2,144,267	$ 8,996	$2,153,263

(dollars in thousands)	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
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:

(dollars in thousands)	Accruing Loans and Leases	Current

	30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due		Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
As of June 30, 2015								
Commercial mortgage	$233	$—	$ —	$233	$706,015	$706,248	$ —	$706,248
Home equity lines and loans	21	—	—	21	168,553	168,574	1,477	170,051
Residential mortgage	823	1	—	824	276,823	277,647	4,092	281,739
Construction	—	—	—	—	74,200	74,200	139	74,339
Commercial and industrial	—	142	—	142	384,631	384,773	265	385,038
Consumer	—	1	—	1	24,761	24,762	—	24,762
Leases	235	62	—	297	49,496	49,793	57	49,850
	$1,312	$206	$ —	$1,518	$1,684,479	$1,685,997	$ 6,030	$1,692,027

(dollars in thousands)	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
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							
(dollars in thousands)	**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**
As of June 30, 2015								
Commercial mortgage	$2,515	$—	$ —	$2,515	$214,806	$217,321	$ 592	$217,913
Home equity lines and loans	291	57	—	348	41,455	41,803	128	41,931
Residential mortgage	489	202	—	691	97,665	98,356	1,228	99,584
Construction	—	—	—	—	13,783	13,783	—	13,783
Commercial and industrial	—	161	—	161	86,485	86,646	1,018	87,664
Consumer	—	—	—	—	361	361	—	361
	$3,295	$420	$ —	$3,715	$454,555	$458,270	$ 2,966	$461,236

	Accruing Loans and Leases							
(dollars in thousands)	**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**
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 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**
	$ 3,776	$2,051	$ 1,866	$ 1,373	$ 3,985	$ 257	$484	$ 504	$14,296

Balance, March 31, 2015									
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

(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 roll-forward of the Allowance for the three and six months ended June 30, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
Balance, March 31, 2014	$ 3,971	$ 2,129	$ 2,318	$ 867	$ 5,356	$ 286	$ 615	$ 228	$ 15,770
Charge-offs	—	(57)	—	—	(168)	(39)	(40)		(304)
Recoveries	—	2	8	—	53	3	38		104
Provision for loan and lease losses	(140)	520	61	133	(583)	11	(172)	70	(100)
Balance, June 30, 2014	$ 3,831	$ 2,594	$ 2,387	$ 1,000	$ 4,658	$ 261	$ 441	$ 298	$ 15,470

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
Balance, December 31, 2013	$ 3,797	$ 2,204	$ 2,446	$ 845	$ 5,011	$ 259	$ 604	$ 349	$ 15,515
Charge-offs	(20)	(443)	(17)	—	(169)	(71)	(122)		(842)
Recoveries	1	2	12	—	54	6	72		147
Provision for loan and lease losses	53	831	(54)	155	(238)	67	(113)	(51)	650
Balance June 30, 2014	$ 3,831	$ 2,594	$ 2,387	$ 1,000	$ 4,658	$ 261	$ 441	$ 298	$ 15,470

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, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of June 30, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 76	$ —	$ 103	$ 5	$ —	$ —	$ 184
Collectively evaluated for impairment	3,659	1,969	1,732	1,462	4,783	319	499	352	14,775
Purchased credit-impaired[1]	—	—	—	—	—	—	—	—	—
Total	$ 3,659	$ 1,969	$ 1,808	$ 1,462	$ 4,886	$ 324	$ 499	$ 352	$ 14,959
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 June 30, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 92	$ 1,719	$ 8,212	$ 139	$ 2,311	$ 31	$—	$ 12,504
Collectively evaluated for impairment	910,538	210,085	373,091	85,771	468,977	25,092	49,850	2,123,404
Purchased credit-impaired(1)	13,531	177	20	2,212	1,415	—	—	17,355
Total	$ 924,161	$ 211,981	$ 381,323	$ 88,122	$ 472,703	$ 25,123	$ 49,850	$ 2,153,263
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 June 30, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of June 30, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 54	$ —	$ 103	$ 5	$ —	$ —	$ 162
Collectively evaluated for impairment	3,659	1,969	1,732	1,462	4,783	319	499	352	14,775
Total	$ 3,659	$ 1,969	$ 1,786	$ 1,462	$ 4,886	$ 324	$ 499	$ 352	$ 14,937
As of December 31, 2014									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ 4	$ 162	$ —	$ 448	$ 32	$ —	$ —	$ 646
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

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, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ —	$ 1,591	$ 6,590	$ 139	$ 1,276	$ 31	$ —	$ 9,627
Collectively evaluated for impairment	706,248	168,460	275,151	74,200	383,761	24,730	49,850	1,682,400

Total	$ 706,248	$ 170,051	$ 281,741	$ 74,339	$ 385,037	$ 24,761	$ 49,850	$ 1,692,027
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 June 30, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of June 30, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 22	$ —	$ —	$ —	$ —	$ —	$ 22
Collectively evaluated for impairment	—	—	—	—	—	—	—	—	—
Purchased credit-impaired(1)	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ 22	$ —	$ —	$ —	$ —	$ —	$ 22
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 June 30, 2015 and December 31, 2014:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of June 30, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 92	$ 128	$ 1,622	$ —	$ 1,035	$ —	$ —	$ 2,877
Collectively evaluated for impairment	204,290	41,625	97,940	11,571	85,216	362	—	441,004
Purchased credit-impaired[(1)]	13,531	177	20	2,212	1,415	—	—	17,355
Total	$ 217,913	$ 41,930	$ 99,582	$ 13,783	$ 87,666	$ 362	$ —	$ 461,236
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	—	61	331	—	—	9,018
Total	$ 52,429	$ 17,527	$ 36,819	$ 61	$ 10,381	$ 9	$ —	$ 117,226

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

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 June 30, 2015 and December 31, 2014:

	Credit Risk Profile by Internally Assigned Grade							
(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	June 30, 2015	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**
Pass	$903,177	$683,549	$83,300	$ 66,004	$463,382	$329,299	$1,449,859	$1,078,852
Special Mention	5,324	4,364	—	—	3,076	1,149	8,400	5,513
Substandard	15,660	1,615	2,793	263	5,677	5,197	24,130	7,075
Doubtful	—	—	2,029	—	567	—	2,596	—
Total	$924,161	$689,528	$88,122	$ 66,267	$472,702	$335,645	$1,484,985	$1,091,440

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	June 30, 2015	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**
Performing	$376,003	$307,749	$210,377	$181,021	$25,123	$18,480	$49,793	$46,792	$661,296	$554,043
Non-performing	5,320	5,693	1,605	1,061	—	—	57	21	6,982	6,774
Total	$381,323	$313,442	$211,982	$182,082	$25,123	$18,480	$49,850	$46,813	$668,278	$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 June 30, 2015 and December 31, 2014:

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	June 30, 2015	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**
Pass	$696,063	$631,910	$73,417	$ 65,943	$380,839	$319,723	$1,150,319	$1,017,576
Special Mention	4,365	4,364	—	—	1,146	1,149	5,511	5,513
Substandard	5,821	825	923	263	3,053	4,391	9,797	5,479
Total	$706,249	$637,099	$74,340	$ 66,206	$385,038	$325,263	$1,165,627	$1,028,568

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	June 30, 2015	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**	**June 30, 2015**	**December 31, 2014**
Performing	$277,650	$271,933	$168,574	$163,651	$24,761	$18,471	$49,793	$46,792	$520,778	$500,847
Non-performing	4,092	4,663	1,477	904	—	—	57	21	5,626	5,588
Total	$281,742	$276,596	$170,051	$164,555	$24,761	$18,471	$49,850	$46,813	$526,404	$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 June 30, 2015 and December 31, 2014:

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	Commercial Mortgage		Construction		Commercial and Industrial		Total	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Pass	$207,114	$ 51,639	$9,883	$ 61	$82,543	$ 9,576	$299,540	$ 61,276
Special Mention	959	—	—	—	1,930	—	2,889	—
Substandard	9,839	790	1,870	—	2,624	806	14,333	1,596
Doubtful	—	—	2,029	—	567	—	2,596	—
Total	$217,912	$ 52,429	$13,782	$ 61	$87,664	$ 10,382	$319,358	$ 62,872

Credit Risk Profile by Payment Activity

(dollars in thousands)	Residential Mortgage		Home Equity Lines and Loans		Consumer		Total	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Performing	$98,353	$ 35,816	$41,803	$ 17,370	$ 362	$ 9	$140,518	$ 53,195
Non-performing	1,228	1,030	128	157	—	—	1,356	1,187
Total	$99,581	$ 36,846	$41,931	$ 17,527	$ 362	$ 9	$141,874	$ 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.

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

(dollars in thousands)	**June 30, 2015**	**December 31, 2014**
TDRs included in nonperforming loans and leases	$3,960	$ 4,315
TDRs in compliance with modified terms	4,078	4,157
Total TDRs	$8,038	$ 8,472

The following table presents information regarding loan and lease modifications categorized as TDRs for the six months ended June 30, 2015:

	For the Six Months Ended June 30, 2015		
(dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Residential mortgage	2	$ 383	$ 383
Home equity lines and loans	1	22	22
Leases	1	12	12

Total	4	$ 417	$ 417

During the three months ended June 30, 2014, there were no loan or lease modifications categorized as TDRs.

The following table presents information regarding the types of loan and lease modifications made for the six months ended June 30, 2015:

	Number of Contracts for the Six Months Ended June 30, 2015					
	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
Residential mortgage	—	—	2	—	—	—
Home equity lines and loans	—	—	—	1	—	—
Leases	—	—	—	—	1	—
Total	—	—	2	1	1	—

During the three and six months ended June 30, 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:

(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.*

(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, 2014						
Impaired loans with related Allowance:						
Home equity lines and loans	$ 501	$ 560	$ 249	$ 581	$ 2	$ —
Residential mortgage	4,638	4,652	634	4,711	31	—
Commercial and industrial	3,172	3,448	843	3,484	3	—
Consumer	32	33	33	33	—	—
Total	$ 8,343	$ 8,693	$ 1,759	$ 8,809	$ 36	$ —
Impaired loans without related Allowance[1] [3]:						
Commercial mortgage	$ 153	$ 154	$ —	$ 190	$ —	$ —
Home equity lines and loans	933	943	—	1,018	1	—
Residential mortgage	4,815	5,166	—	5,467	42	—
Construction	693	1,654	—	1,697	2	—
Commercial and industrial	721	725	—	742	2	—
Total	$ 7,315	$ 8,642	$ —	$ 9,114	$ 47	$ —
						—
Grand total	$ 15,658	$ 17,335	$ 1,759	$ 17,923	$ 83	$ —

(1) *The table above does not include the recorded investment of $74 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, 2014						
Impaired loans with related Allowance:						
Home equity lines and loans	$ 501	$ 560	$ 249	$ 584	$ 4	$ —
Residential mortgage	4,638	4,652	634	4,713	62	—
Commercial and industrial	3,172	3,448	843	3,503	7	—
Consumer	32	33	33	33	1	—
Total	$ 8,343	$ 8,693	$ 1,759	$ 8,833	$ 74	$ —
Impaired loans without related Allowance[1] [3]:						
Commercial mortgage	$ 153	$ 154	$ —	$ 190	$ —	$ —

Home equity lines and loans	933	943	—	1,020	2	—
Residential mortgage	4,815	5,166	—	5,468	83	—
Construction	693	1,654	—	1,710	3	—
Commercial and industrial	721	725	—	750	4	—
Total	$ 7,315	$ 8,642	$ —	$ 9,138	$ 92	$ —
						—
Grand total	$ 15,658	$ 17,335	$ 1,759	$ 17,971	$ 166	$ —

(1) *The table above does not include the recorded investment of $74 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**
As of December 31, 2014			
Impaired loans with related allowance:			
Home equity lines and loans	$ 111	$ 198	$ 4
Residential mortgage	3,273	3,260	184
Commercial and industrial	2,069	2,527	448
Consumer	31	32	32
Total	5,484	6,017	668
Impaired loans[(1)(3)] without related allowance:			
Commercial mortgage	97	97	—
Home equity lines and loans	1,044	1,137	—
Residential mortgage	5,369	5,794	—
Construction	264	1,225	—
Commercial and industrial	1,391	1,403	—
Total	8,165	9,656	—
Grand total	$ 13,649	$ 15,673	$ 668

(1) *The table above does not include the recorded investment of $63 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, 2015		
	Outstanding Principal	Remaining Loan Mark	Recorded Investment
Commercial mortgage	$ 224,967	$ (7,054)	$ 217,913
Home equity lines and loans	44,096	(2,165)	41,931

Residential mortgage	103,082	(3,500)	99,582
Construction	15,573	(1,790)	13,783
Commercial and industrial	92,936	(5,272)	87,664
Consumer	398	(35)	363
Total	481,052	$ (19,816)	$ 461,236

(dollars in thousands)	As of December 31, 2014		
	Outstanding Principal	Remaining Loan Mark	Recorded Investment
Commercial mortgage	$ 56,605	$ (4,177)	$ 52,428
Home equity lines and loans	18,106	(578)	17,528
Residential mortgage	37,742	(896)	36,846
Construction	85	(24)	61
Commercial and industrial	11,128	(747)	10,381
Consumer	9	—	9
Total	$ 123,675	$ (6,422)	$ 117,253

Note 6 - Deposits

The following table details the components of deposits:

(dollars in thousands)	June 30, 2015	December 31, 2014
Interest-bearing checking accounts	$328,606	$277,228
Money market accounts	699,264	566,354
Savings accounts	189,120	138,992
Wholesale non-maturity deposits	65,365	66,693
Wholesale time deposits	67,894	73,458
Time deposits	274,008	118,400
Total interest-bearing deposits	1,624,257	1,241,125
Non-interest-bearing deposits	636,390	446,903
Total deposits	$2,260,647	$1,688,028

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, 2015**	**December 31, 2014**
Overnight fed funds*	$—	$—
Short-term FHLB advances*	—	—

Repurchase agreements	26,406	23,824
Total short-term borrowings	$26,406	$ 23,824

**Although period-end balance is zero, these borrowing types may contribute to the average balance in the table below.*

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

(dollars in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2015	**2014**	**2015**	**2014**
Balance at period-end	$26,406	$13,320	$26,406	$13,320
Maximum amount outstanding at any month-end	36,911	28,017	38,546	28,017
Average balance outstanding during the period	34,980	17,720	45,038	15,167
Weighted-average interest rate:				
As of period-end	0.10 %	0.10 %	0.10 %	0.10 %
Paid during the period	0.11 %	0.12 %	0.14 %	0.11 %

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, 2015**	**December 31, 2014**
Within one year	$50,000	$25,535
Over one year through five years	189,923	227,111
Over five years through ten years	5,000	7,500
Total	$244,923	$260,146

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

(dollars in thousands)	**Maturity Range[1]**		**Weighted Average**	**Coupon Rate**		**Balance**	
Description	**From**	**To**	**Rate**	**From**	**To**	**June 30, 2015**	**December 31, 2014**
Fixed amortizing	04/09/2015	04/09/2015	3.57 %	3.57%	3.57%	$—	535
Bullet maturity – fixed rate	08/26/2015	12/19/2020	1.46 %	0.58%	2.41%	$183,612	$193,240
Bullet maturity – variable rate	09/25/2015	11/28/2017	0.40 %	0.25%	0.54%	40,000	45,000
Convertible-fixed[2]	01/03/2018	08/20/2018	2.94 %	2.58%	3.50%	21,311	21,371
Total						$244,923	$260,146

[1] *Maturity range refers to June 30, 2015 balances, except Fixed Amortizing.*
[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, 2015, substantially all FHLB advances with this convertible feature are subject to conversion in fiscal 2015. 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, 2015 the Corporation had a maximum borrowing capacity with the FHLB of approximately $1.08 billion, of which the unused capacity was $803.8 million. In addition, there were unused capacities of $64.0 million in overnight federal funds line, $87.4 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, 2015. 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 $11.5 million as of both June 30, 2015, and December 31, 2014. The carrying amount of the FHLB capital stock approximates its redemption value.

Note 8 - Derivatives and Hedging Activities

In December, 2012, the Corporation entered into a forward-starting interest rate swap to hedge the cash flows of a $15 million floating-rate FHLB borrowing. The interest rate swap involves the exchange of the Corporation’s floating rate interest payments on the underlying principal amount. This swap was designated, and qualified, for cash-flow hedge accounting. The term of the swap begins November 30, 2015 and ends November 28, 2022. For derivative instruments that are designated and qualify as hedging instruments, the effective portion of gains or losses is reported as a component of other comprehensive income, and is subsequently reclassified into earnings as an adjustment to interest expense in the periods in which the hedged forecasted transaction affects earnings.

The following table details the Corporation’s derivative positions as of the balance sheet dates indicated:

As of June 30, 2015:

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable) Index	Current Projected Receive Rate	Pay Fixed Swap Rate	Fair Value of Asset (Liability)
$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	2.281%	2.376%	$(118)

As of December 31, 2014:

(dollars in thousands)

Notional Amount	Trade Date	Effective Date	Maturity Date	Receive (Variable) Index	Current Projected Receive Rate	Pay Fixed Swap Rate	Fair Value of Asset (Liability)
$ 15,000	12/13/2012	11/30/2015	11/28/2022	US 3-Month LIBOR	2.335%	2.376%	$(39)

For each of the three and six month periods ended June 30, 2015 and 2014, there were no reclassifications of the interest-rate swap's fair value from other comprehensive income to earnings.

Note 9 – 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, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, March 31, 2015	499,780	$ 20.19	$ 7.25
Options assumed in Merger	—	$ —	$ —
Forfeited	—	$ —	$ —
Expired	—	$ —	$ —
Exercised	(98,473)	$ 19.35	$ 8.30
Options outstanding, June 30, 2015	401,307	$ 20.39	$ 6.99

The following table provides information about options outstanding for the six months ended June 30, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, December 31, 2014	447,966	$ 20.94	$ 4.75
Options assumed in the Merger	181,256	$ 17,73	$ 12.94
Forfeited	0	$ —	$ —
Expired	0	$ —	$ —
Exercised	(227,915)	$ 19.35	$ 7.31
Options outstanding, June 30, 2015	401,307	$ 20.39	$ 6.99

As of June 30, 2015, there were no unvested stock options.

For the three ended June 30, 2015, the Corporation did not recognize any expense related to stock options. For the six months ended June 30, 2015, the Corporation recognized $3 thousand of expense related to stock options assumed in the Merger. As of June 30, 2015, 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, 2015 and 2014 are detailed below:

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Proceeds from exercise of stock options	$1,905	$1,274	$4,410	$1,377
Related tax benefit recognized	169	152	446	174
Net proceeds of options exercised	$2,074	$1,426	$4,856	$1,551
Intrinsic value of options exercised	$1,064	$510	$2,464	$577

The following table provides information about options outstanding and exercisable at June 30, 2015:

(dollars in thousands, except exercise price)	**Outstanding**	**Exercisable**
Number of shares	401,307	401,307
Weighted average exercise price	$ 20.39	$ 20.39
Aggregate intrinsic value	$ 3,919,621	$ 3,919,621
Weighted average contractual term in years	2.9	2.9

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, 2015, the Corporation recognized $100 thousand and $200 thousand, respectively, of expense related to the Corporation's RSAs and RSUs. As of June 30, 2015, there was $644 thousand of unrecognized compensation cost related to RSAs and RSUs. This cost will be recognized over a weighted average period of 2.3 years.

The following table details the unvested RSAs and RSUs for the three and six months ended June 30, 2015:

	Three Months Ended June 30, 2015		**Six Months Ended June 30, 2015**	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Beginning balance	49,281	$ 23.59	46,281	$ 23.17
Granted	6,514	$ 29.62	9,514	$ 29.75
Vested	(6,408)	$ 20.47	(6,408)	$ 20.47
Forfeited	—	$ —	—	$ —
Ending balance	49,387	$ 24.79	49,387	$ 24.79

For the three months ended June 30, 2015, the Corporation recorded a $20 thousand tax benefit 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, 2015, the Corporation recognized $260 thousand and $533 thousand, respectively, of expense related to the PSAs and PSUs. As of June 30, 2015, there was $1.7 million of unrecognized compensation cost related to PSAs. This cost will be recognized over a weighted average period of 2.0 years.

For the three and six months ended June 30, 2015, the Corporation recorded no tax benefit related to the vesting of PSAs and PSUs.

The following table details the unvested PSAs and PSUs for the three and six months ended June 30, 2015:

	Three Months Ended June 30, 2015		**Six Months Ended June 30, 2015**	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Beginning balance	257,318	$ 13.95	217,318	$ 13.41
Granted	—	$ —	40,000	$ 16.91
Vested	—	$ —	—	$ —
Forfeited	(4,841)	$ 13.48	(4,841)	$ 13.48
Ending balance	252,477	$ 13.96	252,477	$ 13.96

Note 10 - Pension and Other Post-Retirement Benefit Plans

The Corporation has three defined benefit pension plans: the qualified defined-benefit plan (the “QDBP”) which covers all employees over age 20 1/2 who meet 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 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 are expected to be completed by December 31, 2015.

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 have been frozen.

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.

The following tables provide details of the components of the net periodic benefits cost (benefit) for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,					
	SERP I and SERP II		**QDBP**		**PRBP**	
(dollars in thousands)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost	$—	$ 18	$—	$—	$—	$ —
Interest cost	46	45	397	410	5	7
Expected return on plan assets	—	—	(804)	(837)	—	—
Amortization of prior service costs	—	4	—	—	—	—
Amortization of net loss	16	11	479	98	9	15
Net periodic benefit cost	$62	$ 78	$72	$(329)	$14	$ 22

	Six Months Ended June 30,					
	SERP I and SERP II		QDBP		PRBP	
(dollars in thousands)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Service cost	$—	$36	$—	$—	$—	$—
Interest cost	93	91	795	820	9	14
Expected return on plan assets	—	—	(1,608)	(1,674)	—	—
Amortization of prior service costs	—	7	—	—	—	—
Amortization of net loss	32	22	957	196	19	30
Net periodic benefit cost	$125	$156	$144	$(658)	$28	$44

QDBP: No contributions to the QDBP were made for the three and six months ended June 30, 2015.

SERP I and SERP II: The Corporation contributed $37 thousand and $74 thousand during the three and six months ended June 30, 2015, respectively, and is expected to contribute an additional $74 thousand to the SERP I and SERP II plans for the remaining six months of 2015.

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 11 - 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. 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 table below.

The following tables detail segment information for the three and six months ended June 30, 2015 and 2014:

(dollars in thousands)	**Three Months Ended June 30, 2015** Banking	Wealth Management	Consolidated	**Three Months Ended June 30, 2014** Banking	Wealth Management	Consolidated
Net interest income	$25,069	$ 1	$ 25,070	$19,441	$ 1	$ 19,442
Less: loan loss provision	850	—	850	(100)	—	(100)
Net interest income after loan loss provision	24,219	1	24,220	19,541	1	19,542
Other income:						
Fees for wealth management services	—	9,600	9,600	—	9,499	9,499
Service charges on deposit accounts	752	—	752	656	—	656
Loan servicing and other fees	597	—	597	428	—	428
Net gain on sale of loans	778	—	778	537	—	537
Net gain on sale of available for sale securities	3	—	3	85	—	85
Net gain on sale of other real estate owned	75	—	75	220	—	220
Insurance commissions	—	817	817	128	—	128
Other operating income	1,519	36	1,555	1,178	26	1,204
Total other income	3,724	10,453	14,177	3,232	9,525	12,757
Other expenses:						
Salaries & wages	7,481	3,583	11,064	6,539	3,155	9,694
Employee benefits	1,888	730	2,618	1,057	752	1,809
Occupancy & equipment	2,390	418	2,808	1,308	375	1,683
Amortization of intangible assets	281	674				