

BRYN MAWR BANK CORP
Form 10-Q
November 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

**Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934**

For Quarter ended September 30, 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
(Address of principal executive offices)

19010
(Zip Code)

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

Not Applicable

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

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

| Classes | Outstanding at November 3, 2015 |
|-----------------------------|--|
| Common Stock, par value \$1 | 17,168,714 |

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED September 30, 2015

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

| <i>(dollars in thousands)</i> | (unaudited) September 30, 2015 | December 31, 2014 |
|---|--|------------------------------|
| Assets | | |
| Cash and due from banks | \$ 17,161 | \$ 16,717 |
| Interest bearing deposits with banks | 100,980 | 202,552 |
| Cash and cash equivalents | 118,141 | 219,269 |
| Investment securities available for sale, at fair value (amortized cost of \$337,978 and \$227,553 as of September 30, 2015 and December 31, 2014 respectively) | 341,421 | 229,577 |
| Investment securities, trading | 3,451 | 3,896 |
| Loans held for sale | 8,721 | 3,882 |
| Portfolio loans and leases, originated | 1,804,834 | 1,535,004 |
| Portfolio loans and leases, acquired | 423,930 | 117,253 |
| Total portfolio loans and leases | 2,228,764 | 1,652,257 |
| Less: Allowance for originated loan and lease losses | (15,900) | (14,500) |
| Less: Allowance for acquired loan and lease | (35) | (86) |

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| | | | | |
|---|--------------|---|--------------|---|
| losses | | | | |
| Total allowance for loans and lease losses | (15,935 |) | (14,586 |) |
| Net portfolio loans and leases | 2,212,829 | | 1,637,671 | |
| Premises and equipment, net | 44,370 | | 33,748 | |
| Accrued interest receivable | 7,744 | | 5,560 | |
| Deferred income taxes | 11,216 | | 7,209 | |
| Mortgage servicing rights | 5,031 | | 4,765 | |
| Bank owned life insurance | 38,157 | | 20,535 | |
| Federal Home Loan Bank stock | 11,742 | | 11,523 | |
| Goodwill | 104,338 | | 35,781 | |
| Intangible assets | 25,356 | | 22,521 | |
| Other investments | 9,499 | | 5,226 | |
| Other assets | 10,726 | | 5,343 | |
| Total assets | \$ 2,952,742 | | \$ 2,246,506 | |
| Liabilities | | | | |
| Deposits: | | | | |
| Non-interest-bearing | \$ 605,607 | | \$ 446,903 | |
| Interest-bearing | 1,634,237 | | 1,241,125 | |
| Total deposits | 2,239,844 | | 1,688,028 | |
| Short-term borrowings | 24,264 | | 23,824 | |
| Long-term FHLB advances and other borrowings | 254,893 | | 260,146 | |
| Subordinated notes | 29,466 | | - | |
| Accrued interest payable | 1,444 | | 1,040 | |
| Other liabilities | 34,676 | | 27,994 | |
| Total liabilities | 2,584,587 | | 2,001,032 | |
| Shareholders' equity | | | | |
| Common stock, par value \$1; authorized 100,000,000 shares; issued 20,853,511 and 16,742,135 shares as of September 30, 2015 and December 31, 2014, respectively, and outstanding of 17,166,323 and 13,769,336 as of September 30, 2015 and December 31, 2014, respectively | 20,854 | | 16,742 | |
| Paid-in capital in excess of par value | 226,980 | | 100,486 | |
| Less: Common stock in treasury at cost - 3,687,188 and 2,972,799 shares as of September 30, 2015 and December 31, 2014, respectively | (53,000 |) | (31,642 |) |

| | | |
|--|--------------|--------------|
| Accumulated other comprehensive loss, net of tax benefit | (11,040) | (11,704) |
| Retained earnings | 184,361 | 171,592 |
| Total shareholders' equity | 368,155 | 245,474 |
| Total liabilities and shareholders' equity | \$ 2,952,742 | \$ 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 September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|-------------|
| | 2015 | 2014 | 2015 | 2014 |
| <i>(dollars in thousands, except per share data)</i> | | | | |
| Interest income: | | | | |
| Interest and fees on loans and leases | \$25,620 | \$19,710 | \$76,352 | \$58,628 |
| Interest on cash and cash equivalents | 107 | 46 | 346 | 127 |
| Interest on investment securities: | | | | |
| Taxable | 1,135 | 863 | 3,616 | 2,705 |
| Non-taxable | 125 | 100 | 366 | 304 |
| Dividends | 42 | 30 | 96 | 87 |
| Total interest income | 27,029 | 20,749 | 80,776 | 61,851 |
| Interest expense on: | | | | |
| Deposits | 1,076 | 742 | 3,166 | 2,144 |
| Short-term borrowings | 8 | 3 | 39 | 12 |
| FHLB advances and other borrowings | 881 | 828 | 2,642 | 2,354 |
| Subordinated notes | 231 | - | 231 | - |
| Total interest expense | 2,196 | 1,573 | 6,078 | 4,510 |
| Net interest income | 24,833 | 19,176 | 74,698 | 57,341 |
| Provision for loan and lease losses | 1,200 | 550 | 2,619 | 1,200 |
| Net interest income after provision for loan and lease losses | 23,633 | 18,626 | 72,079 | 56,141 |
| Non-interest income: | | | | |
| Fees for wealth management services | 9,194 | 9,099 | 27,899 | 27,511 |
| Insurance commissions | 1,065 | 164 | 2,903 | 369 |
| Service charges on deposits | 721 | 663 | 2,185 | 1,920 |
| Loan servicing and other fees | 397 | 431 | 1,585 | 1,305 |
| Net gain on sale of loans | 685 | 440 | 2,271 | 1,301 |
| Net gain on sale of investment securities available for sale | 60 | - | 873 | 81 |
| Net (loss) gain on sale of other real estate owned ("OREO") | - | (49 |) 90 | 171 |
| Dividend on bank stocks | 138 | 126 | 1,052 | 404 |
| Other operating income | 1,090 | 669 | 3,434 | 2,377 |
| Total non-interest income | 13,350 | 11,543 | 42,292 | 35,439 |
| Non-interest expenses: | | | | |
| Salaries and wages | 10,941 | 9,110 | 32,875 | 27,244 |
| Employee benefits | 2,590 | 1,652 | 7,937 | 5,440 |
| Occupancy and bank premises | 2,557 | 1,881 | 7,831 | 5,497 |
| Furniture, fixtures, and equipment | 1,712 | 1,078 | 4,712 | 3,150 |
| Advertising | 410 | 310 | 1,446 | 1,104 |
| Amortization of intangible assets | 953 | 633 | 2,890 | 1,906 |
| Due diligence, merger-related and merger integration expenses | 1,015 | 775 | 4,810 | 1,416 |

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| | | | | |
|---|----------------|----------------|-----------------|-----------------|
| Professional fees | 843 | 701 | 2,343 | 2,208 |
| Pennsylvania bank shares tax | 433 | 412 | 1,299 | 1,192 |
| Information technology | 1,053 | 678 | 2,569 | 2,024 |
| Other operating expenses | 2,896 | 2,731 | 10,102 | 8,305 |
| Total non-interest expenses | 25,403 | 19,961 | 78,814 | 59,486 |
| Income before income taxes | 11,580 | 10,208 | 35,557 | 32,094 |
| Income tax expense | 4,084 | 3,702 | 12,448 | 11,295 |
| Net income | \$7,496 | \$6,506 | \$23,109 | \$20,799 |
| Basic earnings per common share | \$0.43 | \$0.48 | \$1.31 | \$1.54 |
| Diluted earnings per common share | \$0.42 | \$0.47 | \$1.29 | \$1.50 |
| Dividends declared per share | \$0.20 | \$0.19 | \$0.58 | \$0.55 |
| Weighted-average basic shares outstanding | 17,572,421 | 13,600,348 | 17,610,353 | 13,539,327 |
| Dilutive shares | 261,877 | 272,516 | 320,067 | 294,114 |
| Adjusted weighted-average diluted shares | 17,834,298 | 13,872,864 | 17,930,520 | 13,833,441 |

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

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

| <i>(dollars in thousands)</i> | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2014 | |
|--|--|----------------|---|-----------------|
| Net income | \$7,496 | \$6,506 | \$23,109 | \$20,799 |
| Other comprehensive income (loss): | | | | |
| Net change in unrealized gains (losses) on investment securities available for sale: | | | | |
| Net unrealized gains (losses) arising during the period, net of tax expense (benefit) of \$503, \$(227), \$803 and \$1,090, respectively | 935 | (421) | 1,489 | 2,025 |
| Less: reclassification adjustment for net gains on sales realized in net income, net of tax expense of \$21, \$0, \$306 and \$28, respectively | (39) | - | (567) | (53) |
| Unrealized investment gains (losses), net of tax expense (benefit) of \$482, \$(227), \$497 and \$1,062, respectively | 896 | (421) | 922 | 1,972 |
| Net change in fair value of derivative used for cash flow hedge: | | | | |
| Change in fair value of hedging instruments, net of tax benefit of \$(188), \$(4), \$(216) and \$(257), respectively | (349) | (8) | (400) | (477) |
| Net change in unfunded pension liability: | | | | |
| Change in unfunded pension liability, net of tax expense of \$26, \$25, \$76 and \$74, respectively | 47 | 46 | 142 | 139 |
| Total other comprehensive (loss) income | 594 | (383) | 664 | 1,634 |
| Total comprehensive income | \$8,090 | \$6,123 | \$23,773 | \$22,433 |

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

Table Of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows - Unaudited***(dollars in thousands)*

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2015 | 2014 |
| Operating activities: | | |
| Net Income | \$23,109 | \$20,799 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan and lease losses | 2,619 | 1,200 |
| Depreciation of fixed assets | 3,510 | 2,401 |
| Net amortization of investment premiums and discounts | 2,486 | 1,786 |
| Net gain on sale of investment securities available for sale | (873) | (81) |
| Net gain on sale of loans | (2,271) | (1,301) |
| Stock based compensation cost | 1,047 | 911 |
| Amortization and net impairment of mortgage servicing rights | 531 | 357 |
| Net accretion of fair value adjustments | (4,029) | (2,244) |
| Amortization of intangible assets | 2,890 | 1,906 |
| Impairment of other real estate owned ("OREO") | 90 | - |
| Net gain on sale of OREO | (90) | (171) |
| Net increase in cash surrender value of bank owned life insurance ("BOLI") | (568) | (231) |
| Other, net | 1,770 | (2,454) |
| Loans originated for resale | (110,098) | (41,192) |
| Proceeds from loans sold | 107,240 | 42,065 |
| Provision for deferred income taxes | 2,753 | 2,025 |
| Excess tax benefit from stock-based compensation | (715) | (720) |
| Change in income taxes payable/receivable | 1,824 | 269 |
| Change in accrued interest receivable | (90) | 67 |
| Change in accrued interest payable | 109 | 33 |
| Net cash provided by operating activities | 31,244 | 25,425 |
| Investing activities: | | |
| Purchases of investment securities available for sale | (124,161) | (41,647) |
| Proceeds from maturity of investment securities and paydowns of mortgage-related securities | 48,968 | 29,230 |
| Proceeds from sale of investment securities available for sale | 64,528 | 4,165 |
| Net change in FHLB stock | 4,762 | (1,235) |
| Proceeds from calls of investment securities | 80,465 | 29,450 |
| Net change in other investments | (4,223) | (155) |
| Net portfolio loan and lease originations | (150,812) | (98,144) |
| Purchases of premises and equipment | (5,194) | (3,422) |
| Purchases of BOLI | (5,000) | - |
| Acquisitions, net of cash acquired | 16,129 | - |
| Proceeds from sale of OREO | 928 | 1,325 |
| Net cash used in investing activities | (73,610) | (80,433) |
| Financing activities: | | |

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| | | |
|---|-----------|----------|
| Change in deposits | 70,780 | 19,004 |
| Change in short-term borrowings | (108,066) | 3,089 |
| Dividends paid | (10,395) | (7,597) |
| Change in FHLB advances and other borrowings | (24,883) | 25,021 |
| Net proceeds from issuance of subordinated debentures | 29,466 | - |
| Excess tax benefit from stock-based compensation | 715 | 720 |
| Proceeds from sale of treasury stock from deferred compensation plans | - | 79 |
| Net purchase of treasury stock | (21,402) | (920) |
| Proceeds from issuance of common stock | 20 | 45 |
| Proceeds from exercise of stock options | 5,003 | 2,061 |
| Net cash (used in) provided by financing activities | (58,762) | 41,502 |
| | | |
| Change in cash and cash equivalents | (101,128) | (13,506) |
| Cash and cash equivalents at beginning of period | 219,269 | 81,071 |
| Cash and cash equivalents at end of period | \$118,141 | \$67,565 |

Supplemental cash flow information:

Cash paid during the year for:

| | | |
|--------------|---------|---------|
| Income taxes | \$7,301 | \$9,005 |
| Interest | \$5,674 | \$4,477 |

Non-cash information:

| | | |
|--|-----------|---------|
| Change in other comprehensive loss | \$664 | \$1,634 |
| Change in deferred tax due to change in comprehensive income | \$357 | \$879 |
| Transfer of loans to other real estate owned | \$401 | \$1,193 |
| Issuance of shares and options for acquisitions | \$123,734 | - |
| Acquisition of noncash assets and liabilities: | | |
| Assets acquired | 727,379 | - |
| Liabilities assumed | 619,774 | - |

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

Table Of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Statements of Changes In Shareholders' Equity - Unaudited***(dollars in thousands, except per share information)*

| | For the Nine Months Ended September 30, 2015 | | | | | | Total Shareholders' Equity |
|---|---|-------------------------|----------------------------|---------------------------|---|------------------------------|---|
| | Shares of Common Stock Issued | Common Stock | Paid-in Capital | Treasury Stock | Accumulated Other Comprehensive Loss | Retained Earnings | |
| Balance December 31, 2014 | 16,742,135 | \$ 16,742 | \$ 100,486 | \$(31,642) | \$ (11,704) | \$ 171,592 | \$ 245,474 |
| Net income | - | - | - | - | - | 23,109 | 23,109 |
| Dividends declared, \$0.58 per share | - | - | - | - | - | (10,340) | (10,340) |
| Other comprehensive income, net of tax expense of \$357 | - | - | - | - | 664 | - | 664 |
| Stock based compensation | - | - | 1,047 | - | - | - | 1,047 |
| Excess tax benefit from stock-based compensation | - | - | 715 | - | - | - | 715 |
| Retirement of treasury stock | (4,418) | (4) | (40) | 44 | - | - | - |
| Cancellation of forfeited restricted stock awards | (27,375) | (27) | 27 | - | - | - | - |
| Net purchase of treasury stock | - | - | - | (21,402) | - | - | (21,402) |
| 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 | 264,202 | 264 | 4,870 | - | - | - | 5,134 |
| Balance September 30, 2015 | 20,853,511 | \$ 20,854 | \$ 226,980 | \$(53,000) | \$ (11,040) | \$ 184,361 | \$ 368,155 |

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 and nine months ended September 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 September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| <i>(dollars in thousands except per share data)</i> | | | | |
| Numerator: | | | | |
| Net income available to common shareholders | \$7,496 | \$6,506 | \$23,109 | \$20,799 |
| | 17,572,421 | 13,600,348 | 17,610,353 | 13,539,327 |

| | | | | |
|---|------------|------------|------------|------------|
| Denominator for basic earnings per share – weighted | | | | |
| average shares outstanding | | | | |
| Effect of dilutive common shares | 261,877 | 272,516 | 320,067 | 294,114 |
| Denominator for diluted earnings per share – adjusted | | | | |
| weighted average shares outstanding | 17,834,298 | 13,872,864 | 17,930,420 | 13,833,441 |
| Basic earnings per share | \$0.43 | \$0.48 | \$1.31 | \$1.54 |
| Diluted earnings per share | \$0.42 | \$0.47 | \$1.29 | \$1.50 |
| Anti-dilutive shares excluded from computation of average dilutive earnings per share | — | — | — | — |

Table Of Contents**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. The fair value estimates are subject to adjustment if additional information becomes available during the measurement period in accordance with Accounting Standards Codification (ASC) Topic 805. Such adjustments may change the amount of the purchase price allocation to goodwill.

Continental Bank Holdings, Inc. (“CBH”)

On January 1, 2015, the previously announced merger (the “Merger”) of 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.

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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 | 7,453 |
| Bank-owned life insurance | 12,054 |
| Core deposit intangible | 4,191 |
| Favorable lease asset | 724 |
| Other assets | 17,974 |
| Total assets | 675,942 |

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 57,050

Goodwill resulting from acquisition of CBH \$68,009

The following table details the effect, on goodwill, of adjustments to the initial fair value estimates of the assets acquired and liabilities assumed:

Goodwill resulting from acquisition of CBH based on initial fair value estimates: \$65,838

Effect on goodwill of adjustments to:

Assets:

| | |
|-----------------|-------|
| Portfolio loans | 1,864 |
|-----------------|-------|

| | |
|---|-----------------|
| Deferred income taxes | (1,165) |
| Favorable lease asset | 68 |
| Other assets | 111 |
| Liabilities: | |
| Other liabilities | 1,293 |
| Adjusted goodwill resulting from acquisition of CBH as of September 30, 2015 | \$68,009 |

The fair values of the assets acquired and liabilities assumed are preliminary estimates. The fair value estimates are subject to adjustment if additional information becomes available during the measurement period in accordance with ASC Topic 805. Such adjustments may change the amount of the purchase price allocation to goodwill while changes to other assets and liabilities may impact the statement of income due to adjustments in the yield and/or amortization/accretion of the adjusted assets and liabilities.

Table Of Contents**Pro Forma Income Statements**

The following pro forma income statements for the three and nine months ended September 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 nine months ended September 30, 2014.

| <i>(dollars in thousands)</i> | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2015 | 2014 | 2015 | 2014 |
| Net interest income | \$24,833 | \$25,027 | \$74,698 | \$74,702 |
| Provision for loan and lease losses | 1,200 | 850 | 2,619 | 2,057 |
| Net interest income after provision for loan and lease losses | 23,633 | 24,177 | 72,079 | 72,645 |
| Non-interest income | 13,350 | 11,812 | 42,292 | 37,088 |
| Non-interest expense | 25,403 | 24,106 | 78,814 | 72,970 |
| Income before income taxes | 11,580 | 11,883 | 35,557 | 36,763 |
| Income tax expense | 4,084 | 4,279 | 12,448 | 13,017 |
| Net income | \$7,496 | \$7,604 | \$23,109 | \$23,746 |
| Per share data*: | | | | |
| Weighted-average basic shares outstanding | 17,572,421 | 17,478,652 | 17,610,353 | 17,417,631 |
| Dilutive shares | 261,877 | 351,099 | 320,067 | 372,697 |
| Adjusted weighted-average diluted shares | 17,834,298 | 17,829,751 | 17,930,420 | 17,790,328 |
| Basic earnings per common share | \$0.43 | \$0.44 | \$1.31 | \$1.36 |
| Diluted earnings per common share | \$0.42 | \$.043 | \$1.29 | \$1.33 |

* Assumes that the shares of common stock outstanding as of December 31, 2014 for CBH were outstanding for the full three and nine months ended September 30, 2014 and therefore equal the weighted average shares of common stock outstanding for the three and nine months ended September 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).

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. The remaining \$1.6 million consists of three contingent payments, with each payment not to exceed \$542 thousand. Each payment is subject to the attainment of certain revenue targets during the applicable periods. The measurement periods for the three contingent payments are the twelve month periods ending September 30, 2015, 2016 and 2017. As of September 30, 2015, the revenue targets for the twelve month period ended September 30, 2015 had been satisfied and payment of \$542 thousand is scheduled to occur during the fourth quarter of 2015. The acquisition of PCPB has enabled 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.

Due Diligence, Merger-Related and Merger Integration Expenses

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

| <i>(dollars in thousands)</i> | Three Months Ended September 30, | | Nine months Ended September 30, | |
|---|---|-------|--|---------|
| | 2015 | 2014 | 2015 | 2014 |
| Advertising | \$36 | \$— | \$83 | \$— |
| Employee benefits | 60 | — | 213 | — |
| Furniture, fixtures and equipment | 64 | 1 | 93 | 1 |
| Professional fees | 319 | 693 | 2,084 | 819 |
| Salaries and wages | 480 | 28 | 1,224 | 29 |
| Other | 56 | 53 | 1,113 | 567 |
| Total due diligence, merger-related and merger integration expenses | \$1,015 | \$775 | \$4,810 | \$1,416 |

Table Of Contents**Note 4 - Investment Securities**

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

As of September 30, 2015

| | Amortized Cost | Gross | Gross | Fair Value |
|---|-------------------|---------------------|----------------------|---------------|
| | | Unrealized Gains | Unrealized Losses | |
| <i>(dollars in thousands)</i> | | | | |
| U.S. Treasury securities | \$ 101 | \$ — | \$ — | \$ 101 |
| Obligations of the U.S. government and agencies | 90,927 | 732 | (20) | 91,639 |
| Obligations of state and political subdivisions | 43,976 | 179 | (24) | 44,131 |
| Mortgage-backed securities | 152,918 | 2,603 | (11) | 155,510 |
| Collateralized mortgage obligations | 32,614 | 358 | (19) | 32,953 |
| Other investments | 17,442 | 16 | (371) | 17,087 |
| Total | \$ 337,978 | \$ 3,888 | \$ (445) | \$ 341,421 |

As of December 31, 2014

| | Amortized Cost | Gross | Gross | Fair Value |
|---|-------------------|---------------------|----------------------|---------------|
| | | Unrealized Gains | Unrealized Losses | |
| <i>(dollars in thousands)</i> | | | | |
| 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 September 30, 2015

| | Less than 12 Months | | 12 Months or Longer | | Total | |
|---|------------------------|----------------------|------------------------|----------------------|---------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| <i>(dollars in thousands)</i> | | | | | | |
| Obligations of the U.S. government and agencies | \$8,201 | \$ (8) | \$2,994 | \$ (12) | \$11,195 | \$ (20) |
| Obligations of state and political subdivisions | 11,003 | (18) | 2,484 | (6) | 13,487 | (24) |
| Mortgage-backed securities | 5,511 | (11) | — | — | 5,511 | (11) |
| Collateralized mortgage obligations | 3,081 | (10) | 2,618 | (9) | 5,699 | (19) |
| Other investments | 15,271 | (371) | — | — | 15,271 | (371) |
| Total | \$43,067 | \$ (418) | \$8,096 | \$ (27) | \$51,163 | \$ (445) |

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

| | Less than 12 Months | | 12 Months or Longer | | Total | |
|---|--------------------------------|------------------------------|--------------------------------|------------------------------|-----------------------|------------------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| <i>(dollars in thousands)</i> | | | | | | |
| 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 September 30, 2015 and December 31, 2014, securities having fair values of \$148.6 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 September 30, 2015 and December 31, 2014, by contractual maturity, are shown below:

| | September 30, 2015 | | December 31, 2014 | |
|-------------------------------|---------------------------|-----------------------|---------------------------|-----------------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| <i>(dollars in thousands)</i> | | | | |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Investment securities ¹ : | | | | |
| Due in one year or less | \$8,426 | \$8,433 | \$15,254 | \$15,277 |
| Due after one year through five years | 70,623 | 70,908 | 59,433 | 59,463 |
| Due after five years through ten years | 36,500 | 36,650 | 23,151 | 23,067 |
| Due after ten years | 21,355 | 21,775 | — | — |
| Subtotal | 136,904 | 137,766 | 97,838 | 97,807 |
| Mortgage-related securities ² | 185,532 | 188,463 | 114,116 | 116,179 |
| Total | \$322,436 | \$326,229 | \$211,954 | \$213,986 |

¹ *Included in the investment portfolio, but not in the table above, are mutual funds with a fair value of \$15.2 million and \$15.6 million as of September 30, 2015 and December 31, 2014, respectively, which have no stated maturity.*

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

As of September 30, 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:

| | September 30, 2015 | December 31, 2014 |
|--|--|-----------------------------|
| Loans held for sale | \$8,721 | \$3,882 |
| Real estate loans: | | |
| Commercial mortgage | \$971,983 | \$689,528 |
| Home equity lines and loans | 212,258 | 182,082 |
| Residential mortgage | 399,730 | 313,442 |
| Construction | 82,820 | 66,267 |
| Total real estate loans | 1,666,791 | 1,251,319 |
| Commercial and industrial | 488,977 | 335,645 |
| Consumer | 22,350 | 18,480 |
| Leases | 50,646 | 46,813 |
| Total portfolio loans and leases | 2,228,764 | 1,652,257 |
| Total loans and leases | \$2,237,485 | \$1,656,139 |
| Loans with fixed rates | \$1,114,739 | \$927,009 |
| Loans with adjustable or floating rates | 1,122,746 | 729,130 |
| Total loans and leases | \$2,237,485 | \$1,656,139 |
| Net deferred loan origination costs included in the above loan table | \$220 | \$324 |

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

| | September 30, 2015 | December 31, 2014 |
|---------------------|--|-----------------------------|
| Loans held for sale | \$8,721 | \$3,882 |
| Real estate loans: | | |

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| | | |
|--|-------------|-------------|
| Commercial mortgage | \$758,266 | \$637,100 |
| Home equity lines and loans | 171,297 | 164,554 |
| Residential mortgage | 304,370 | 276,596 |
| Construction | 72,216 | 66,206 |
| Total real estate loans | 1,306,149 | 1,144,456 |
| Commercial and industrial | 426,058 | 325,264 |
| Consumer | 21,981 | 18,471 |
| Leases | 50,646 | 46,813 |
| Total portfolio loans and leases | 1,804,834 | 1,535,004 |
| Total loans and leases | \$1,813,555 | \$1,538,886 |
| Loans with fixed rates | \$928,606 | \$856,203 |
| Loans with adjustable or floating rates | 884,949 | 682,683 |
| Total originated loans and leases | \$1,813,555 | \$1,538,886 |
| Net deferred loan origination costs included in the above loan table | 220 | 324 |

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

| | September 30, | December 31, |
|---|--------------------------|-------------------------|
| | 2015 | 2014 |
| Real estate loans: | | |
| Commercial mortgage | \$ 213,717 | \$ 52,428 |
| Home equity lines and loans | 40,961 | 17,528 |
| Residential mortgage | 95,360 | 36,846 |
| Construction | 10,604 | 61 |
| Total real estate loans | 360,642 | 106,863 |
| Commercial and industrial | 62,919 | 10,381 |
| Consumer | 369 | 9 |
| Total portfolio loans and leases | 423,930 | 117,253 |
| Total loans and leases | \$ 423,930 | \$ 117,253 |
| Loans with fixed rates | \$ 186,133 | \$ 70,806 |
| Loans with adjustable or floating rates | 237,797 | 46,447 |
| Total acquired loans and leases | \$ 423,930 | \$ 117,253 |

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

| | September 30, | December 31, |
|--|--------------------------|-------------------------|
| | 2015 | 2014 |
| <i>(dollars in thousands)</i> | | |
| Minimum lease payments receivable | \$ 57,187 | \$ 53,131 |
| Unearned lease income | (8,816) | (8,546) |
| Initial direct costs and deferred fees | 2,275 | 2,228 |
| Total | \$ 50,646 | \$ 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:

| | September 30, | December 31, |
|-------------------------------|--------------------------|-------------------------|
| <i>(dollars in thousands)</i> | | |

| | 2015 | 2014 |
|--------------------------------------|-------------|-------------|
| Non-accrual loans and leases: | | |
| Commercial mortgage | \$ 931 | \$ 668 |
| Home equity lines and loans | 1,661 | 1,061 |
| Residential mortgage | 5,249 | 5,693 |
| Construction | 34 | 263 |
| Commercial and industrial | 4,337 | 2,390 |
| Consumer | 2 | — |
| Leases | 101 | 21 |
| Total | \$ 12,315 | \$ 10,096 |

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 \$837 thousand and \$572 thousand of purchased credit-impaired loans as of September 30, 2015 and December 31, 2014, respectively, which became non-performing subsequent to acquisition.

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

| <i>(dollars in thousands)</i> | September 30, | December 31, |
|---|--------------------------|-------------------------|
| | 2015 | 2014 |
| Non-accrual originated loans and leases: | | |
| Commercial mortgage | \$ 374 | \$ — |
| Home equity lines and loans | 1,493 | 904 |
| Residential mortgage | 4,107 | 4,662 |
| Construction | 34 | 263 |
| Commercial and industrial | 2,760 | 1,583 |
| Consumer | 2 | — |
| Leases | 101 | 21 |
| Total | \$ 8,871 | \$ 7,433 |

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

| <i>(dollars in thousands)</i> | September 30, | December 31, |
|---|--------------------------|-------------------------|
| | 2015 | 2014 |
| Non-accrual acquired loans and leases: | | |
| Commercial mortgage | \$ 557 | \$ 668 |
| Home equity lines and loans | 168 | 157 |
| Residential mortgage | 1,142 | 1,031 |
| Construction | — | — |
| Commercial and industrial | 1,577 | 807 |
| Consumer | — | — |
| Total | \$ 3,444 | \$ 2,663 |

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 \$837 thousand and \$572 thousand of purchased credit-impaired loans as of September 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:

| <i>(dollars in thousands)</i> | September 30, | December 31, |
|--------------------------------|--------------------------|-------------------------|
| | 2015 | 2014 |
| Outstanding principal balance | \$ 27,626 | \$ 12,491 |
| Carrying amount ⁽¹⁾ | \$ 19,095 | \$ 9,045 |

Includes \$1.0 million and \$105 thousand of purchased credit-impaired loans as of September 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⁽¹⁾ above includes \$837 thousand and \$572 thousand of purchased credit-impaired loans as of September 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 nine months ended September 30, 2015:

| <i>(dollars in thousands)</i> | Accretable Discount |
|---|--------------------------------|
| Balance, December 31, 2014 | \$ 5,357 |
| Accretion | (1,631) |
| Reclassifications from nonaccretable difference | 204 |
| Additions/adjustments | 3,132 |
| Disposals | (339) |
| Balance, September 30, 2015 | \$ 6,723 |

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 | | | | | | | | |
|----------------------------------|----------------------|----------------------|----------------------|-----------------------|----------------|-------------------------|-------------------------|-------------------------|
| <i>(dollars in thousands)</i> | | | | | | | | |
| | 30 – 59 | 60 – 89 | Over 89 | Total Past Due | Current | Total | Nonaccrual | Total |
| | Days Past Due | Days Past Due | Days Past Due | Days Past Due | | Loans and Leases | Loans and Leases | Loans and Leases |
| As of September 30, 2015 | | | | | | | | |
| Commercial mortgage | \$ 740 | \$ — | \$ — | \$ 740 | \$ 970,312 | \$ 971,052 | \$ 931 | \$ 971,983 |
| Home equity lines and loans | 264 | 709 | — | 973 | 209,624 | 210,597 | 1,661 | 212,258 |
| Residential mortgage | 1,655 | 433 | — | 2,088 | 392,393 | 394,481 | 5,249 | 399,730 |
| Construction | — | — | — | — | 82,786 | 82,786 | 34 | 82,820 |
| Commercial and industrial | 894 | 100 | — | 994 | 483,646 | 484,640 | 4,337 | 488,977 |
| Consumer | 22 | — | — | 22 | 22,326 | 22,348 | 2 | 22,350 |
| Leases | 123 | 20 | — | 143 | 50,402 | 50,545 | 101 | 50,646 |
| | \$ 3,698 | \$ 1,262 | \$ — | \$ 4,960 | \$ 2,211,489 | \$ 2,216,449 | \$ 12,315 | \$ 2,228,764 |

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

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| | | | | | | | | |
|---------------------------|--------|----------|------|----------|--------------|--------------|-----------|--------------|
| 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 | Total | | Total |
|-----------------------------|---------------------------|---------------|---------------|----------------|-------------|---------------------------|-----------------------------|-------------|
| | 30 – 59 | 60 – 89 | Over 89 | Total Past Due | | Accruing Loans and Leases | Nonaccrual Loans and Leases | |
| As of September 30, 2015 | Days Past Due | Days Past Due | Days Past Due | Days Past Due | | | | |
| Commercial mortgage | \$683 | \$— | \$— | \$683 | \$757,209 | \$757,892 | \$ 374 | \$758,266 |
| Home equity lines and loans | 264 | 709 | — | 973 | 168,831 | 169,804 | 1,493 | 171,297 |
| Residential mortgage | 1,383 | 99 | — | 1,482 | 298,781 | 300,263 | 4,107 | 304,370 |
| Construction | — | — | — | — | 72,182 | 72,182 | 34 | 72,216 |
| Commercial and industrial | 625 | 100 | — | 725 | 422,573 | 423,298 | 2,760 | 426,058 |
| Consumer | 22 | — | — | 22 | 21,957 | 21,979 | 2 | 21,981 |
| Leases | 123 | 20 | — | 143 | 50,402 | 50,545 | 101 | 50,646 |
| | \$3,100 | \$928 | \$— | \$4,028 | \$1,791,935 | \$1,795,963 | \$ 8,871 | \$1,804,834 |

(dollars in thousands)

| | Accruing Loans and Leases | | | | Current | Total | | Total |
|-----------------------------|---------------------------|---------------|---------------|----------------|-------------|---------------------------|-----------------------------|-------------|
| | 30 – 59 | 60 – 89 | Over 89 | Total Past Due | | Accruing Loans and Leases | Nonaccrual Loans and Leases | |
| As of December 31, 2014 | Days Past Due | Days Past Due | Days Past Due | Days Past Due | | | | |
| 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 |

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

| | Accruing Loans and Leases | | | | Current | Total | | Total |
|---------------------------------|---------------------------|-----------------------|-----------------------|----------------|-----------|---------------------------|-----------------------------|-----------|
| | 30 – 59 Days Past Due | 60 – 89 Days Past Due | Over 89 Days Past Due | Total Past Due | | Accruing Loans and Leases | Nonaccrual Loans and Leases | |
| <i>(dollars in thousands)</i> | | | | | | | | |
| As of September 30, 2015 | | | | | | | | |
| Commercial mortgage | \$57 | \$— | \$— | \$57 | \$213,103 | \$213,160 | \$ 557 | \$213,717 |
| Home equity lines and loans | — | — | — | — | 40,793 | 40,793 | 168 | 40,961 |
| Residential mortgage | 272 | 334 | — | 606 | 93,612 | 94,218 | 1,142 | 95,360 |
| Construction | — | — | — | — | 10,604 | 10,604 | — | 10,604 |
| Commercial and industrial | 269 | — | — | 269 | 61,073 | 61,342 | 1,577 | 62,919 |
| Consumer | — | — | — | — | 369 | 369 | — | 369 |
| | \$598 | \$334 | \$— | \$932 | \$419,554 | \$420,486 | \$ 3,444 | \$423,930 |

| | Accruing Loans and Leases | | | | Current | Total | | Total |
|--------------------------------|---------------------------|-----------------------|-----------------------|----------------|-----------|---------------------------|-----------------------------|-----------|
| | 30 – 59 Days Past Due | 60 – 89 Days Past Due | Over 89 Days Past Due | Total Past Due | | Accruing Loans and Leases | Nonaccrual Loans and Leases | |
| <i>(dollars in thousands)</i> | | | | | | | | |
| 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 nine months ended September 30, 2015:

| <i>(dollars in thousands)</i> | Commercial Mortgage | Home Equity Lines and Loans | Residential Mortgage | Construction | Commercial and Industrial | Consumer | Leases | Unallocated | Total |
|-------------------------------------|--------------------------------|--|---------------------------------|---------------------|--|-----------------|---------------|--------------------|--------------|
| Balance, June 30, 2015 | \$ 3,659 | \$ 1,969 | \$ 1,808 | \$ 1,462 | \$ 4,886 | \$ 324 | \$ 499 | \$ 352 | \$ 14,959 |
| Charge-offs | — | — | (32) | — | (44) | (32) | (200) | — | (308) |
| Recoveries | — | 21 | 21 | 1 | 6 | 6 | 29 | — | 84 |
| Provision for loan and lease losses | 1,360 | (244) | 438 | (474) | (205) | (20) | 179 | 166 | 1,200 |
| Balance, September 30, 2015 | \$ 5,019 | \$ 1,746 | \$ 2,235 | \$ 989 | \$ 4,643 | \$ 278 | \$ 507 | \$ 518 | \$ 15,935 |

| <i>(dollars in thousands)</i> | 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) | (546) | — | (315) | (108) | (325) | — | (1,548) |
| Recoveries | 23 | 89 | 30 | 3 | 32 | 14 | 87 | — | 278 |
| Provision for loan and lease losses | 1,098 | (56) | 1,015 | (381) | 393 | 134 | 277 | 139 | 2,619 |
| Balance September 30, 2015 | \$ 5,019 | \$ 1,746 | \$ 2,235 | \$ 989 | \$ 4,643 | \$ 278 | \$ 507 | \$ 518 | \$ 15,935 |

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The following table details the roll-forward of the Allowance for the three and nine months ended September 30, 2014:

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

| <i>(dollars in thousands)</i> | 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 | (100) | (538) | (28) | — | (188) | (113) | (368) | — | (1,335) |
| Recoveries | 1 | 2 | 21 | — | 55 | 13 | 127 | — | 219 |
| Provision for loan and lease losses | 222 | 491 | (190) | 400 | 220 | 24 | 86 | (53) | 1,200 |
| Balance September 30, 2014 | \$ 3,920 | \$ 2,159 | \$ 2,249 | \$ 1,245 | \$ 5,098 | \$ 183 | \$ 449 | \$ 296 | \$ 15,599 |

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 September 30, 2015 and December 31, 2014:

| <i>(dollars in thousands)</i> | Commercial Mortgage | Home Equity Lines and Loans | Residential Mortgage | Construction | Commercial and Industrial | Consumer | Leases | Unallocated | Total |
|---------------------------------|--------------------------------|--|---------------------------------|---------------------|--|-----------------|---------------|--------------------|--------------|
| As of September 30, 2015 | | | | | | | | | |

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Allowance on loans and leases:

| | | | | | | | | | |
|--|-----------------|-----------------|-----------------|---------------|-----------------|---------------|---------------|---------------|------------------|
| Individually evaluated for impairment | \$ — | \$ — | \$ 76 | \$ — | \$ 629 | \$ 7 | \$ — | \$ — | \$ 712 |
| Collectively evaluated for impairment | 5,019 | 1,746 | 2,159 | 989 | 4,014 | 271 | 507 | 518 | 15,223 |
| Purchased credit-impaired ⁽¹⁾ | — | — | — | — | — | — | — | — | — |
| Total | \$ 5,019 | \$ 1,746 | \$ 2,235 | \$ 989 | \$ 4,643 | \$ 278 | \$ 507 | \$ 518 | \$ 15,935 |

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 September 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 September 30, 2015 | | | | | | | | |
| Carrying value of loans and leases: | | | | | | | | |
| Individually evaluated for impairment | \$ 444 | \$ 1,758 | \$ 8,081 | \$ 34 | \$ 5,013 | \$ 33 | \$ — | \$ 15,363 |
| Collectively evaluated for impairment | 958,000 | 210,328 | 391,632 | 78,850 | 482,533 | 22,317 | 50,646 | 2,194,306 |
| Purchased credit-impaired ⁽¹⁾ | 13,539 | 172 | 17 | 3,936 | 1,431 | — | — | 19,095 |
| Total | \$ 971,983 | \$ 212,258 | \$ 399,730 | \$ 82,820 | \$ 488,977 | \$ 22,350 | \$ 50,646 | \$ 2,228,764 |
| As of December 31, 2014 | | | | | | | | |
| Carrying value of loans and leases: | | | | | | | | |
| | \$ 97 | \$ 1,155 | \$ 8,642 | \$ 264 | \$ 3,460 | \$ 31 | \$ — | \$ 13,649 |

| | | | | | | | | |
|---|------------|------------|------------|-----------|------------|-----------|-----------|--------------|
| Individually evaluated for impairment | | | | | | | | |
| 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.*

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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 September 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 September 30, 2015 | | | | | | | | |
| Allowance on loans and leases: | | | | | | | | |
| Individually evaluated for impairment | \$ — | \$ — | \$ 54 | \$ — | \$ 616 | \$ 7 | | |