

BRYN MAWR BANK CORP
Form 10-Q
November 09, 2009
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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 and Exchange Act of 1934.

For Quarter ended September 30, 2009

Commission File Number 0-15261

Bryn Mawr Bank Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of

23-2434506
(I.R.S. Employer

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incorporation or organization)

identification No.)

801 Lancaster Avenue, Bryn Mawr, Pennsylvania
(Address of principal executive offices)

19010
(Zip Code)

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

Not Applicable

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

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

Class	Outstanding at November 3, 2009
Common Stock, par value \$1	8,783,161

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

FORM 10-Q

QUARTER ENDED September 30, 2009

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

(dollars in thousands, except share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Interest income:				
Loans	\$ 11,523	\$ 11,971	\$ 34,475	\$ 35,502
Leases	1,382	1,474	4,398	4,234
Federal funds sold		57		135
Interest bearing deposits with banks	14	28	43	83
Cash and cash equivalents	26		188	
Investment securities and dividend income	1,241	1,273	3,597	3,142
Total interest and dividend income	14,186	14,803	42,701	43,096
Interest expense:				
Savings, NOW, and market rate accounts	729	860	2,343	2,710
Time deposits	465	1,598	1,894	5,066
Wholesale deposits	1,094	1,304	3,963	4,540
Borrowed funds	1,269	1,194	3,808	3,022
Subordinated debt	299	151	825	155
Total interest expense	3,856	5,107	12,833	15,489
Net interest income	10,330	9,696	29,868	27,607
Loan and lease loss provision	2,305	1,063	5,582	2,698
Net interest income after loan and lease loss provision	8,025	8,633	24,286	24,909
Non-interest income:				
Fees for wealth management services	3,457	3,544	10,581	10,147
Service charges on deposit accounts	493	409	1,447	1,230
Loan servicing and other fees	367	298	1,001	913
Net gain on sale of residential mortgage loans	760	287	5,153	982
BOLI income				260
Net gain on sale of investments	848		1,320	222
Net gain on trading securities	160		240	
Interest rate floor income				268
Other operating income	558	807	2,187	2,185
Total non-interest income	6,643	5,345	21,929	16,207
Non-interest expenses:				
Salaries and wages	5,322	5,278	16,427	14,289
Employee benefits	1,281	981	4,325	3,260
Occupancy and bank premises	892	778	2,726	2,243
Furniture, fixtures, and equipment	635	578	1,832	1,692
Advertising	196	265	774	759
Amortization of mortgage servicing rights	186	91	637	286

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(Recovery)/Impairment of mortgage servicing rights	(51)	11	38	30
Intangible asset amortization	77	64	231	64
FDIC insurance	265	120	944	334
FDIC special assessment			540	
Professional fees	419	426	1,306	1,109
Other operating expenses	1,467	1,556	4,664	4,164
Total non-interest expenses	10,689	10,148	34,444	28,230
Income before income taxes	3,979	3,830	11,771	12,886
Income taxes	1,360	1,575	4,071	4,568
Net income	\$ 2,619	\$ 2,255	\$ 7,700	\$ 8,318
Basic earnings per common share	\$ 0.30	\$ 0.26	\$ 0.88	\$ 0.97
Diluted earnings per common share	\$ 0.30	\$ 0.26	\$ 0.88	\$ 0.97
Dividends declared per share	\$ 0.14	\$ 0.13	\$ 0.42	\$ 0.40
Weighted-average basic shares outstanding	8,782,632	8,575,904	8,710,909	8,560,566
Dilutive potential common shares	17,664	35,428	19,254	31,892
Weighted-average dilutive shares	8,800,296	8,611,332	8,730,163	8,592,458

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

Table of Contents**BRYN MAWR BANK CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets - Unaudited**

(dollars in thousands, except share data)	September 30, 2009	December 31, 2008
Assets		
Cash and due from banks	\$ 9,381	\$ 18,776
Interest bearing deposits with banks	48,351	45,100
Money market funds	18,140	5,109
Total cash and cash equivalents	75,872	68,985
Trading securities	5,316	
Investment securities available for sale, at fair value (amortized cost of \$165,732 and \$107,255 as of September 30, 2009 and December 31, 2008, respectively)	168,754	108,329
Total investment portfolio	174,070	108,329
Loans held for sale	4,133	3,024
Portfolio loans and leases	886,479	899,577
Less: Allowance for loan and lease losses	(10,299)	(10,332)
Net portfolio loans and leases	876,180	889,245
Premises and equipment, net	21,310	21,296
Accrued interest receivable	4,359	4,033
Deferred income taxes	5,253	5,478
Mortgage servicing rights	3,794	2,205
Bank owned life insurance (BOLI)		15,585
Goodwill	4,824	4,629
Intangible assets	5,498	5,729
Other investments	10,990	10,866
Other assets	7,721	11,942
Other real estate owned (OREO)	1,521	
Total assets	\$ 1,195,525	\$ 1,151,346
Liabilities		
Deposits:		
Non-interest-bearing demand	\$ 167,991	\$ 174,449
Savings, NOW and market rate accounts	436,314	362,738
Wholesale deposits	64,679	90,576
IND/IDC deposits	54,104	30,185
Time deposits	176,388	211,542
Total deposits	899,476	869,490
Borrowed funds	147,386	154,939
Subordinated debt	22,500	15,000
Mortgage payable	2,076	
Accrued interest payable	2,892	4,369
Other liabilities	19,148	15,135
Total liabilities	1,093,478	1,058,933

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Shareholders' equity

Common stock, par value \$1; authorized 100,000,000 shares as of September 30, 2009 and December 31, 2008 respectively; issued 11,702,794 and 11,513,782 shares as of September 30, 2009 and December 31, 2008 respectively and outstanding of 8,783,130 and 8,592,259 shares as of September 30, 2009 and December 31, 2008, respectively	11,703	11,514
Paid-in capital in excess of par value	16,506	12,983
Accumulated other comprehensive loss, net of taxes	(6,114)	(7,995)
Retained earnings	109,884	105,845
	131,979	122,347
Less: Common stock in treasury at cost 2,919,664 and 2,921,523 shares as of September 30, 2009 and December 31, 2008 respectively	(29,932)	(29,934)
Total shareholders' equity	102,047	92,413
Total liabilities and shareholders' equity	\$ 1,195,525	\$ 1,151,346
Book value per share	\$ 11.62	\$ 10.76
Tangible book value per share	\$ 10.44	\$ 9.55

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	
	2009	2008
Operating activities:		
Net income	\$ 7,700	\$ 8,318
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	5,582	2,698
Provision for depreciation and amortization	2,257	1,396
Loans originated for resale	(236,100)	(57,223)
Proceeds from loans sold	240,144	61,343
Purchase of trading securities	(5,076)	
Gain on trading securities	(240)	(982)
Net gain on sale of residential mortgages	(5,153)	
Provision for deferred income taxes (benefit)	(788)	(611)
Stock-based compensation cost	283	246
Change in income tax payable/receivable	1,792	30
Change in accrued interest receivable	(326)	(1,590)
Change in accrued interest payable	(1,477)	(33)
Change in mortgage servicing rights, net	(1,589)	
Change in intangible assets	231	64
Other, net	7,741	(3,012)
 Net cash provided by operating activities	 14,981	 10,644
Investing activities:		
Purchases of investment securities available for sale	(128,028)	(110,865)
Proceeds from sale of investment securities available for sale	38,733	21,004
Proceeds from maturity of investment securities and mortgage-backed securities pay downs	20,577	8,642
Proceeds from calls of investment securities	9,500	9,000
Net change in other investments	(124)	
Proceeds from BOLI repayment	15,585	
Purchase of Lau Associates		(4,165)
Net change in other real estate owned (OREO)	376	
Net portfolio loan and lease repayments (originations)	5,587	(77,077)
Purchase of premises and equipment	(1,472)	(4,484)
Contingent earn-out payment for Lau Associates	(195)	
 Net cash used by investing activities	 (39,461)	 (157,945)
Financing activities:		
Change in demand, NOW, savings and market rate deposit accounts	67,118	(23,590)
Change in time deposits	(35,154)	5,428
Change in wholesale deposits	(1,978)	24,951
Dividends paid	(3,661)	(3,425)
Increase in borrowed funds greater than 90 days		102,414
Repayment of borrowed funds greater than 90 days	(7,553)	
Increase in subordinated debt	7,500	15,000
Mortgage payable	2,076	
Net purchase of treasury stock	(42)	(335)
Tax benefit from exercise of stock options	63	173
Proceeds from exercise of stock options	497	998

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Proceeds from issuance of common stock	2,501	50
Net cash provided by financing activities	31,367	121,664
Change in cash and cash equivalents	6,887	(25,637)
Cash and cash equivalents at beginning of period	68,985	95,174
Cash and cash equivalents at end of period	\$ 75,872	\$ 69,537

Supplemental cash flow information:

Cash paid during the year for:

Income taxes	\$ 2,999	\$ 4,732
Interest	\$ 14,310	\$ 17,079

Supplemental non-cash investing and financing activities:

Change in other comprehensive loss	2,894	3,094
Change in deferred taxes due to change in comprehensive income	1,013	(1,083)
Transfer of loans to other real estate	1,897	

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

Table of Contents**Consolidated Statements of Changes in Shareholders Equity**

	Shares of Common Stock Issued	For the Nine Months Ended September 30, 2009					Treasury Stock	Total Shareholders Equity
		Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)			
Balance - December 31, 2008	11,513,782	\$ 11,514	\$ 12,983	\$ 105,845	\$ (7,995)	\$ (29,934)	\$ 92,413	
Net Income				7,700			7,700	
Dividends declared - \$.42 per share				(3,661)			(3,661)	
Other comprehensive income, net of tax expense of \$1,013					1,881		1,881	
Stock based compensation			695				695	
Tax benefit of stock option exercise			63				63	
Purchase of treasury stock						(42)	(42)	
Retirement of treasury stock	(4,522)	(4)	(40)			44		
Common stock issued	154,634	154	2,347				2,501	
Exercise of stock options	38,900	39	458				497	
Balance September 30, 2009	11,702,794	\$ 11,703	\$ 16,506	\$ 109,884	\$ (6,114)	\$ (29,932)	\$ 102,047	

	Shares of Common Stock Issued	For the Nine Months Ended September 30, 2008					Treasury Stock	Total Shareholders Equity
		Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)			
Balance - December 31, 2007	11,434,332	\$ 11,434	\$ 11,698	\$ 101,146	\$ (4,304)	\$ (29,623)	\$ 90,351	
Net Income				8,318			8,318	
Dividends declared - \$.40 per share				(3,425)			(3,425)	
Other comprehensive loss, net of tax benefit of \$1,083					(2,011)		(2,011)	
Tax benefit stock option exercise			173				173	
Purchase of treasury stock						(335)	(335)	
Retirement of treasury stock	(5,096)	(5)	(45)			50		
Common stock issued	5,096	5	48				53	
Exercise of stock options	69,050	69	929				998	
Balance September 30, 2008	11,503,382	\$ 11,503	\$ 12,803	\$ 106,039	\$ (6,315)	\$ (29,908)	\$ 94,122	

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

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

(dollars in thousands)	Three Months Ended September 30	
	2009	2008
Net income	\$ 2,619	\$ 2,255
Other comprehensive income:		
Unrealized investment gains (losses) net of tax expense (benefit) of \$418 and (\$602), respectively	775	(1,119)
Change in unfunded pension liability, net of tax expense of \$147 and \$1, respectively	272	2
Total comprehensive income	\$ 3,666	\$ 1,138

(dollars in thousands)	Nine Months Ended September 30	
	2009	2008
Net income	\$ 7,700	\$ 8,318
Other comprehensive income:		
Unrealized investment gains (losses) net of tax expense (benefit) of \$682 and (\$1,154), respectively	1,266	(2,140)
Change in unfunded pension liability, net of tax expense of \$331 and \$71, respectively	615	129
Total comprehensive income	\$ 9,581	\$ 6,307

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****September 30, 2009 and 2008****(Unaudited)****1. Basis of Presentation:**

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of Bryn Mawr Bank Corporation's (the Corporation) Management, all adjustments (consisting only of normal recurring 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 2008 Annual Report on Form 10-K. The Corporation's consolidated financial condition and results of operations consist almost entirely of The Bryn Mawr Trust Company's (the Bank) financial condition and results of operations.

The results of operations for the three month and nine month periods ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year.

Staff Accounting Bulletins of the Securities and Exchange Commission (SEC) are noted by the abbreviation SAB.

Previous Quarter Adjustments:

In connection with preparing the Form 10-Q for September 30, 2009, the statement of cash flows in the Form 10-Q for June 30, 2009 has been revised as a result of the incorrect classification of the Purchase of trading securities line item within the Net cash used in investing activities section of the cash flow statement. This error resulted from a misclassification between investing activities and operating activities related to the Corporation's purchase of a trading security during the second quarter of 2009. The following table outlines the corrections to the cash flow statement for the six month period ended June 30, 2009 (dollars in thousands).

	As Reported June 30, 2009	Adjustments	As Revised June 30, 2009
Purchase of trading securities	\$ 0	\$ (5,025)	\$ (5,025)
Net cash provided by operating activities	9,311	(5,025)	4,286
Purchase of trading securities	(5,025)	5,025	0
Net cash used in investing activities	(7,020)	5,025	(1,995)

The Corporation will present these revised amounts for June 30, 2009 in the statements of cash flows when filing its Form 10-Q for the quarter ending June 30, 2010. The revised amounts are reflected in the September 30, 2009 cash flow information presented in this Form 10-Q. This error was not deemed to be material to any current or prior periods.

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. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive. 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.

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(dollars in thousands, except per share data)	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
Numerator:				
Net income available to common shareholders	\$ 2,619	\$ 2,255	\$ 7,700	\$ 8,318
Denominator for basic earnings per share weighted average shares				
outstanding	8,782,632	8,575,904	8,710,909	8,560,566
Effect of dilutive potential common shares	17,664	35,428	19,254	31,892
Denominator for diluted earnings per share adjusted weighted average				
shares outstanding	8,800,296	8,611,332	8,730,163	8,592,458
Basic earnings per share	\$ 0.30	\$ 0.26	\$ 0.88	\$ 0.97
Diluted earnings per share	\$ 0.30	\$ 0.26	\$ 0.88	\$ 0.97
Antidilutive shares excluded from computation of average dilutive earnings per share	763,102	203,806	718,370	166,167

3. Allowance for Loan and Lease Losses

The allowance for loan and lease losses is established through a provision for loan and lease losses charged as an expense. Loans are charged against the allowance for loan and lease losses when Management believes that such amounts are uncollectible. The allowance for loan and lease losses is maintained at a level that Management believes is sufficient to absorb estimated probable credit losses. Note 1 Summary of Significant Accounting Policies Allowance for Loan and Lease Losses, included in the Corporation's 2008 Annual Report on Form 10K contains additional information relative to Management's determination of the adequacy of the allowance for loan and lease losses.

During the third quarter of 2009, the Corporation made refinements, along with changes to estimates of loss in certain asset classes. These changes in estimates and refinements resulted in a lower pre-tax provision for loan and lease losses in the third quarter of 2009 than would have resulted under the previous loss estimates of approximately \$750 thousand which equates to \$.06 per diluted share (after tax).

Table of Contents**4. Investment Securities**

The amortized cost and estimated fair value of investments, all of which were classified as available for sale, are as follows:

As of September 30, 2009

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	\$ 55,159	\$ 149	\$ (66)	\$ 55,242
State, county and municipal securities	24,628	475	(9)	25,094
Federal agency mortgage backed securities residential	52,963	1,863		54,826
Government agency mortgaged backed securities residential	7,580	146		7,726
Corporate bonds	12,230	403		12,633
Bonds mutual funds	11,722	61		11,783
Other debt securities	1,450			1,450
Total available for sale securities	\$ 165,732	\$ 3,097	\$ (75)	\$ 168,754

At September 30, 2009 securities having an amortized cost of \$90.8 million were specifically pledged as collateral for public funds, trust deposits, the Federal Reserve Bank of Philadelphia (FRB) discount window program, the Federal Home Loan Bank of Pittsburgh (FHLB-P) borrowings and other purposes. The FHLB-P has a blanket lien on non-pledged, mortgage-related loans and securities as part of the Bank s borrowing agreement with the FHLB-P.

As of December 31, 2008

(dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government agency securities	\$ 10,999	\$ 171	\$	\$ 11,170
State, county and municipal securities	7,071	43	(18)	7,096
Federal agency mortgage backed securities residential	78,054	1,647	(42)	79,659
Corporate bonds	10,181		(727)	9,454
Other debt securities	950			950
Total	\$ 107,255	\$ 1,861	\$ (787)	\$ 108,329

The following table shows the amount of securities that were in an unrealized loss position at September 30, 2009:

(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. Government agency securities	\$ 7,928	\$ (66)	\$	\$	\$ 7,928	\$ (66)
State, county and municipal securities	1,787	(9)			1,787	(9)
Total	\$ 9,715	\$ (75)	\$	\$	\$ 9,715	\$ (75)

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The following table shows the amount of securities that were in a unrealized loss position at December 31, 2008:

(dollars in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
State, county and municipal securities	\$ 1,163	\$ (18)	\$	\$	\$ 1,163	\$ (18)
Federal agency mortgage backed securities	3,800	(42)			3,800	(42)
Corporate bonds	9,454	(727)			9,454	(727)
Total	\$ 14,417	\$ (787)	\$	\$	\$ 14,417	\$ (787)

The Corporation's Management evaluates the debt securities in our investment portfolio, which include U.S. Government agencies, Government sponsored agencies, municipalities and other issuers, for other-than-temporary impairment and considers current economic conditions, the length of time and the extent to which the fair value has been less than cost, interest rates and the bond rating of each security. All of the debt securities in our investment portfolio are highly rated as investment grade and Management believes that it will not incur any material losses with respect to such securities. The unrealized losses presented in the table above are temporary in nature as they are primarily related to market interest rates and are not related to the underlying credit quality of the issuers within our investment portfolio. None of the investments are believed to be other-than-temporarily impaired. The Corporation intends to hold the securities and does not believe it will be required to sell the securities before recovery occurs.

The amortized cost and estimated fair value of available for sale investment securities at September 30, 2009 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in thousands)	September 30, 2009	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 22,370	\$ 22,400
Due after one year through five years	46,190	46,714
Due after five years through ten years	16,760	16,895
Due after ten years	8,148	8,410
No stated maturity	11,722	11,783
Subtotal	105,190	106,202
Mortgage backed securities	60,543	62,552
Total available for sale securities	\$ 165,733	\$ 168,754

5. Stock Based Compensation

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 September 30, 2009:

Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
--------	---------------------------------------	--

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Options outstanding June 30, 2009	855,164	\$	20.02	\$	4.37
Granted	169,182	\$	18.27	\$	4.42
Forfeited	(7,250)	\$	19.57	\$	4.24
Exercised	(2,000)	\$	17.85	\$	3.94
Options outstanding September 30, 2009	1,015,096	\$	19.73	\$	4.40

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The following table provides information about unvested options for the three-months ended September 30, 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options June 30, 2009	234,630	\$ 23.29	\$ 5.14
Granted	169,182	\$ 18.27	\$ 4.42
Vested	(51,153)	\$ 23.16	\$ 5.08
Forfeited			
Unvested options September 30, 2009	352,659	\$ 20.90	\$ 4.80

The following table provides information about options outstanding for the nine months ended September 30, 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding December 31, 2008	901,814	\$ 19.70	\$ 4.31
Granted	169,182	\$ 18.27	\$ 4.42
Forfeited/Expired	(17,000)	\$ 19.45	\$ 4.23
Exercised	(38,900)	\$ 12.78	\$ 2.47
Options outstanding September 30, 2009	1,015,096	\$ 19.73	\$ 4.40

The following table provides information about unvested options for the nine-months ended September 30, 2009:

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Unvested options December 31, 2008	237,172	\$ 23.28	\$ 5.15
Granted	169,182	\$ 18.27	\$ 4.42
Vested	(53,695)	\$ 23.14	\$ 5.15
Forfeited			
Unvested options September 30, 2009	352,659	\$ 20.90	\$ 4.80

The total not-yet-recognized compensation expense of unvested stock options is \$1.5 million. This expense will be recognized over a weighted average period of 48 months.

Proceeds, related tax benefits realized from options exercised and intrinsic value of options exercised during the nine months ended September 30, 2009 and 2008 were as follows:

(dollars in thousands)	2009	2008
Proceeds from strike price of options exercised	\$ 497	\$ 998
Related tax benefit recognized	63	173
Proceeds of options exercised	\$ 560	\$ 1,171

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Intrinsic value of options exercised \$ 664 \$ 457

The following table provides information about options outstanding and exercisable options at September 30, 2009:

	Outstanding	Exercisable
Number	1,015,096	662,437
Weighted average exercise price	\$ 19.73	\$ 19.11
Aggregate intrinsic value	\$ 456,578	\$ 456,578
Weighted average contractual term (in years)	6.36	4.88

Table of Contents**6. Pension and Other Post-Retirement Benefit Plans**

The Corporation sponsors two pension plans; the qualified defined benefit pension plan (QDBP) and the non-qualified defined benefit pension plan (SERP). In addition, the Corporation also sponsors a post-retirement benefit plan (PRBP).

On February 12, 2008 the Corporation amended the QDBP to cease further accruals of benefits effective March 31, 2008, and amended the 401(K) Plan to provide for a new class of immediately vested discretionary, non-matching employer contributions effective April 1, 2008. Additionally, the Corporation amended the SERP to expand the class of eligible participants to include certain officers of the Bank and to provide that each participant's accrued benefit shall be reduced by the actuarially equivalent value of the immediately vested discretionary, non-matching employer contribution to the 401(K) Plan made on his or her behalf.

The following table provides a reconciliation of the components of the net periodic benefits cost (benefit) for the three months ended September 30, 2009 and 2008:

(in thousands)	For Three months Ended September 30					
	SERP		QDBP		PRBP	
	2009	2008	2009	2008	2009	2008
Service cost	\$ 50	\$ 16	\$	\$	\$	\$
Interest cost	29	49	437	426	17	16
Expected return on plan assets			(510)	(635)		
Amortization of transition obligation					6	6
Amortization of prior service costs	23	33		78	(18)	(50)
Amortization of net loss	13		213		19	14
Net periodic benefit cost (benefit)	\$ 115	\$ 98	\$ 140	\$ (131)	\$ 24	\$ (14)

The following table provides a reconciliation of the components of the net periodic benefits cost (benefit) for the nine months ended September 30, 2009 and 2008:

(in thousands)	For Nine months Ended September 30					
	SERP		QDBP		PRBP	
	2009	2008	2009	2008	2009	2008
Service cost	\$ 146	\$ 73	\$	\$ 337	\$	\$
Interest cost	165	147	1,419	1,275	42	48
Expected return on plan assets			(1,513)	(1,950)		
Amortization of transition obligation					19	
Amortization of prior service costs	96	99		171	(119)	18
Amortization of net loss	13		700		57	(150)
Curtailment				18		42
Settlement						153
Net periodic benefit cost (benefit)	\$ 420	\$ 319	\$ 606	\$ (149)	\$ (1)	\$ 111

QDBP: As stated in the Corporation's 2008 Annual Report, the Corporation does not have any minimum funding requirements for its QDBP for 2009. As of September 30, 2009 no contributions have been made to the QDBP.

SERP: The Corporation contributed \$34 thousand during the third quarter of 2009 and it is expected to contribute an additional \$34 thousand to the SERP plan for the remaining three months of 2009.

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PRBP: In 2005 the Corporation capped the maximum payment under the PBRP at 120% of the 2005 benefit. It is anticipated the cost is at the cap in 2009.

7. Segment Information

The Corporation aggregates certain of its operations and has identified four segments as follows: Banking, Wealth Management, Mortgage Banking, and All Other. Footnote 23 Segment Information, in the Notes to the Consolidated Financial Statements in the Corporation's 2008 Annual Report on Form 10K provides additional descriptions of the identified segments.

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Segment information for the quarter ended September 30, 2009 is as follows:

	(Dollars in thousands)				Consolidated
	Banking	Wealth Management	2009 Mortgage Banking	All Other	
Net interest income	\$ 10,350	\$ 3	\$ 6	\$ (29)	\$ 10,330
Less: Loan and lease loss provision	2,305				2,305
Net interest income after loan and lease loss provision	8,045	3	6	(29)	8,025
Other income:					
Fees for wealth management services		3,457			3,457
Service charges on deposit accounts	493				493
Loan servicing and other fees	49		318		367
Net gain on sale of residential mortgage loans			760		760
Other income	1,486	14	22	44	1,566
Total other income	2,028	3,471	1,100	44	6,643
Other expenses:					
Salaries and wages	3,074	1,714	330	204	5,322
Employee benefits	920	366	7	(12)	1,281
Occupancy and bank premises	1,330	202	46	(51)	1,527
Net impairment/amortization of mortgage servicing rights			135		135
Other operating expense	2,013	408	96	(93)	2,424
Total other expense	7,337	2,690	614	48	10,689
Segment profit before income taxes	2,736	784	492	(33)	3,979
Intersegment pretax revenues (expenses) *	175	47	10	(232)	
Pretax segment profit (loss) after eliminations	\$ 2,911	\$ 831	\$ 502	\$ (265)	\$ 3,979
% of segment pretax profit (loss) after eliminations	73.2%	20.9%	12.6%	(6.7)%	100.0%
Segment assets in millions of dollars	\$ 1,175.8	\$ 11.0	\$ 4.8	\$ 3.9	\$ 1,195.5

* Intersegment revenues consist of rental payments, insurance commissions and a management fee.

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Segment information for the quarter ended September 30, 2008 is as follows:

(Dollars in thousands)	2008				Consolidated
	Banking	Wealth Management	Mortgage Banking	All Other	
Net interest income	\$ 9,677	\$	\$ 16	\$ 3	\$ 9,696
Less: Loan and lease loss provision	1,063				1,063
Net interest income after loan and lease loss provision	8,614		16	3	8,633
Other income:					
Fees for wealth management services		3,544			3,544
Service charges on deposit accounts	409				409
Loan servicing and other fees	60		239	(1)	298
Net gain on sale of loans			287		287
Other income	725	5	28	49	807
Total other income	1,194	3,549	554	48	5,345
Other expenses:					
Salaries and wages	3,398	1,467	232	181	5,278
Employee benefits	644	295	28	14	981
Occupancy and bank premises	1,172	173	56	(45)	1,356
Net impairment/amortization of mortgage servicing rights			102		102
Other operating expense	2,050	402	72	(93)	2,431
Total other expense	7,264	2,337	490	57	10,148
Segment profit before income taxes	2,544	1,212	80	(6)	3,830
Intersegment pretax revenues (expenses)*	187	50	10	(247)	
Pretax segment profit (loss) after eliminations	\$ 2,731	\$ 1,262	\$ 90	\$ (253)	\$ 3,830
% of segment pretax profit (loss) after eliminations	71.3%	33.0%	2.3%	(6.6%)	100.0%
Segment assets in millions of dollars	\$ 1,066.2	\$ 6.1	\$ 3.5	\$ 3.2	\$ 1,079.5

* Intersegment revenues consist of rental payments, insurance commissions and a management fee.

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Segment information for the nine months ended September 30, 2009 is as follows:

(Dollars in thousands)	Banking	Wealth Management	2009 Mortgage Banking	All Other	Consolidated
Net interest income	\$ 29,886	\$ 10	\$ 24	\$ (52)	\$ 29,868
Less: Loan and lease loss provision	5,582				5,582
Net interest income after loan and lease loss provision	24,304	10	24	(52)	24,286
Other income:					
Fees for wealth management services		10,581			10,581
Service charges on deposit accounts	1,447				1,447
Loan servicing and other fees	160		841		1,001
Net gain on sale of residential mortgage loans			5,153		5,153
Other income	3,209	38	378	122	3,747
Total other income	4,816	10,619	6,372	122	21,929
Other expenses:					
Salaries and wages	9,256	4,910	1,806	455	16,427
Employee benefits	3,227	1,095	61	(58)	4,325
Occupancy and bank premises	3,930	631	149	(152)	4,558
Net impairment/amortization of mortgage servicing rights			675		675
Other operating expense	7,013	1,172	587	(313)	8,459
Total other expense	23,426	7,808	3,278	(68)	34,444
Segment profit before income taxes	5,694	2,821	3,118	138	11,771
Intersegment pretax revenues (expenses) *	637	139	30	(806)	
Pretax segment profit (loss) after eliminations	\$ 6,331	\$ 2,960	\$ 3,148	\$ (668)	\$ 11,771
% of segment pretax profit (loss) after eliminations	53.8%	25.2%	26.7%	(5.7)%	100.0%
Segment assets in millions of dollars	\$ 1,175.8	\$ 11.0	\$ 4.8	\$ 3.9	\$ 1,195.5

* Intersegment revenues consist of rental payments, insurance commissions and a management fee.

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Segment information for the nine months ended September 30, 2008 is as follows:

(Dollars in thousands)

	Banking	Wealth Management	2008 Mortgage Banking	All Other	Consolidated
Net interest income	\$ 27,549	\$	\$ 52	\$ 6	\$ 27,607
Less: Loan and lease loss provision	2,698				2,698
Net interest income after loan and lease loss provision	24,851		52	6	24,909
Other income:					
Fees for wealth management services		10,147			10,147
Service charges on deposit accounts	1,230				1,230
Loan servicing and other fees	212		701		913
Net gain on sale of loans			982		982
BOLI income	260				260
Other income	2,405	5	125	140	2,675
Total other income	4,107	10,152	1,808	140	16,207
Other expenses:					
Salaries and wages	9,298	3,885	728	378	14,289
Employee benefits	2,345	787	91	37	3,260
Occupancy and bank premises	3,489	419	163	(136)	3,935
Net impairment/amortization of mortgage servicing rights			316		316
Other operating expense	5,442	1,012	290	(314)	6,430
Total other expense	20,574	6,103	1,588	(35)	28,230
Segment profit before income taxes	8,384	4,049	272	181	12,886
Intersegment pretax revenues (expenses)*					