CVB FINANCIAL CORP
Form 8-K
July 31, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant
to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 27, 2007

CVB FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

California (State or other jurisdiction of incorporation or organization)	**95-3629339** (I.R.S. employer identification number)

Commission file number: 0-10140

701 North Haven Avenue
Ontario, California 91764
(Address of principal executive offices and zip code)

Registrant s telephone number, including area code: (909) 980-4030

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2.):

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

CVB Financial Corporation (the Company) is providing its investor slide presentation with information as of June 30, 2007. The slide presentation is furnished (not filed) as Exhibit 99.1 to this Current Report on Form 8-K pursuant to Regulation FD.

Item 8.01 Other Events.

On July 27, 2007, the Company issued a press release announcing that its President and Chief Executive Officer, Christopher D. Myers, will participate in the Keefe Bruyette, & Woods Community Bank Investor Conference on July 31, 2007. Mr. Myers will discuss the slides furnished as Exhibit 99.1 at this conference. The press release, included in this report as Exhibit 99.2, is incorporated herein by reference.

Interested individuals may access a live webcast of the presentation by visiting http:/www.kbw.com/news/conferenceCommunity.html. A replay of the presentation will be available for 60 days after the event.

Item 9.01 Financial Statements and Exhibits.

Listed below the financial statements, pro forma financial information and exhibits, if any, filed as part of this report.

(a) Exhibits

99.1	Slide presentation of CVB Financial Corporation as of June 30, 2007 (furnished pursuant to Regulation FD)
99.2	Press Release dated July 27, 2007 re: conference participation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CVB FINANCIAL CORP.
(Registrant)

Date: July 27, 2007

By: /s/ Edward J. Biebrich Jr.

Edward J. Biebrich Jr.,
Executive Vice President and Chief Financial Officer

4

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Dividends declared

$0.82 $0.78 $0.74 $0.69 $0.64

Dividends declared per share to net income per basic common share

38.3

%

81.3

%

36.1

%

37.5

%

39.5

%

Shares outstanding at year end

16,939,715 17,071,523 13,769,336 13,650,354 13,412,690

Book value per share

$22.50 $21.42 $17.83 $16.84 $15.18

Tangible book value per share

$15.11 $13.89 $13.59 $13.02 $11.08

Profitability Ratios

Tax-equivalent net interest margin

3.76

%

3.75

%

3.93

%

3.98

%

3.85

%

Return on average assets

1.16

%

0.57

%

1.32

%

1.23

%

1.15

%

Return on average equity

9.75

%

4.49

%

11.56

%

11.53

%

10.91

%

Non-interest expense to net interest income and non-interest income

63.5

%

80.6

%

65.1

%

66.5

%

67.4

%

Non-interest income to net interest income and non-interest income

33.7

%

35.9

%

38.6

%

39.9

%

41.7

%

Average equity to average total assets

11.90

%

12.68

%

11.38

%

10.63

%

10.58

%

Financial Condition

Total assets

$3,421,530 $3,030,997 $2,246,506 $2,061,665 $2,035,885

Total liabilities

3,040,403 2,665,286 2,001,032 1,831,767 1,832,321

Total shareholders' equity

381,127 365,711 245,474 229,898 203,564

Interest-earning assets

3,153,015 2,755,506 2,092,164 1,905,398 1,879,412

Portfolio loans and leases

2,535,425 2,268,988 1,652,257 1,547,185 1,398,456

Investment securities

573,763 352,916 233,473 289,245 318,061

Goodwill

104,765 104,765 35,502 32,843 32,897

Intangible assets

20,405 23,903 22,998 19,365 21,998

Deposits

2,579,675 2,252,725 1,688,028 1,591,347 1,634,682

Borrowings

423,425 378,509 283,970 216,535 170,718

Wealth assets under management, administration, supervision and brokerage

11,328,457 8,364,805 7,699,908 7,268,273 6,663,212

Capital Ratios

Ratio of tangible common equity to tangible assets

7.76

%

8.17

%

8.55

%

8.84

%

7.50

%

Tier 1 capital to risk weighted assets

10.51

%

10.72

%

12.00

%

11.57

%

11.02

%

Total regulatory capital to risk weighted assets

12.35

%

12.61

%

12.87

%

12.55

%

12.02

%

Asset quality

Allowance as a percentage of portfolio loans and leases

0.69

%

0.70

%

0.88

%

1.00

%

1.03

%

Non-performing loans and leases as a % of portfolio loans and leases

0.33

%

0.45

%

0.61

%

0.68

%

1.06

%

24

Table of Contents

Information related to accounting changes may be found under the caption "New Accounting Pronouncements" at Note 1-X in the accompanying Notes to Consolidated Financial Statements found in this Annual Report on Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OPERATIONS ("MD&A")

Management's Discussion and Analysis of Financial Condition and Results of Operations

Brief History of the Corporation

The Bryn Mawr Trust Company (the "Bank") received its Pennsylvania banking charter in 1889 and is a member of the Federal Reserve System. In 1986, Bryn Mawr Bank Corporation (the "Corporation") was formed and on January 2, 1987, the Bank became a wholly-owned subsidiary of the Corporation. The Bank and Corporation are headquartered in Bryn Mawr, Pennsylvania, a western suburb of Philadelphia. The Corporation and its subsidiaries offer a full range of personal and business banking services, consumer and commercial loans, equipment leasing, mortgages, insurance and wealth management services, including investment management, trust and estate administration, retirement planning, custody services, and tax planning and preparation from 25 full-service branches, eight limited-hour retirement community offices, one limited-service branch, five wealth management offices and a full-service insurance agency located throughout Montgomery, Delaware, Chester, Dauphin and Philadelphia counties in Pennsylvania and New Castle county in Delaware. The common stock of the Corporation trades on the NASDAQ Stock Market ("NASDAQ") under the symbol BMTC.

The Corporation operates in a highly competitive market area that includes local, national and regional banks as competitors along with savings banks, credit unions, insurance companies, trust companies, registered investment advisors and mutual fund families. The Corporation and its subsidiaries are regulated by many agencies including the Securities and Exchange Commission ("SEC"), NASDAQ, Federal Deposit Insurance Corporation ("FDIC"), the Federal Reserve and the Pennsylvania Department of Banking and Securities. The goal of the Corporation is to become the preeminent community bank and wealth management organization in the Philadelphia area.

Since January 1, 2010, the Corporation and Bank completed the following seven acquisitions:

Robert J. McAllister Agency, Inc. (“RJM”) – April 1, 2015

Continental Bank Holdings, Inc. (“CBH”) – January 1, 2015 (the “CBH Merger”)

Powers Craft Parker and Beard, Inc. (“PCPB”) – October 1, 2014

First Bank of Delaware (“FBD”) – November 17, 2012

Davidson Trust Company (“DTC”) – May 15, 2012

The Private Wealth Management Group of the Hershey Trust Company (“PWMG”) – May 11, 2011

First Keystone Financial, Inc. (“FKB”) – July 1, 2010

In addition, on January 30, 2017, the Corporation entered into a definitive Agreement and Plan of Merger to acquire Royal Bancshares of Pennsylvania, Inc. (“RBPI”), parent company of Royal Bank America (“RBA”), in a transaction with an aggregate value of $127.7 million (the “Acquisition”). In connection with the Acquisition, RBPI will merge with and into the Corporation and RBA will merge with and into the Bank. The Acquisition, which is expected to add approximately $602 million in loans and $630 million in deposits (based on unaudited December 31, 2016 financial information), strengthens the Corporation’s position as the largest community bank in Philadelphia’s western suburbs and, based on deposits, ranks it as the eighth largest community bank headquartered in Pennsylvania. The Acquisition, which will expand the Corporation's distribution network by providing entry into the new markets of New Jersey and Berks County, Pennsylvania, and a new physical presence in Philadelphia County, Pennsylvania is expected to close during the third quarter of 2017.

For a more complete discussion regarding these acquisitions, see Item 1 – Business at page 1 in this Form 10-K.

Results of Operations

The following is management’s discussion and analysis of the significant changes in the results of operations, capital resources and liquidity presented in the accompanying consolidated financial statements. The Corporation’s consolidated financial condition and results of operations are comprised primarily of the Bank’s financial condition and results of operations. Current performance does not guarantee, and may not be indicative of, similar performance in the future. For more information on the factors that could affect performance, see “Special Cautionary Notice Regarding Forward Looking Statements” immediately following the index at the beginning of this document.

Critical Accounting Policies, Judgments and Estimates

The accounting and reporting policies of the Corporation and its subsidiaries conform to U.S. generally accepted accounting principles ("GAAP"). All inter-company transactions are eliminated in consolidation and certain reclassifications are made when necessary in order to conform the previous years' financial statements to the current year's presentation. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the dates of the balance sheets and revenues and expenditures for the periods presented. Therefore, actual results could differ from these estimates.

The Allowance for Loan and Lease Losses (the "Allowance")

The Allowance involves a higher degree of judgment and complexity than other significant accounting policies. The Allowance is estimated with the objective of maintaining a reserve level believed by the Corporation to be sufficient to absorb estimated credit losses present in the loan portfolio as of the reporting date. The Corporation's determination of the adequacy of the allowance is based on frequent evaluations of the loan and lease portfolio and other relevant factors. Consideration is given to a variety of factors in establishing the estimate. Quantitative factors in the form of historical charge-off history by portfolio segment are considered. In connection with these quantitative factors, management establishes what it deems to be an adequate look-back period ("LBP") for the charge-off history. As of December 31, 2016, the Corporation utilized a five-year LBP, which it believes adequately captures the trends in charge-offs. In addition, management develops an estimate of a loss emergence period ("LEP") for each segment of the loan portfolio. The LEP estimates the time between the occurrence of a loss event for a borrower and an actual charge-off of a loan. As of December 31, 2016, the Corporation utilized a two-year LEP for its commercial loan segments and a one-year LEP for its consumer loan segments based on analyses of actual charge-offs tracked back in time to the triggering event for the eventual loss. In addition, various qualitative factors are considered, including specific terms and conditions of loans and leases, underwriting standards, delinquency statistics, industry concentration, overall exposure to a single customer, adequacy of collateral, the dependence on collateral, and results of internal loan review, including a borrower's perceived financial and management strengths, the amounts and timing of the present value of future cash flows, and the access to additional funds. It should be noted that this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, the amounts and timing of expected cash flows on impaired loans and leases, the value of collateral, estimated losses on consumer loans and residential mortgages and the relevance of historical loss experience. The process also considers economic conditions and inherent risks in the loan and lease portfolio. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from the Corporation's estimates, additional provision for loan and lease losses (the "Provision") may be required that would adversely impact earnings in future periods. See the section of this document titled *Asset Quality and Analysis of Credit Risk* for additional information.

Fair Value Measurement of Investment Securities Available-for-Sale and Assessment for Impairment of Certain Investment Securities

The Corporation may designate its investment securities as held-to-maturity, available-for-sale or trading. Each of these designations affords different treatment for changes in the fair market values of investment securities in the Corporation's financial statements that are otherwise identical. Should evidence emerge which indicates that management's intent or ability to maintain the securities as originally designated is not supported, reclassifications among the three designations may be necessary and, as a result, may require adjustments to the Corporation's financial statements. As of December 31, 2016, the Corporation's investment portfolio was primarily comprised of investment securities classified as available for sale.

Valuation of Goodwill and Other Intangible Assets

Goodwill and other intangible assets have been recorded on the books of the Corporation in connection with its acquisitions. The Corporation completes a goodwill impairment analysis at least on an annual basis, or more often if events and circumstances indicate that there may be impairment. The Corporation also completes an annual impairment test for other intangible assets, or more often, if events and circumstances indicate a possible impairment. During 2016, the Corporation made a voluntary change in the method of applying an accounting principle related to the timing of the annual goodwill impairment assessment from December 31st to October 31st. Management made this decision based on the time-intensive nature of the goodwill impairment assessment. Management does not consider this change in impairment testing date to be a material change in application of an accounting principle. There was no goodwill impairment recorded during the twelve month periods ended December 31, 2016, 2015 or 2014. During the twelve months ended December 31, 2015, impairment of $387 thousand was recorded related to a favorable lease asset that had been recorded in connection with the CBH Merger. Subsequent to the CBH Merger, a decision was made to terminate the lease of the former CBH headquarters, which resulted in the favorable lease asset impairment charge. There was no impairment of identifiable intangible assets during the twelve month periods ended December 31, 2016 or 2015. There can be no assurance that future impairment assessments or tests will not result in a charge to earnings.

Table of Contents

Other significant accounting policies are presented in Note 1, Summary of Significant Accounting Policies, in the Notes to Consolidated Financial Statements. The Corporation's accounting policies have not substantively changed any aspect of its overall approach in the application of the foregoing policies.

Overview of General Economic, Regulatory and Governmental Environment

Real GDP for the fourth quarter of 2016 indicated a quarter-over-quarter increase of 1.9%, below the 2.2% consensus forecast and showed a deceleration from the robust 3.5% pace of the third quarter of 2016. For the full year of 2016, Real GDP grew at a 1.6% pace, down from the 2015 growth rate of 2.6%. One clear area of GDP strength has been that of consumer, where strong spending and confidence data have been largely supported by job growth and an improving wage growth picture. Measures of consumer confidence are reaching levels not seen in more than 10 years. The Conference Board Consumer Confidence Index had jumped to 113.3 in December 2016, a 15-year high, before retreating modestly in January to 111.8.

The Federal Open Market Committee met on January 26-27, 2017 leaving short term interest rates unchanged. The Committee's statement included the following: "The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation."

The focus of attention has now moved from the presidential and congressional elections that took place in November 2016, to implementation expectations for fiscal stimulus measures and regulatory relief.

We acknowledge that there are plenty of geopolitical risks present that could alter the economic landscape as we progress through 2017. That said, a combination of lower taxes, less regulation, and increased infrastructure spending could stimulate economic growth and prolong this economic expansion, which is long by historic standards.

Executive Overview

The following Executive Overview provides a summary-level review of the results of operation for 2016 compared to 2015 and 2015 compared to 2014 as well as a comparison of the December 31, 2016 balance sheet as compared to the December 31, 2015 balance sheet. More detailed information regarding these comparisons can be found in the sections that follow.

2016 Compared to 2015

Income Statement

The Corporation reported net income of $36.0 million or $2.12 diluted earnings per share for the twelve months ended December 31, 2016, as compared to $16.8 million, or $0.94 diluted earnings per share, for the same period in 2015. Return on average equity ("ROE") and return on average assets ("ROA") for the twelve months ended December 31, 2016, were 9.75% and 1.16%, respectively, as compared to 4.49% and 0.57%, respectively, for the same period in 2015. The increase in net income for the twelve months ended December 31, 2016, as compared to the same period in 2015, was largely related to the $17.4 million pre-tax loss on the settlement of the corporate pension plan, which was recorded for the twelve months ended December 31, 2015. In addition to the absence of the pension settlement charge, net interest income for the twelve months ended December 31, 2016 increased by $6.1 million and due diligence, merger-related and merger integration expenses decreased by $6.7 million from the same period in 2015.

The $6.2 million increase in the Corporation’s tax-equivalent net interest income for the twelve months ended December 31, 2016, as compared to the same period in 2015, was related to a $268.8 million increase in average loans offset by a $117.8 million decrease in interest-earning deposits with other banks. This redeployment of low-yielding cash on deposit with other banks to higher yielding loans resulted in an $8.2 million increase in tax-equivalent interest income. The tax-equivalent yield earned on loans for the twelve months ended December 31, 2016 was 4.57%, while the tax-equivalent yield earned on interest-earning deposits with other banks was only 0.39%. Partially offsetting the increase in average loans, average interest-bearing deposits increased by $86.4 million, accompanied by an 8 basis point increase in rate paid on deposits. Average long-term Federal Home Loan Bank (“FHLB”) advances and other borrowings decreased by $29.0 million between the twelve month periods ended December 31, 2015 and 2016 as the inflow of deposits during 2016 alleviated the need to increase borrowings to support loan growth.

Table of Contents

For the twelve months ended December 31, 2016, the Provision of $4.3 million was virtually unchanged from the $4.4 million recorded for the same period in 2015. Net loan and lease charge offs for the twelve months ended December 31, 2016 totaled $2.7 million, a decrease of $428 thousand from the same period in 2015.

Non-interest income for the twelve months ended December 31, 2016 was $54.0 million, a $1.9 million decrease from the same period in 2015. Decreases of $1.0 million in gain on sale of available for sale investment securities, $319 thousand in dividends on FHLB and Federal Reserve Bank (“FRB”) stocks and $204 thousand in fees for wealth management services were the primary contributors to this decrease.

Non-interest expense for the twelve months ended December 31, 2016, was $101.7 million, a decrease of $24.0 million, as compared to the same period in 2015. The primary causes of this decrease were the absences of the $17.4 million loss on settlement of the corporate pension and the $6.7 million in due diligence, merger-related and merger integration costs recorded in 2015. Partially offsetting these improvements were increases of $2.8 million and $679 thousand in salaries and wages and furniture, fixtures and equipment, respectively.

Balance Sheet

Asset quality as of December 31, 2016 is stable, with nonperforming loans and leases comprising 0.33% of portfolio loans as compared to 0.45% of portfolio loans as of December 31, 2015. The Allowance of $17.5 million was 0.69% of portfolio loans and leases as of December 31, 2016, as compared to $15.9 million, or 0.70% of portfolio loans and leases, at December 31, 2015. The relatively unchanged level of Allowance reflects the continued strength of credit quality in the loan portfolio.

Total portfolio loans and leases of $2.54 billion as of December 31, 2016 increased $266.4 million, or 11.7%, from $2.27 billion as of December 31, 2015.

The Corporation’s available for sale investment portfolio as of December 31, 2016 had a fair value of $567.0 million, as compared to $349.0 million at December 31, 2015. Largely responsible for the increase was the purchase, in December 2016, of $200 million of short-term treasury bills.

Deposits of $2.58 billion, as of December 31, 2016, increased $327.0 million from December 31, 2015. One third of the increase in deposits was in the non-interest-bearing segment of the portfolio.

Wealth Assets

Wealth assets under management, administration, supervision and brokerage increased to $11.33 billion as of December 31, 2016, an increase of $2.96 billion from $8.36 billion as of December 31, 2015. A significant portion of the increase was in flat- or fixed-fee accounts.

2015 Compared to 2014

Income Statement

It should be noted that much of the increase in income and expense for the twelve months ended December 31, 2015, as compared to the same period in 2014 was the result of the CBH Merger, which initially increased interest-earning assets by $617.4 million, interest-bearing liabilities by $516.2 million, and added ten new branch locations.

The Corporation reported net income of $16.8 million or $0.94 diluted earnings per share for the twelve months ended December 31, 2015, as compared to $27.8 million, or $2.01 diluted earnings per share, for the same period in 2014. ROE and ROA for the twelve months ended December 31, 2015, were 4.49% and 0.57%, respectively, as compared to 11.56% and 1.32%, respectively, for the same period in 2014. The decrease in net income for the twelve months ended December 31, 2015, as compared to the same period in 2014 was a direct result of the $17.4 million pre-tax loss on the settlement of the pension plan. In addition to the loss on the pension plan settlement, there were increases in net interest income, non-interest income and non-interest expense which were all largely related to the CBH Merger.

The $23.4 million, or 30.3%, increase in the Corporation’s tax-equivalent net interest income for the twelve months ended December 31, 2015, as compared to the same period in 2014, was attributed to the $424.2 million of portfolio loans acquired in the CBH Merger, in addition to the $192.5 million of organic loan growth experienced during 2015. Average loans increased by $551.4 million for the twelve months ended December 31, 2015, as compared to the same period in 2014. Partially offsetting this increase in average loans, average interest-bearing deposits increased by $453.0 million, related to the $387.8 million of interest-bearing deposits assumed in the CBH Merger. In addition, combined average short-term and long-term borrowings increased by $47.7 million and average subordinated notes, which were originated in August 2015, increased $12.0 million for the twelve months ended December 31, 2015 as compared to the same period in 2014. The tax-equivalent yield on interest-earning assets decreased 17 basis points, while the tax equivalent rate paid on interest-bearing liabilities remained unchanged for the twelve months ended December 31, 2015 as compared to the same period in 2014.

For the twelve months ended December 31, 2015, the Provision of $4.4 million was an increase of $3.5 million from the $884 thousand for the same period in 2014. Net loan and lease charge offs for the twelve months ended December 31, 2015 totaled $3.1 million, an increase of $1.3 million from the same period in 2014.

Non-interest income for the twelve months ended December 31, 2015 was $56.0 million, a $7.6 million increase from the same period in 2014. Increases of $2.6 million in wealth management revenue, $1.3 million in gain on sale of loans, $1.8 million in other operating income and $767 thousand in dividends on FHLB and FRB stocks contributed to the increase.

Non-interest expense for the twelve months ended December 31, 2015, was $125.8 million, an increase of $44.3 million, as compared to the same period in 2014. Largely contributing to the increase was the $17.4 million loss on settlement of the pension plan, a $4.3 million increase in due diligence, merger-related and merger integration costs as well as increases in nearly all other expense lines as a result of the increased staffing and facilities added in the CBH Merger.

Components of Net Income

Net income is comprised of five major elements:

- **Net Interest Income**, or the difference between the interest income earned on loans, leases and investments and the interest expense paid on deposits and borrowed funds;
- **Provision For Loan and Lease Losses**, or the amount added to the Allowance to provide for estimated inherent losses on portfolio loans and leases;

Non-Interest Income, which is made up primarily of wealth management revenue, gains and losses from the sale of residential mortgage loans, gains and losses from the sale of available for sale investment securities and other fees from loan and deposit services;
Non-Interest Expense, which consists primarily of salaries and employee benefits, occupancy, intangible asset amortization, professional fees and other operating expenses; and
Income Taxes, which include state and federal jurisdictions.

Net Interest Income

Rate/Volume Analyses (Tax-equivalent Basis)*

The rate volume analysis in the table below analyzes dollar changes in the components of interest income and interest expense as they relate to the change in balances (volume) and the change in interest rates (rate) of tax-equivalent net interest income for the years 2016 as compared to 2015, and 2015 as compared to 2014, allocated by rate and volume. The change in interest income / expense due to both volume and rate has been allocated to changes in volume.

Table of Contents

(dollars in thousands) *increase/(decrease)*	Year Ended December 31, 2016 Compared to 2015 Volume	Rate	Total	2015 Compared to 2014 Volume	Rate	Total
Interest Income:						
Interest-bearing deposits with banks	$(300)	$59	$(241)	$183	$33	$216
Investment securities - taxable	213	373	586	1,324	107	1,431
Investment securities –nontaxable	(19)	20	1	76	71	147
Loans and leases	12,636	(4,418)	8,218	27,151	(3,225)	23,926
Total interest income	12,530	(3,966)	8,564	28,734	(3,014)	25,720
Interest expense:						
Savings, NOW and market rate accounts	167	—	167	427	216	643
Wholesale deposits	192	276	468	198	(53)	145
Retail time deposits	48	938	986	604	(78)	526
Borrowed funds – short-term	1	44	45	24	7	31
Borrowed funds – long-term	(404)	203	(201)	391	—	391
Subordinated notes	864	11	875	601	—	601
Total interest expense	868	1,472	2,340	2,245	92	2,337
Interest differential	$11,662	$(5,438)	$6,224	$26,489	$(3,106)	$23,383

** The tax rate used in the calculation of the tax-equivalent income is 35%.*

Analysis of Interest Rates and Interest Differential

The table below presents the major asset and liability categories on an average daily basis for the periods presented, along with tax-equivalent interest income and expense and key rates and yields:

(dollars in thousands)	**For the Year Ended December 31, 2016** Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	**2015** Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	**2014** Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
Assets:									
Interest-bearing deposits with banks	$43,214	$168	0.39%	$161,032	$409	0.25%	$83,163	$193	0.23%
Investment securities - available for sale:									
Taxable	329,161	5,784	1.76%	315,741	5,124	1.62%	233,054	3,740	1.60%
Tax –Exempt	38,173	742	1.94%	39,200	741	1.89%	34,689	594	1.71%
Total investment securities – available	367,334	6,526	1.78%	354,941	5,865	1.65%	267,743	4,334	1.62%

for sale									
Investment securities – held to maturity	2,060	4	0.19%	—	—	—	—	—	—
Investment securities – trading	3,740	2	0.05%	3,881	80	2.06%	3,591	33	0.92%
Loans and leases(1)(2)(3)	2,429,416	110,925	4.57%	2,160,628	102,707	4.75%	1,609,220	78,781	4.90%
Total interest-earning assets	2,845,764	117,625	4.13%	2,680,482	109,061	4.07%	1,963,717	83,341	4.24%
Cash and due from banks	16,317			17,615			12,730		
Allowance for loan and lease losses	(17,159)			(15,099)			(15,836)		
Other assets	260,728			259,515			154,871		
Total assets	$3,105,650			$2,942,513			$2,115,482		
Liabilities:									
Savings, NOW, and market rate accounts	$1,292,228	$2,485	0.19%	$1,249,567	$2,318	0.19%	$958,129	1,675	0.17%
Wholesale deposits	163,724	1,240	0.76%	130,773	772	0.59%	99,059	627	0.63%
Time deposits	266,772	2,108	0.79%	255,961	1,122	0.44%	126,097	596	0.47%
Total interest-bearing deposits	1,722,724	5,833	0.34%	1,636,301	4,212	0.26%	1,183,285	2,898	0.24%
Short-term borrowings	37,041	93	0.25%	36,010	48	0.13%	15,960	17	0.11%
FHLB advances and other borrowings	225,815	3,353	1.48%	254,828	3,554	1.39%	227,137	3,163	1.39%
Subordinated notes	29,503	1,476	5.00%	12,013	601	5.00%	—	—	
Total interest-bearing liabilities	2,015,083	10,755	0.53%	1,939,152	8,415	0.43%	1,426,382	6,078	0.43%
Non-interest-bearing deposits	687,134			594,122			426,274		
Other liabilities	33,904			36,151			22,048		
Total non-interest-bearing liabilities	721,038			630,273			448,322		
Total liabilities	2,736,121			2,569,425			1,874,704		
Shareholders' equity	369,529			373,088			240,778		
Total liabilities and shareholders' equity	$3,105,650			$2,942,513			$2,115,482		
Net interest spread			3.60%			3.64%			3.81%
Effect of non-interest-bearing sources			0.16%			0.11%			0.12%
Net interest income/margin on earning assets		$106,870	3.76%		$100,646	3.75%		$77,263	3.93%
		$634	0.02%		$519	0.02%		$435	0.02%

Tax-equivalent adjustment (tax rate 35%)

(1) *Non-accrual loans have been included in average loan balances, but interest on non-accrual loans has not been included for purposes of determining interest income.*

(2) *Includes portfolio loans and leases and loans held for sale.*

(3) *Interest on loans and leases includes deferred fees of $522, $424 and $248 for the years ended December 31, 2016, 2015 and 2014, respectively.*

30

Table of Contents

Tax-Equivalent Net Interest Income and Margin – 2016 Compared to 2015

The tax-equivalent net interest margin increased 1 basis point to 3.76% for the twelve months ended December 31, 2016, as compared to 3.75%, for the same period in 2015. The effect on interest income of the $268.8 million increase in average loans between periods was partially offset by an 18 basis point decrease in tax-equivalent yield earned on loans and leases between periods. On the liability side, the $86.4 million increase in average interest-bearing deposits, accompanied by an 8 basis point increase in rate paid on deposits and the $29.0 million decrease in long-term FHLB advances and other borrowings whose rate paid increased by 9 basis points, combined to offset the margin improvement from the asset growth.

Tax-equivalent net interest income for the twelve months ended December 31, 2016 of $106.9 million, was $6.2 million higher than the tax-equivalent net interest income of $100.6 million for the same period in 2015. The primary driver for the increase in tax-equivalent net interest income was the volume increase in average loans and leases, partially offset by a yield decrease, which added $8.2 million in interest income. The impact of this loan growth was partially offset by a volume increase and an increase in rate paid for interest-bearing deposits, which decreased tax-equivalent net interest income by $1.6 million.

Tax-Equivalent Net Interest Income and Margin - 2015 Compared to 2014

The tax-equivalent net interest margin decreased 18 basis points to 3.75% for the twelve months ended December 31, 2015, as compared to 3.93%, for the same period in 2014. Largely contributing to the decline was the 15 basis point decrease in yield on loans and leases for 2015 as compared to 2014. Although the loans acquired in the CBH Merger contributed to the margin through the accretion of their loan marks, the lower-interest-rate environment in 2015 resulted in new loan volume being originated at lower yields than the yields in the portfolio as of December 31, 2014. The decrease in tax-equivalent yield on loans was partially offset by a 3 basis point increase in yield on available for sale investment securities. On the liability side, the 4.75% fixed-to-floating rate subordinated notes issued in August 2015 affected the tax-equivalent yield for 2015. The average balance of subordinated notes for the twelve months ended December 31, 2015 totaled $12.0 million at a rate of 5.00%. Also driving the tax equivalent yield down, to a lesser extent, the rate paid on interest-bearing deposits increased by 2 basis points, while rates paid on borrowings remained unchanged from 2014 to 2015.

Tax-equivalent net interest income for the twelve months ended December 31, 2015 of $100.6 million, was $23.4 million, or 30.3%, higher than the tax-equivalent net interest income of $77.3 million for the same period in 2014. The primary driver for the increase in tax-equivalent net interest income was the volume of interest-earning assets and interest-bearing liabilities added in CBH Merger. The CBH Merger added $424.2 million of portfolio loans, while organic loan growth contributed another $192.5 million of portfolio loans. The average balance of loans increased by $551.4 million for the twelve months ended December 31, 2015, as compared to the same period in 2014. Interest-bearing deposits assumed in the CBH Merger totaled $387.8 million. Average interest-bearing deposits for the twelve months ended December 31, 2015 increased by $453.0 million as compared to the same period in 2014. In addition to the assets and liabilities acquired in the CBH Merger, the Corporation issued $30.0 million of 4.75% fixed-to-floating rate subordinated notes in August 2015. Of the $23.4 million increase in tax-equivalent net interest income between 2014 and 2015, volume increases of both interest-earning assets and interest-bearing liabilities accounted for a $26.5 million increase while decreases in yields on interest-earning assets and increases on rates paid on interest-bearing liabilities accounted for a $2.3 million decrease in tax-equivalent net interest income.

Tax-Equivalent Net Interest Margin – Quarterly Comparison

The tax-equivalent net interest margin and related components for the past five quarters are shown in the table below:

Quarter	Year	Earning-Asset Yield		Interest-Bearing Liability Cost		Net Interest Spread		Effect of Non-Interest-Bearing Sources		Tax-Equivalent Net Interest Margin	
4th	2016	4.05	%	0.56	%	3.49	%	0.16	%	3.65	%
3rd	2016	4.09	%	0.55	%	3.54	%	0.17	%	3.71	%
2nd	2016	4.18	%	0.53	%	3.65	%	0.16	%	3.81	%
1st	2016	4.22	%	0.49	%	3.73	%	0.14	%	3.87	%
4th	2015	4.11	%	0.48	%	3.63	%	0.14	%	3.77	%

Table of Contents

Interest Rate Sensitivity

The Corporation actively manages its interest rate sensitivity position. The objectives of interest rate risk management are to control exposure of net interest income to risks associated with interest rate movements and to achieve sustainable growth in net interest income. The Corporation's Asset Liability Committee ("ALCO"), using policies and procedures approved by the Corporation's Board of Directors, is responsible for the management of the Corporation's interest rate sensitivity position. The Corporation manages interest rate sensitivity by changing the mix, pricing and re-pricing characteristics of its assets and liabilities. This is accomplished through the management of the investment portfolio, the pricings of loans and deposit offerings and through wholesale funding. Wholesale funding is available from multiple sources including borrowings from the FHLB, the Federal Reserve Bank of Philadelphia's discount window, federal funds from correspondent banks, certificates of deposit from institutional brokers, Certificate of Deposit Account Registry Service ("CDARS"), Insured Network Deposit ("IND") Program, Charity Deposits Corporation ("CDC") (formerly known as Institutional Deposit Corporation ("IDC")), Insured Cash Sweep ("ICS") and Pennsylvania Local Government Investment Trust ("PLGIT").

The Corporation uses several tools to measure the effect of interest rate risk on its net interest income. These methods include gap analysis, market value of portfolio equity analysis, net interest income simulations under various scenarios and tax-equivalent net interest margin reports. The results of these reports are compared to limits established by the Corporation's ALCO policies and appropriate adjustments are made if the results are outside the established limits.

The following table demonstrates the annualized result of an interest rate simulation and the estimated effect that a parallel interest rate shift, or "shock", in the yield curve and subjective adjustments in deposit pricing, might have on the Corporation's projected net interest income over the next 12 months.

This simulation assumes that there is no growth in interest-earning assets or interest-bearing liabilities over the next twelve months. The changes to net interest income shown below are in compliance with the Corporation's policy guidelines.

Summary of Interest Rate Simulation

	Change in Net Interest Income	Change in Net Interest Income

	Over the Twelve Months Beginning After December 31, 2016		Over the Twelve Months Beginning After December 31, 2015	
	Amount	Percentage	Amount	Percentage
+300 basis points	$10,207	9.01 %	$3,128	3.09 %
+200 basis points	$6,653	5.87 %	$1,637	1.62 %
+100 basis points	$3,048	2.69 %	$210	0.21 %
-100 basis points	$(4,397)	(3.88)%	$(2,490)	(2.46)%

The above interest rate simulation suggests that the Corporation’s balance sheet is asset sensitive as of December 31, 2016 in the +100 basis point scenario, demonstrating that a 100 basis point increase in interest rates would have a positive impact on net interest income over the next 12 months. The balance sheet is more asset sensitive in a rising-rate environment as of December 31, 2016 than it was as of December 31, 2015. This increase in sensitivity is related to a decrease in cash balances, an increase in floating rate loans, and an increase in fixed rate certificates of deposit. The magnitude of the change in net interest income resulting from a 100 basis point decrease in rates as compared to the magnitude of the increase in net income accompanying a 100 basis point increase in rates is the result of the ability to decrease loan rates to more of a degree than deposits rates in a down 100 basis point rate shift.

The interest rate simulation is an estimate based on assumptions, which are derived from past behavior of customers, along with expectations of future behavior relative to interest rate changes. In today’s uncertain economic environment and the current extended period of very low interest rates, the reliability of the Corporation’s assumptions in the interest rate simulation model is more uncertain than in prior periods. Actual customer behavior, as it relates to deposit activity, may be significantly different than expected behavior, which could cause an unexpected outcome and may result in lower net interest income than that derived from the analysis referenced above.

Table of Contents

Gap Analysis

The interest sensitivity, or gap analysis, identifies interest rate risk by showing repricing gaps in the Corporation's balance sheet. All assets and liabilities are reflected based on behavioral sensitivity, which is usually the earliest of either: repricing, maturity, contractual amortization, prepayments or likely call dates. Non-maturity deposits, such as NOW, savings and money market accounts are spread over various time periods based on the expected sensitivity of these rates considering liquidity and the investment preferences of the Corporation. Non-rate-sensitive assets and liabilities are spread over time periods to reflect the Corporation's view of the maturity of these funds.

Non-maturity deposits (demand deposits in particular) are recognized by the Bank's regulatory agencies to have different sensitivities to interest rate environments. Consequently, it is an accepted practice to spread non-maturity deposits over defined time periods in order to capture that sensitivity. Commercial demand deposits are often in the form of compensating balances, and fluctuate inversely to the level of interest rates; the maturity of these deposits is reported as having a shorter life than typical retail demand deposits. Additionally, the Bank's regulatory agencies have suggested distribution limits for non-maturity deposits. However, the Corporation has taken a more conservative approach than these limits would suggest by forecasting these deposit types with a shorter maturity. The following table presents the Corporation's gap analysis as of December 31, 2016:

(dollars in millions)	**0 to 90 Days**	**91 to 365 Days**	**1 - 5 Years**	**Over 5 Years**	**Non-Rate Sensitive**	**Total**
Assets:						
Interest-bearing deposits with banks	$34.2	$—	$—	$—	$ —	$34.2
Investment securities[1]	236.0	61.2	181.3	95.2	—	573.7
Loans and leases[2]	912.7	306.1	967.6	358.7	—	2,545.1
Allowance	—	—	—	—	(17.5)	(17.5)
Cash and due from banks	—	—	—	—	16.6	16.6
Other assets	—	—	—	—	269.4	269.4
Total assets	$1,182.9	$367.3	$1,148.9	$453.9	$ 268.5	$3,421.5
Liabilities and shareholders' equity:						
Demand, non-interest-bearing	$45.6	$136.7	$191.6	$362.3	$ —	$736.2
Savings, NOW and market rate	95.3	286.0	678.7	313.2	—	1,373.2
Time deposits	35.4	243.6	43.8	0.1	—	322.9
Wholesale non-maturity deposits	74.3	—	—	—	—	74.3
Wholesale time deposits	6.6	30.6	35.9	—	—	73.1
Short-term borrowings	204.2	—	—	—	—	204.2
FHLB advances and other borrowings	30.0	45.0	114.7	—	—	189.7
Subordinated notes	—	—	29.5	—	—	29.5
Other liabilities	—	—	—	—	37.3	37.3
Shareholders' equity	13.6	40.8	217.8	108.9	—	381.1

Total liabilities and shareholders' equity	$505.0	$782.7	$1,312.0	$784.5	$ 37.3	$3,421.5
Interest-earning assets	$1,182.9	$367.3	$1,148.9	$453.9	$ —	$3,153.0
Interest-bearing liabilities	445.8	605.2	902.6	313.3	—	2,266.9
Difference between interest-earning assets and interest-bearing liabilities	$737.1	$(237.9)	$246.3	$140.6	$ —	$886.1
Cumulative difference between interest earning assets and interest-bearing liabilities	$737.1	$499.2	$745.4	$886.1	$ —	$886.1
Cumulative earning assets as a % of cumulative interest bearing liabilities	265 %	147 %	138 %	139 %		

(1) *Investment securities include available for sale, held to maturity and trading.*

(2) *Loans include portfolio loans and leases and loans held for sale.*

The table above indicates that the Corporation is asset sensitive and should experience an increase in net interest income in the near term, if interest rates rise. Accordingly, if rates decline, net interest income should decline. Actual results may differ from expected results for many reasons including market reactions, competitor responses, customer behavior and/or regulatory actions.

Provision for Loan and Lease Losses

General Discussion of the Allowance for Loan and Lease Losses

The balance of the allowance for loan and lease losses is determined based on the Corporation's review and evaluation of the loan and lease portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including the Corporation's assumptions as to future delinquencies, recoveries and losses.

Table of Contents

Increases to the Allowance are implemented through a corresponding Provision (expense) in the Corporation's statement of income. Loans and leases deemed uncollectible are charged against the Allowance. Recoveries of previously charged-off amounts are credited to the Allowance.

While the Corporation considers the Allowance to be adequate, based on information currently available, future additions to the Allowance may be necessary due to changes in economic conditions or the Corporation's assumptions as to future delinquencies, recoveries and losses and the Corporation's intent with regard to the disposition of loans. In addition, the Pennsylvania Department of Banking and the Federal Reserve Bank of Philadelphia, as an integral part of their examination processes, periodically review the Corporation's Allowance.

The Corporation's Allowance is comprised of four components that are calculated based on various independent methodologies. All components of the Allowance are based on Management's estimates. These estimates are summarized earlier in this document under the heading "Critical Accounting Policies, Judgments and Estimates."

The four components of the Allowance are as follows:

Specific Loan Evaluation Component – Loans and leases for which management has reason to believe it is probable that it will not be able to collect all contractually due amounts of principal and interest are evaluated for impairment on an individual basis and a specific allocation of the Allowance is assigned, if necessary.

Historical Charge-Off Component – Homogeneous pools of loans are evaluated to determine average historic charge-off rates. Management applies a rolling, twenty quarter charge-off history as a look-back period to determine these average charge-off rates. Management evaluates the length of this look-back period in order to determine its appropriateness. In addition, management develops an estimate of a loss emergence period for each segment of the loan portfolio. The loss emergence period estimates the time between the occurrence of a loss event for a borrower and an actual charge-off of a loan.

Qualitative Factors Component – Various qualitative factors are considered as they relate to the different homogeneous loan pools in order to adjust the historic charge-off rates so that they reflect current economic conditions that may not be accurately reflected in the historic charge-off rates. These factors include delinquency trends, economic conditions, loan terms, credit grades, concentrations of credit, regulatory environment and other relevant factors. The resulting adjustments are combined with the historic charge-off rates and result in an allocation rate for each homogeneous loan pool.

Unallocated Component – This amount represents the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating the specific, historical, and qualitative losses in the portfolio discussed above. There are many factors considered, such as the inherent delay in obtaining information regarding a customer's financial information or changes in their business condition, the judgmental nature of loan and lease evaluations, the delay in interpreting economic trends, and the judgmental nature of collateral assessments.

As part of the process of calculating the Allowance for the different segments of the loan and lease portfolio, management considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by both in-house employees as well as an external loan review service. The results of these reviews are reflected in the risk grade assigned to each loan. These internally assigned grades are as follows:

Pass – Loans considered satisfactory with no indications of deterioration.

Special mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Substandard loans have well-defined weaknesses that may jeopardize the liquidation of the collateral and repayment of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Loan balances classified as doubtful have been reduced by partial charge-offs and are carried at their net realizable values.

Consumer credit exposure, which includes residential mortgages, home equity lines and loans, leases and consumer loans, are assigned a credit risk profile based on payment activity (that is, their delinquency status).

Table of Contents

Refer to Note 5-F in the Notes to Consolidated Financial Statements for details regarding credit quality indicators associated with the Corporation's loan and lease portfolio.

Portfolio Segmentation – The Corporation's loan and lease portfolio is divided into specific segments of loans and leases having similar characteristics. These segments are as follows:

- Commercial mortgage
- Home equity lines and loans
- Residential mortgage
- Construction
- Commercial and industrial
- Consumer
- Leases

Refer to Note 5 in the Notes to Consolidated Financial Statements and the section of this MD&A under the heading "Portfolio Loans and Leases" for details of the Corporation's loan and lease portfolio, broken down by portfolio segment.

Impairment Measurement – In accordance with guidance provided by ASC 310-10, "Receivables", the Corporation employs one of three methods to determine and measure impairment:

- the Present Value of Future Cash Flow Method;
- the Fair Value of Collateral Method;
- the Observable Market Price of a Loan Method.

Loans and leases for which there is an indication that all contractual payments may not be collectible are evaluated for impairment on an individual basis. Loans that are evaluated on an individual basis include non-performing loans, troubled debt restructurings and purchased credit-impaired loans.

Nonaccrual Loans – In general, loans and leases that are delinquent on contractually due principal or interest payments for more than 89 days are placed on nonaccrual status and any unpaid interest is reversed as a charge to interest income. When the loan resumes payment, all payments (principal and interest) are applied to reduce principal. After a period of six months of satisfactory performance, the loan may be placed back on accrual status. Any interest payments received during the nonaccrual period that had been applied to reduce principal are reversed and recorded as a deferred fee which accretes to interest income over the remaining term of the loan or lease. In certain cases, the Corporation may have information about a particular loan or lease that may indicate a future disruption or curtailment of contractual payments. In these cases, the Corporation will preemptively place the loan or lease on nonaccrual status.

Troubled Debt Restructurings ("TDRs") - The Corporation follows guidance provided by ASC 310-40, "Troubled Debt Restructurings by Creditors." A restructuring of a debt constitutes a TDR if the creditor, for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider in the normal course of business. A concession may include an extension of repayment terms which would not normally be granted, a reduction of interest rate or the forgiveness of principal and/or accrued interest. If the debtor is experiencing financial difficulty and the creditor has granted a concession, the Corporation will make the necessary disclosures related to the TDR. In certain cases, a modification may be made in an effort to retain a customer who is not experiencing financial difficulty. This type of modification is not considered to be a TDR. Once a loan or lease has been modified and is considered a TDR, it is reported as an impaired loan or lease. If the loan or lease deemed a TDR has performed for at least six months at the level prescribed by the modification, it is not considered to be non-performing; however, it will generally continue to be reported as impaired. Loans and leases that have performed for at least six months are reported as TDRs in compliance with modified terms.

Refer to Note 5-G in the Notes to Consolidated Financial Statements for more information regarding the Corporation's TDRs.

Charge-off Policy - The Corporation's charge-off policy is that, on a periodic basis, not less often than quarterly, delinquent and non-performing loans that exceed the following limits are considered for full or partial charge-off:

Open-ended consumer loans exceeding 180 days past due.

Table of Contents

Closed-ended consumer loans exceeding 120 days past due.
All commercial/business purpose loans exceeding 180 days past due.
All leases exceeding 120 days past due.

Any other loan or lease, for which the Corporation has reason to believe collectability is unlikely, and for which sufficient collateral does not exist, is also charged off.

Refer to Note 5-F in the Notes to Consolidated Financial Statements for more information regarding the Corporation's charge-offs and factors which influenced Management's judgment with respect thereto.

Loans Acquired in Mergers and Acquisitions

In accordance with GAAP, the loans acquired from FKB, FBD and CBH were recorded at their fair value with no carryover of the previously associated allowance for loan loss.

Certain loans were acquired which exhibited deteriorated credit quality since origination and for which the Corporation does not expect to collect all contractual payments. Accounting for these purchased credit-impaired ("PCI") loans is done in accordance with ASC 310-30, "Receivables – Loans and Debt Securities Acquired with Deteriorated Credit Quality". The loans were recorded at fair value, reflecting the present value of the amounts expected to be collected. Income recognition on these loans is based on a reasonable expectation about the timing and amount of cash flows to be collected. Acquired loans deemed impaired and considered collateral dependent, with the timing of the sale of loan collateral indeterminate, remain on non-accrual status and have no accretable yield. On a regular basis, at least quarterly, an assessment is made on PCI loans to determine if there has been any improvement or deterioration of the expected cash flows. If there has been improvement, an adjustment is made to increase the recognition of interest on the PCI loan, as the estimate of expected loss on the loan is reduced. Conversely, if there is deterioration in the expected cash flows of a PCI loan, a Provision is recorded in connection with the loan. Management evaluates PCI loans individually for further impairment as well as for improvements to expected cash flows.

Loans acquired in mergers and acquisitions which do not exhibit deteriorated credit quality at the time of acquisition are accounted for under ASC 310-20 and receive a loan mark based on credit and interest-rate. The resulting discount or premium is accreted or amortized, respectively, to interest income over their remaining maturity. These non-impaired acquired loans, along with the balance of the Corporation's loan and lease portfolio are evaluated on either an individual basis or on a collective basis for impairment. For a more information regarding the Corporation's impaired loans and leases, refer to Notes 5-F and 5-H and for more information regarding loan marks, refer to Note 5-I in the Notes to Consolidated Financial Statements.

Asset Quality and Analysis of Credit Risk

As of December 31, 2016, total non-performing loans and leases were $8.4 million, representing 0.33% of portfolio loans and leases, as compared to $10.2 million, or 0.45% of portfolio loans and leases, as of December 31, 2015. The $1.9 million decrease in non-performing loans and leases was comprised of decreases of $1.2 million, $554 thousand and $509 thousand in commercial and industrial loans, residential mortgages, and commercial mortgages, respectively. These decreases were partially offset by increases of $262 thousand and $128 thousand in non-performing home equity lines and loans and leases, respectively.

The Provision for the twelve month periods ended December 31, 2016, 2015 and 2014 was $4.3 million, $4.4 million and $884 thousand, respectively. The Provision recorded during any given period reflects an allocation related to net new loan volume and the replenishment of Allowance consumed by charge-offs of loans and leases for which the Corporation had not specifically reserved. Net loan charge-offs for the twelve months ended December 31, 2016 totaled $2.7 million as compared to $3.1 million for the same period in 2015. Total portfolio loans increased by $266.4 million during the twelve months ended December 31, 2016 as compared to $192.5 million (excluding loans acquired in the CBH Merger) for the same period in 2015. As of December 31, 2016, the Allowance of $17.5 million represents 0.69% of portfolio loans and leases, as compared to the Allowance as of December 31, 2015 of $15.9 million, which represented 0.70% of portfolio loans and leases as of that date.

As of December 31, 2016, the Corporation had other real estate owned (“OREO”) valued at $1.0 million, as compared to $2.6 million as of December 31, 2015. The decrease was related to the sale, during 2016, of one residential property, carried at $1.8 million, which resulted in a $76 thousand loss on sale, partially offset by the addition of two residential properties totaling $355 thousand. In addition, $111 thousand in impairment was recorded on the OREO portfolio based on updated property appraisals or agreements of sale. The properties comprising the balance as of December 31, 2016 include seven single-family residential properties. All properties are recorded at their estimated fair values less costs to sell.

As of December 31, 2016, the Corporation had $9.0 million of TDRs, of which $6.4 million were in compliance with the modified terms for six months or greater, and hence, excluded from non-performing loans and leases. As of December 31, 2015, the Corporation had $6.8 million of TDRs, of which $4.9 million were in compliance with the modified terms.

Table of Contents

Impaired loans and leases are those for which it is probable that the Corporation will not be able to collect all scheduled principal and interest payments in accordance with the original terms of the loans and leases. Included in impaired loans and leases are non-accrual loans and leases and TDRs in compliance with modified terms. Purchased credit-impaired loans are not included in impaired loan and lease totals. As of December 31, 2016, the Corporation had $14.4 million of impaired loans and leases, as compared to impaired loans and leases of $14.5 million as of December 31, 2015. Refer to Note 5-H in the Notes to Consolidated Financial Statements for more information regarding the Corporation's impaired loans and leases.

The Corporation continues to be diligent in its credit underwriting process and very proactive with its loan review process, including engaging the services of an independent outside loan review firm, which helps identify developing credit issues. These proactive steps include the procurement of additional collateral (preferably outside the current loan structure) whenever possible and frequent contact with the borrower. Management believes that timely identification of credit issues and appropriate actions early in the process serve to mitigate overall losses.

Non-Performing Assets, TDRs and Related Ratios as of or for the Twelve Months Ended December 31,

(dollars in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Non-accrual loans and leases	$8,363	$10,244	$10,096	$10,530	$14,040
Loans 90 days or more past due and still accruing	—	—	—	—	728
Total non-performing loans and leases	8,363	10,244	10,096	10,530	14,768
Other real estate owned	1,017	2,638	1,147	855	906
Total non-performing assets	$9,380	$12,882	$11,243	$11,385	$15,674
Troubled debt restructurings included in non-performing assets	$2,632	$1,935	$4,315	$1,699	$3,106
TDRs in compliance with modified terms	6,395	4,880	4,157	7,277	8,008
Total TDRs	$9,027	$6,815	$8,472	$8,976	$11,114
Allowance for loan and lease losses to non-performing loans and leases	209.1 %	154.8 %	144.5 %	147.3 %	97.7 %
Non-performing loans and leases to total loans and leases	0.33 %	0.45 %	0.61 %	0.68 %	1.06 %
Allowance for loan losses to total portfolio loans and leases	0.69 %	0.70 %	0.88 %	1.00 %	1.03 %
Non-performing assets to total assets	0.27 %	0.43 %	0.50 %	0.55 %	0.77 %
Period end portfolio loans and leases	$2,535,425	$2,268,988	$1,652,257	$1,547,185	$1,398,456
Average portfolio loans and leases	$2,506,376	$2,153,542	$1,608,248	$1,453,555	$1,307,140
Allowance for loan and lease losses	$17,486	$15,857	$14,586	$15,515	$14,425

Interest income that would have been recorded on impaired loans if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination	$1,098	$1,100	$533	$1,074	$1,417
Interest income on impaired loans included in net income for the period	$552	$513	$341	$365	$507

As of December 31, 2016, the Corporation is not aware of any loan or lease, other than those disclosed in the table above, for which it has any serious doubt as to the borrower's ability to pay in accordance with the terms of the loan.

Summary of Changes in the Allowance for Loan and Lease Losses

(dollars in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Balance, January 1	$15,857	$14,586	$15,515	$14,425	$12,753
Charge-offs:					
Consumer	(173)	(177)	(144)	(194)	(96)
Commercial and industrial	(1,298)	(1,220)	(415)	(781)	(458)
Real estate	(1,008)	(1,615)	(1,231)	(891)	(818)
Construction	—	—	—	(737)	(1,131)
Leases	(808)	(442)	(410)	(376)	(364)
Total charge-offs	(3,287)	(3,454)	(2,200)	(2,979)	(2,867)
Recoveries:					
Consumer	23	29	17	10	7
Commercial and industrial	93	35	98	65	143
Real estate	178	160	47	105	79
Construction	64	4	60	24	15
Leases	232	101	165	290	292
Total Recoveries	590	329	387	494	536
Net charge-offs	(2,697)	(3,125)	(1,813)	(2,485)	(2,331)
Provision for loan and lease losses	4,326	4,396	884	3,575	4,003
Balance, December 31	$17,486	$15,857	$14,586	$15,515	$14,425
Ratio of net charge-offs to average portfolio loans outstanding	0.17 %	0.15 %	0.11 %	0.17 %	0.18 %

Table of Contents

Allocation of Allowance for Loan and Lease Losses

The following table sets forth an allocation of the allowance for loan and lease losses by portfolio segment. The specific allocations in any particular portfolio segment may be changed in the future to reflect then-current conditions. Accordingly, the Corporation considers the entire allowance to be available to absorb losses in any portfolio segment.

(dollars in thousands)	**December 31, 2016**	**% Loans to Total Loans**	**2015**	**% Loans to Total Loans**	**2014**	**% Loans to Total Loans**	**2013**	**% Loans to Total Loans**	**2012**	**% Loans to Total Loans**
Allowance at end of period applicable to:										
Commercial mortgage	$6,227	43.8 %	$5,199	42.5 %	$3,948	41.8 %	$3,797	40.4 %	$3,907	39.1 %
Home equity lines and loans	1,255	8.2	1,307	9.2	1,917	11.0	2,204	12.3	1,857	13.9
Residential mortgage	1,917	16.3	1,740	17.9	1,736	19.0	2,446	19.4	2,024	20.6
Construction	2,233	5.6	1,324	4.0	1,367	4.0	845	3.0	1,019	1.9
Commercial and industrial	5,142	22.9	5,609	23.1	4,533	20.3	5,011	21.2	4,637	20.9
Consumer	153	1.0	142	1.0	238	1.1	259	1.1	189	1.3
Leases	559	2.2	518	2.3	468	2.8	604	2.6	493	2.3
Unallocated	—	—	18	—	379	—	349	—	299	—
Total	$17,486	100.0 %	$15,857	100.0 %	$14,586	100.0 %	$15,515	100.0 %	$14,425	100.0 %

Non-Interest Income

2016 Compared to 2015

Non-interest income for the twelve months ended December 31, 2016 was $54.0 million, a decrease of $1.9 million as compared to the same period in 2015. The decrease was related to a $1.0 million decrease in gain on sale of available for sale investment securities, a $319 thousand decrease in dividends on FHLB and FRB stocks and a $204 thousand decrease in fees for wealth management services. The decrease in gain on sale of available for sale investment securities resulted from the very limited sales during the twelve months ended December 31, 2016, which resulted in a loss on sale of $77 thousand as compared to the sale of $64.0 million of available for sale investment securities sold during the same period in 2015, which resulted in a gain on sale of $931 thousand. The majority of the investments sold in 2015 had been acquired in the CBH Merger and were strategically sold to shorten the duration of the portfolio. The $319 thousand decrease in dividends on FHLB and FRB stocks occurred due to the special dividend paid on FHLB stock in 2015 which was not repeated in 2016. The $204 thousand decrease in fees for wealth management services was related to the shift in the composition of the wealth management portfolio, with more of the portfolio being comprised of assets held in lower-yielding fixed-fee accounts as of December 31, 2016 as compared to December 31, 2015.

2015 Compared to 2014

Non-interest income for the twelve months ended December 31, 2015 was $56.0 million, an increase of $7.6 million as compared to the same period in 2014. The increase related to $2.6 million in insurance commissions, $1.8 million in other operating income, $1.3 million in net gain on sale of loans, $767 thousand in dividends on bank stocks and $450 thousand in gain on sale of available for sale investment securities.

The $2.6 million increase in insurance commissions is related to the acquisitions of PCPB in October 2014 and RJM in April 2015. The two acquisitions have contributed a valuable source of noninterest income. The $1.8 million increase in other operating income (detailed in Note 21 of the Notes to Financial Statements) included a $468 thousand increase in bank owned life insurance (“BOLI”) income related to the $12.1 million of BOLI acquired in the CBH Merger and the $5.0 million of BOLI purchased in July 2015. Other components of other operating income related to loan, deposit and merchant fees increased as a result of the increased customer volume from the CBH Merger. The increase in gain on sale of loans resulted from the success of the mortgage banking initiative which began toward the end of 2014. The increase in dividends on bank stocks (FHLB and FRB) was primarily related to a special dividend received from the FHLB in the first quarter of 2015.

Non-Interest Expense

2016 Compared to 2015

Non-interest expense for the twelve months ended December 31, 2016 was $101.7 million, a decrease of $24.0 million, as compared to the same period in 2015. The primary driver for the decrease related to the $17.4 million loss on settlement of the corporate pension plan and the $6.7 million of due diligence, merger-related and merger integration expenses which had been recorded in the twelve months ended December 31, 2015 but not repeated in 2016. Decreases in several other noninterest expense categories also occurred as the efficiencies and cost-saves related to the CBH Merger began to be realized. Partially offsetting these decreases was a $2.8 million increase in salaries and wages related to annual salary increases, incentive increases and the hiring of several new senior and executive officers during 2016.

2015 Compared to 2014

Non-interest expense for the twelve months ended December 31, 2015 was $125.8 million, an increase of $44.3 million, as compared to the same period in 2014. The most significant item contributing to the increase in non-interest expense was the $17.4 million loss on settlement of the pension plan which had been frozen in March 2008. The decision to settle the pension plan was made in order to eliminate the earnings volatility associated with a defined benefit program. In addition, due diligence, merger-related and merger integration expenses increased $4.3 million for the twelve months ended December 31, 2015 as compared to the same period in 2014. The majority of the costs were related to the CBH Merger, which closed on January 1, 2015 and integration of CBH into the Corporation which was completed during the fourth quarter of 2015. Also, related to the CBH Merger, a $929 thousand lease termination penalty in connection with the former CBH headquarters along with the impairment of a favorable lease asset related to the same property were incurred. Many of the other increases in non-interest expense categories were related to the staff and facilities acquired in the CBH Merger. These categories include salaries and wages, employee benefits and occupancy and bank premises.

Secondary Market Sold-Loan Repurchase Demands

In the course of originating residential mortgage loans and selling those loans in the secondary market, the Corporation makes various representations and warranties to the purchasers of the mortgage loans. Each residential mortgage loan originated by the Corporation is evaluated by an automated underwriting application, which verifies the underwriting criteria and certifies the loan’s eligibility for sale to the secondary market. Any exceptions discovered during this process are remedied prior to sale. These representations and warranties also apply to underwriting the real estate appraisal opinion of value for the collateral securing these loans. Under the representations and warranties, failure by the Corporation to comply with the underwriting and appraisal standards could result in the Corporation's being required to repurchase the mortgage loan or to reimburse the investor for losses incurred (make whole requests) if such failure cannot be cured by the Corporation within the specified period following discovery. As of December 31, 2016, there were no pending or unsettled loan repurchase demands. No repurchase demands were received during the twelve months ended December 31, 2016.

Income Taxes

Income taxes for the twelve months ended December 31, 2016 were $18.2 million as compared to $9.2 million and $15.0 million for the same periods in 2015 and 2014, respectively. The effective tax rates for the twelve month periods ended December 31, 2016, 2015 and 2014 were 33.5%, 35.4% and 35.0%, respectively. The decrease in effective tax rate for 2016 as compared to 2015 was largely related to the $565 thousand in excess tax benefit on stock-based compensation, which is recognized on the income statement by way of the early adoption of ASU 2016-09. In addition, for the twelve months ended December 31, 2015, there was $300 thousand of non-deductible merger expenses which were not present in 2016. The increase in effective tax rate for 2015 as compared to 2014 was related to increases in state income taxes, partially offset by increases in tax-free income from BOLI, tax-free loans and municipal investments. For more information related to income taxes, refer to Note 18 in the Notes to Consolidated Financial Statements.

Balance Sheet Analysis

Asset Changes

Total assets as of December 31, 2016 increased to $3.42 billion from $3.03 billion as of December 31, 2015. The $390.5 million increase was related to the $266.4 million increase in portfolio loans and the $218.0 million increase in investment securities available for sale. These increases were partially offset by a $92.3 million decrease in cash and cash equivalents.

Table of Contents

As of both December 31, 2016 and 2015, the majority of the Corporation's investment securities were classified as available for sale. Investments held in trading accounts as of December 31, 2016 and 2015, which totaled $3.9 million and $4.0 million, respectively, and were comprised of deferred compensation trusts which are invested in marketable securities whose diversification is at the discretion of the deferred compensation plan participants. In addition, as of December 31, 2016, $2.9 million of investment securities were classified as held to maturity.

The following table details the maturity and weighted average yield [3] of the available for sale investment portfolio [2] as of December 31, 2016:

(dollars in thousands)	**Maturing During 2017**	**Maturing From 2018 Through 2021**	**Maturing From 2022 Through 2026**	**Maturing After 2026**	**Total**
U.S. Treasury securities:					
Amortized cost	$ 199,993	$ 101	$ —	$ —	$ 200,094
Weighted average yield	0.32 %	1.03 %			0.32 %
Obligations of the U.S. government and agencies:					
Amortized cost	5,010	18,331	41,691	18,079	83,111
Weighted average yield	0.79 %	1.55 %	1.97 %	2.69	1.96 %
State and political subdivisions[3]:					
Amortized cost	8,173	21,304	4,148	—	33,625
Weighted average yield	1.06 %	1.44 %	1.77 %		1.39 %
Mortgage-related securities[1]:					
Amortized cost	—	16,535	42,509	176,441	235,485
Weighted average yield		2.46 %	2.49 %	2.23 %	2.29 %
Other investment securities:					
Amortized cost	700	600	—	—	1,300
Weighted average yield	1.38 %	2.22 %			1.77 %
Total amortized cost	$ 213,876	$ 56,871	$ 88,348	$ 194,520	$ 553,615
Weighted average yield	0.36 %	1.78 %	2.21 %	2.27 %	1.47 %

(1) *Mortgage-related securities are included in the above table based on their contractual maturity. However, mortgage-related securities, by design, have scheduled monthly principal payments which are not reflected in this table.*

(2)

Excluded from the above table is the Corporation's investment in bond mutual funds with an amortized cost of $15.3 million, which have no stated maturity or constant stated yield.

(3) *Weighted average yields on tax-exempt obligations have not been computed on a tax-equivalent basis.*

The following table details the amortized cost of the available for sale investment portfolio as of the dates indicated:

	Amortized Cost as of December 31,		
(dollars in thousands)	2016	2015	2014
Obligations of the U.S. government and agencies	$83,111	$101,342	$66,881
Obligations of the U.S. Treasury	200,094	101	102
Obligations of state and political subdivisions	33,625	41,892	28,955
Mortgage-backed securities	185,997	157,422	79,498
Collateralized mortgage obligations	49,488	29,756	34,618
Other investments	16,575	17,263	17,499
Total amortized cost	$568,890	$347,776	$227,553

Portfolio Loans and Leases

The table below details the loan portfolio as of the dates indicated:

	December 31,				
(dollars in thousands)	**2016**	**2015**	**2014**	**2013**	**2012**
Commercial mortgage	$1,110,898	$964,259	$689,528	$625,341	$546,358
Home equity lines & loans	207,999	209,473	182,082	189,571	194,861
Residential mortgage	413,540	406,404	313,442	300,243	288,212
Construction	141,964	90,421	66,267	46,369	26,908
Commercial & industrial	579,791	524,515	335,645	328,459	291,620
Consumer	25,341	22,129	18,480	16,926	17,666
Leases	55,892	51,787	46,813	40,276	32,831
Total portfolio loans and leases	2,535,425	2,268,988	1,652,257	1,547,185	1,398,456
Loans held for sale	9,621	8,987	3,882	1,350	3,412
Total	$2,545,046	$2,277,975	$1,656,139	$1,548,535	$1,401,868

Table of Contents

The following table summarizes the loan maturity distribution and interest rate sensitivity as of December 31, 2016. Excluded from the table are residential mortgage, home equity lines and loans and consumer loans:

(dollars in thousands)	**Maturing During 2017**	**Maturing From 2018 Through 2021**	**Maturing After 2021**	**Total**
Loan portfolio maturity:				
Commercial and industrial	$235,267	$173,019	$171,505	$579,791
Construction	109,213	32,751	—	141,964
Commercial mortgage	52,322	354,441	704,135	1,110,898
Leases	3,822	51,996	74	55,892
Total	$400,624	$612,207	$875,714	$1,888,545
Interest sensitivity on the above loans:				
Loans with predetermined rates	$115,536	$442,744	$288,719	$846,999
Loans with adjustable or floating rates	285,088	169,463	586,995	1,041,546
Total	$400,624	$612,207	$875,714	$1,888,545

The list below identifies certain key characteristics of the Corporation's loan and lease portfolio. Refer to the loan and lease portfolio tables in Note 5 in the Notes to Consolidated Financial Statements and the section of this MD&A under the heading "Portfolio Loans and Leases" for further details.

Portfolio Loans and Leases – The Corporation's $2.54 billion loan and lease portfolio is predominantly based in the Corporation's traditional market areas of Chester, Delaware and Montgomery counties in Pennsylvania, New Castle county in Delaware, and in the greater Philadelphia area, none of which has experienced the real estate price appreciation and subsequent decline that many other areas of the country have experienced over the last ten years.

Concentrations – The Corporation has a significant portion of its portfolio loans (excluding leases) in real estate-related loans. As of December 31, 2016, loans secured by real estate were $1.87 billion or 73.9% of the total loan portfolio of $2.54 billion. A predominant percentage of the Corporation's real estate exposure, both commercial and residential, is within Pennsylvania. The Corporation is aware of this concentration and mitigates this risk to the extent possible in many ways, including the underwriting and assessment of the borrower's capacity to repay, equity in the underlying real estate collateral and a review of a borrower's global cash flows. The Corporation has recourse against a substantial portion of the loans in the real estate portfolio.

In addition to loans secured by real estate, commercial and industrial loans comprise 22.9% of the total loan portfolio as of December 31, 2016.

Construction – The construction portfolio of $142.0 million accounts for 5.6% of the total loan and lease portfolio at December 31, 2016, an increase of $51.5 million from December 31, 2015. The construction loan segment of the portfolio, which consists of residential site development loans, commercial construction loans and loans for construction of individual homes, had no delinquent or nonperforming loans as of both December 31, 2016. Nonperforming construction loans comprised 0.04% of the construction segment of the portfolio as of December 31, 2015.

Residential Mortgages – Residential mortgage loans were $413.5 million as of December 31, 2016, an increase of $7.1 million from December 31, 2015. The residential mortgage segment accounts for 16.3% of the total loan and lease portfolio as of December 31, 2016. The residential mortgage segment of the portfolio had a delinquency rate on performing loans, as of December 31, 2016, of 0.32%, as compared to 0.50% as of December 31, 2015. Nonperforming residential mortgage loans comprised 0.64% of the residential mortgage segment of the portfolio as of December 31, 2016, as compared to 0.79% as of December 31, 2015. The Corporation believes it is well protected with its collateral position on this portfolio.

Commercial Mortgages – Commercial mortgages were $1.11 billion as of December 31, 2016, an increase of $146.6 million from December 31, 2015. The Corporation has made a concerted effort, over several operating cycles, to attract strong commercial real estate entrepreneurs in its primary trade area. The commercial mortgage segment accounts for 43.8% of the total loan and lease portfolio as of December 31, 2016. The commercial mortgage segment of the portfolio had a delinquency rate on performing loans, as of December 31, 2016, of 0.12%, as compared to 0.14% as of December 31, 2015. Nonperforming commercial mortgage loans comprised 0.03% of the commercial mortgage segment of the portfolio as of December 31, 2016, as compared to 0.09% as of December 31, 2015. The borrowers comprising this segment of the portfolio generally have strong, global cash flows, which have remained stable in this tough economic environment.

Commercial and Industrial – Commercial and industrial loans were $579.8 million as of December 31, 2016, an increase of $55.3 million from December 31, 2015. The commercial and industrial segment accounts for 22.9% of the total loan and lease portfolio as of December 31, 2016. The commercial and industrial segment of the portfolio had a delinquency rate on performing loans, as of December 31, 2016, of 0.01%, as compared to 0.03% as of December 31, 2015. Nonperforming commercial and industrial loans comprised 0.51% of the commercial and industrial segment of the portfolio as of December 31, 2016, as compared to 0.79% as of December 31, 2015. The commercial and industrial segment of the portfolio consists of loans to privately held institutions, family businesses, non-profit institutions and private banking relationships. While certain of these loans are collateralized by real estate, others are collateralized by non-real estate business assets, including accounts receivable and inventory.

Home Equity Loans and Lines of Credit – Home equity loans and lines of credit were $208.0 million as of December 31, 2016, a decrease of $1.5 million from December 31, 2015. The home equity loans and lines of credit segment accounts for 8.2% of the total loan and lease portfolio as of December 31, 2016. The home equity loans and lines of credit segment of the portfolio had a delinquency rate on performing loans, as of December 31, 2016, of 0.01%, as compared to 0.78% as of December 31, 2015. Nonperforming home equity loans and lines of credit comprised 1.10% of the home equity loans and lines of credit segment of the portfolio as of December 31, 2016, as compared to 0.97% as of December 31, 2015. The Corporation originates the majority of its home equity loans and lines of credit through its branch network.

Consumer loans – Consumer loans were $25.3 million as of December 31, 2016, an increase of $3.2 million from December 31, 2015. The consumer loan segment accounted for 1.0% of the total loan and lease portfolio as of December 31, 2016. The consumer loan segment of the portfolio had a delinquency rate on performing loans, as of December 31, 2016, of 0.06%, as compared to 0.12% as of December 31, 2015. Nonperforming consumer loans comprised 0.01% of the consumer loan segment of the portfolio as of December 31, 2016, as compared to 0.00% as of December 31, 2015.

Leasing – Leases totaled $55.9 million as of December 31, 2016, an increase of $4.1 million from December 31, 2015. The lease segment of the portfolio accounted for 2.2% of the total loan and lease portfolio as of December 31, 2016. The lease segment of the portfolio had a delinquency rate on performing leases, as of December 31, 2016, of 0.47%, as compared to 0.96% as of December 31, 2015. Nonperforming leases comprised 0.24% of the leasing segment of the portfolio as of December 31, 2016, as compared to 0.02% as of December 31, 2015.

Goodwill and Other Intangible Assets – Goodwill as of December 31, 2016 was unchanged at $104.8 million from December 31, 2015. Other intangible assets decreased by $3.5 million from December 31, 2015 to December 31, 2016, through amortization. For more information regarding goodwill and other intangible assets, see Notes 2 and 3 in the Notes to Consolidated Financial Statements for additional details.

FHLB Stock - The Corporation's investment in stock issued by the FHLB as of December 31, 2016 increased by $4.4 million, from December 31, 2015. The Corporation must purchase, or the FHLB must redeem, its stock based on the

Corporation's borrowings balance with the FHLB.

Mortgage Servicing Rights ("MSRs") - MSRs increased $440 thousand to $5.6 million as of December 31, 2016 from $5.1 million as of December 31, 2015. This increase was the result of $1.3 million of MSRs recorded during the twelve months ended December 31, 2016, reduced by amortization of $750 thousand and impairment of $131 thousand during the period.

Table of Contents

The following table details activity related to mortgage servicing rights for the periods indicated:

	For the Twelve Months Ended or as of December 31,		
(dollars in thousands)	**2016**	**2015**	**2014**
Mortgage originations	$280,059	$231,049	$117,257
Mortgage loans sold:			
Servicing retained	$138,134	$107,351	$54,859
Servicing released	22,829	29,630	783
Total mortgage loans sold	$160,963	$136,981	$55,642
Percentage of originated mortgage loans sold	57.5 %	59.3 %	47.5 %
Servicing retained %	85.8 %	78.4 %	98.6 %
Servicing released %	14.2 %	21.6 %	1.4 %
Residential mortgage loans serviced for others	$631,889	$601,939	$590,660
Mortgage servicing rights	$5,582	$5,142	$4,765
Gain on sale of mortgage loans	$2,765	$2,501	$1,772
Loans servicing and other fees	$1,939	$2,087	$1,755
Amortization of MSRs	$750	$590	$476
Impairment of MSRs	$131	$70	$56

Liability Changes

Total liabilities as of December 31, 2016 increased $375.1 million, to $3.04 billion from December 31, 2015. The increase was largely related to the $327.0 million increase in deposits between the dates.

Deposits - Deposits of $2.58 billion, as of December 31, 2016, increased $327.0 million from December 31, 2015. The 14.5% increase was comprised of increases of $109.5 million and 217.5 million in noninterest-bearing and interest-bearing deposits, respectively.

The following table details deposits as of the dates indicated:

(dollars in thousands)	**As of December 31,** 2016	**2015**	**2014**	**2013**	**2012**
Interest-bearing checking	$379,424	$338,861	$277,228	$266,787	$270,279
Money market	761,657	749,726	566,354	544,310	559,470
Savings	232,193	187,299	138,992	135,240	129,091
Wholesale – non-maturity	74,272	67,717	66,693	42,936	45,162
Wholesale – time deposits	73,037	53,185	73,458	34,640	12,421
Time deposits	322,912	229,253	118,400	140,794	218,586
Interest-bearing deposits	$1,843,495	$1,626,041	$1,241,125	$1,164,707	$1,235,009
Non-interest-bearing deposits	736,180	626,684	446,903	426,640	399,673
Total deposits	$2,579,675	$2,252,725	$1,688,028	$1,591,347	$1,634,682

The following table summarizes the maturities of certificates of deposit of $100,000 or greater at December 31, 2016:

(dollars in thousands)	**Retail**	**Wholesale**
Three months or less	$20,474	$ 26,614
Three to six months	64,843	30,950
Six to twelve months	69,648	15,219
Greater than twelve months	28,671	—
Total	$183,636	$ 72,783

For more information regarding deposits, including average amount of deposits and average rate paid, refer to the sections of this MD&A under the headings “Balance Sheet Analysis” and “Analysis of Interest Rates and Interest Differential.”

Table of Contents

Borrowings - Short-term borrowings as of December 31, 2016, which include repurchase agreements, a repurchase agreement with a correspondent bank, overnight FHLB advances and federal funds from correspondent banks increased $110.0 million from December 31, 2015. As of December 31, 2016, long-term FHLB advances decreased $65.1 million from December 31, 2015. See the Liquidity Section of this MD&A under the heading “Liquidity” for further details on the Corporation’s FHLB available borrowing capacity.

Subordinated Notes – Subordinated notes, as of December 31, 2016, totaled $29.5 million and were comprised of 10-year 4.75% fixed-to-floating notes which were originated in August 2015.

Discussion of Segments

The Corporation has two operating segments: Wealth Management and Banking. These segments are discussed below. Detailed segment information appears in Note 29 in the Notes to Consolidated Financial Statements.

Wealth Management Segment Activity

The Wealth Management segment reported a pre-tax segment profit (“PTSP”) for the twelve months ended December 31, 2016 of $14.4 million, a $1.4 million, or 8.6%, decrease from the same period in 2015. Fees for wealth management services for 2016 decreased by $204 thousand from the amount recorded in 2015, while expenses increased by $1.1 million during the same period. The decrease in fees, year over year, despite the $2.96 billion increase in wealth assets from December 31, 2015 to December 31, 2016, is indicative of the continuing shift, during 2016, in the composition of the wealth portfolio. Much of the increase in wealth assets during 2016 was comprised of accounts with flat-fee arrangements, rather than market-based fees. Revenue from the insurance division, which is reported as part of the Wealth Management segment, was relatively unchanged for the twelve months ended December 31, 2016 as compared to the same period in 2015.

The Wealth Management segment reported a PTSP for the twelve months ended December 31, 2015 of $15.7 million, a $289 thousand, or 1.9%, increase from the same period in 2014. Fees for wealth management services for 2015 increased by $120 thousand from the amount recorded in 2014. The relatively small increase in fees, year over year, despite the $664.9 million increase in wealth assets from December 31, 2014 to December 31, 2015, was related a shift, during 2015, in the composition of the wealth portfolio. Much of the increase in wealth assets during 2015 was comprised of accounts with flat-fee arrangements, rather than market-based fees. The insurance division, which is reported as part of the Wealth Management segment, showed a $2.5 million increase in revenue for the twelve months ended December 31, 2015 as compared to the same period in 2014. The increase in insurance revenue was the result of the PCPB and RJM acquisitions in October 2014 and April 2015, respectively.

Wealth Assets Under Management, Administration, Supervision and Brokerage (“Wealth Assets”)

Wealth Asset accounts are categorized into two groups; the first account group consists predominantly of clients whose fees are determined based on the market value of the assets held in their accounts (“Market Value” fee basis). The second account group consists predominantly of clients whose fees are set at fixed amounts (“Fixed Fee” basis), and, as such, are not affected by market value changes.

The following tables detail the composition of Wealth Assets as it relates to the calculation of fees for wealth management services:

(dollars in thousands)	**Wealth Assets as of:**		
Fee Basis	December 31, 2016	December 31, 2015	December 31, 2014
Market value	$5,302,463	$4,971,636	$5,256,892
Fixed	6,025,994	3,393,169	2,443,016
	$11,328,457	$8,364,805	$7,699,908

(dollars in thousands)	**Percentage of Wealth Assets as of:**		
Fee Basis	December 31, 2016	December 31, 2015	December 31, 2014
Market value	46.8 %	59.4 %	68.3 %
Fixed	53.2 %	40.6 %	31.7 %
	100.0 %	100.0 %	100.0 %

Table of Contents

The following tables detail the composition of fees for wealth management services for the periods indicated:

(dollars in thousands)	**For the Twelve Months Ended:**		
Fee Basis	December 31, 2016	December 31, 2015	December 31, 2014
Market value	$28,418	$ 29,219	$ 29,926
Fixed	8,272	7,675	6,848
	$36,690	$ 36,894	$ 36,774

(dollars in thousands)	**Percentage of Fees for Wealth Management Services:**		
Fee Basis	December 31, 2016	December 31, 2015	December 31, 2014
Market value	77.5 %	79.2 %	81.4 %
Fixed	22.5 %	20.8 %	18.6 %
	100.0 %	100.0 %	100.0 %

Banking Segment Activity

Banking segment data as presented in Note 29 in the Notes to Consolidated Financial Statements indicates a PTSP of $39.8 million in 2016, $10.2 million in 2015 and $27.4 million in 2014. See the section of this MD&A under the heading “Components of Net Income” for a discussion of the Banking Segment.

Capital and Regulatory Capital Ratios

Consolidated shareholders’ equity of the Corporation was $381.1 million, or 11.1% of total assets, as of December 31, 2016, as compared to $365.7 million, or 12.1% of total assets, as of December 31, 2015.

In March 2015, the Corporation filed a shelf registration statement on Form S-3 (the “Shelf Registration Statement”). The Shelf Registration Statement allows the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, debt securities, warrants to purchase common stock, stock purchase contracts and units or units consisting of any combination of the foregoing securities. Using the prospectus in the Shelf Registration Statement, together with applicable prospectus supplements, the Corporation may sell, from time to time, in one or more offerings, such securities in a dollar amount up to $200 million, in the aggregate.

In addition, the Corporation has in place under its Shelf Registration Statement a Dividend Reinvestment and Stock Purchase Plan (the “Plan”), which allows it to issue up to 1,500,000 shares of registered common stock. The Plan allows for the grant of a request for waiver (“RFW”) above the Plan’s maximum investment of $120 thousand per account per year. An RFW is granted based on a variety of factors, including the Corporation’s current and projected capital needs, prevailing market prices of the Corporation’s common stock and general economic and market conditions.

For the twelve months ended December 31, 2016, no shares were issued by the Corporation through the Plan. No RFWs were approved during the twelve months ended December 31, 2016. No other sales of securities were executed under the Shelf Registration Statement during the twelve months ended December 31, 2016.

Accumulated other comprehensive loss (“AOCL”), as of December 31, 2016 was $2.4 million, an increase of $2.0 million from December 31, 2015. The primary cause of the increase in AOCL was the increase in unrealized losses on available for sale investment securities, whose fair values were affected by rising interest rates toward the end of 2016.

As detailed in Note 26-E in the Notes to Consolidated Financial Statements, the capital ratios, as of December 31, 2016, of the Corporation decreased from their December 31, 2015 levels. The primary cause for this decrease was the $390.5 million increase in total assets between the dates. Conversely, the capital ratios of the Bank have increased from their December 31, 2015 levels largely as a result of a $15 million downstream of capital from the Corporation during the first quarter of 2016.

Both the Corporation and the Bank exceeded the required capital levels to be considered “Well Capitalized” by their respective regulators as of the end of each period presented.

Table of Contents

Liquidity

The Corporation has significant sources of liquidity at December 31, 2016. The liquidity position is managed on a daily basis as part of the daily settlement function and on a monthly basis as part of the asset liability management process. The Corporation's primary liquidity is maintained by managing its deposits along with the utilization of borrowings from the FHLB, purchased federal funds and utilization of other wholesale funding sources. Secondary sources of liquidity include the sale of investment securities and certain loans in the secondary market.

Other wholesale funding sources include certificates of deposit from brokers, generally available in blocks of $1.0 million or more. Funds obtained through these programs totaled $73.0 million as of December 31, 2016.

As of December 31, 2016, the maximum borrowing capacity with the FHLB was $1.22 billion, with an unused borrowing availability of $886.0 million. Borrowing availability at the Federal Reserve Discount Window was $117.3 million, and overnight Fed Funds lines, consisting of lines from seven banks, totaled $79.0 million. On a monthly basis, the Corporation's Asset Liability Committee reviews the Corporation's liquidity needs. This information is reported to the Risk Management Committee of the Board of Directors on a quarterly basis.

As of December 31, 2016, the Corporation held $17.3 million of FHLB stock as required by the borrowing agreement between the FHLB and the Corporation.

The Corporation has an agreement with CDC to provide up to $5 million, plus interest, of money market deposits at an agreed upon rate currently at 0.40%. The Corporation had $538 thousand in balances as of December 31, 2016 under this program. The Corporation can request an increase in the agreement amount as it deems necessary. In addition, the Corporation has an agreement with IND to provide up to $50 million, plus interest, of money market and NOW funds at an agreed upon interest rate equal to the current Fed Funds rate plus 20 basis points. The Corporation had $47.0 million in balances as of December 31, 2016 under this program.

The Corporation's available for sale investment portfolio of $567.0 million as of December 31, 2016 was 16.6% of total assets. Some of these investments were in short-term, high-quality, liquid investments to earn more than the 25 basis points currently earned on Fed Funds. The Corporation's policy is to maintain its investment portfolio at a minimum level of 10% of total assets. The portion of the investment portfolio that is not already pledged against borrowings from the FHLB or other funding sources, provides the Corporation with the ability to utilize the securities to borrow additional funds through the FHLB, Federal Reserve or through other repurchase agreements.

The Corporation continually evaluates its borrowing capacity and sources of liquidity. The Corporation believes that it has sufficient capacity to fund expected 2017 earning asset growth with wholesale sources, along with deposit growth from its branch system.

Off Balance Sheet Risk

The Corporation becomes party to financial instruments in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit and create off-balance sheet risk.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement.

Standby letters of credit are conditional commitments issued by the Bank to a customer for a third party. Such standby letters of credit are issued to support private borrowing arrangements. The credit risk involved in issuing standby letters of credit is similar to that involved in granting loan facilities to customers.

The following chart presents the off-balance sheet commitments of the Corporation as of December 31, 2016, listed by dates of funding or payment:

(dollars in millions)	**Total**	**Within 1 Year**	**2 - 3 Years**	**4 - 5 Years**	**After 5 Years**
Unfunded loan commitments	$675.4	$380.0	$119.2	$15.5	$160.7
Standby letters of credit	12.7	11.5	0.7	0.2	0.3
Total	$688.1	$391.5	$119.9	$15.7	$161.0

Estimated fair values of the Corporation’s off-balance sheet instruments are based on fees and rates currently charged to enter into similar loan agreements, taking into account the remaining terms of the agreements and the counterparties’ credit standing. Collateral requirements for off-balance sheet items are generally based upon the same standards and policies as booked loans. Since fees and rates charged for off-balance sheet items are at market levels when set, there is no material difference between the stated amount and the estimated fair value of off-balance sheet instruments.

Table of Contents

Contractual Cash Obligations of the Corporation as of December 31, 2016

(dollars in millions)	Total	Within 1 Year	2 - 3 Years	4 - 5 Years	After 5 Years
Deposits without a stated maturity					
Wholesale and retail certificates of deposit	395.9	335.0	46.4	14.5	—
Short-term borrowings	204.2	204.2	—	—	—
FHLB advances and other borrowings	189.7	75.0	102.2	12.5	—
Operating leases	31.5	4.2	8.1	6.1	13.1
Purchase obligations	8.1	2.3	2.9	2.9	—
Total	$829.4	$620.7	$159.6	$36.0	$13.1

Other Information

Effects of Inflation

Inflation has some impact on the Corporation’s operating costs. Unlike many industrial companies, however, substantially all of the Corporation’s assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on the Corporation’s performance than the general level of inflation. Over short periods of time, interest rates may not necessarily move in the same direction or in the same magnitude as prices of goods and services.

Effect of Government Monetary Policies

The earnings of the Corporation are and will be affected by domestic economic conditions and the monetary and fiscal policies of the United States government and its agencies. An important function of the Federal Reserve Board is to regulate the money supply and interest rates. Among the instruments used to implement those objectives are open market operations in United States government securities and changes in reserve requirements against member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments, and deposits, and their use may also affect rates charged on loans or paid for deposits.

The Corporation is a member of the Federal Reserve System and, therefore, the policies and regulations of the Federal Reserve Board have a significant effect on its deposits, loans and investment growth, as well as the rate of interest earned and paid, and are expected to affect the Corporation’s operations in the future. The effect of such policies and regulations upon the future business and earnings of the Corporation cannot be predicted.

ITEM 7A. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item 7A is incorporated by reference to information appearing in the MD&A Section of this Annual Report on Form 10-K, more specifically in the sections entitled "Interest Rate Sensitivity," "Summary of Interest Rate Simulation," and "Gap Analysis."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following audited consolidated financial statements and related documents are set forth in this Annual Report on Form 10-K on the following pages:

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Bryn Mawr Bank Corporation:

We have audited the accompanying consolidated balance sheets of Bryn Mawr Bank Corporation and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016. We also have audited Bryn Mawr Bank Corporation's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Bryn Mawr Bank Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Table of Contents

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bryn Mawr Bank Corporation and subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Bryn Mawr Bank Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

(signed) KPMG LLP

Philadelphia, Pennsylvania
March 10, 2017

Table of Contents

Consolidated Balance Sheets

(dollars in thousands)	**December 31, 2016**	**December 31, 2015**
Assets		
Cash and due from banks	$16,559	$18,452
Interest bearing deposits with banks	34,206	124,615
Cash and cash equivalents	50,765	143,067
Investment securities available for sale, at fair value (amortized cost of $568,890 and $347,776 as of December 31, 2016 and December 31, 2015 respectively)	566,996	348,966
Investment securities held to maturity, at amortized cost (fair value of $2,818 and $0 as of December 31, 2016 and December 31, 2015, respectively)	2,879	-
Investment securities, trading	3,888	3,950
Loans held for sale	9,621	8,987
Portfolio loans and leases, originated	2,240,987	1,883,869
Portfolio loans and leases, acquired	294,438	385,119
Total portfolio loans and leases	2,535,425	2,268,988
Less: Allowance for originated loan and lease losses	(17,458)	(15,857)
Less: Allowance for acquired loan and lease losses	(28)	-
Total allowance for loans and lease losses	(17,486)	(15,857)
Net portfolio loans and leases	2,517,939	2,253,131
Premises and equipment, net	41,778	45,339
Accrued interest receivable	8,533	7,869
Mortgage servicing rights	5,582	5,142
Bank owned life insurance	39,279	38,371
Federal Home Loan Bank stock	17,305	12,942
Goodwill	104,765	104,765
Intangible assets	20,405	23,903
Other investments	8,627	9,460
Other assets	23,168	25,105
Total assets	$3,421,530	$3,030,997
Liabilities		
Deposits:		
Non-interest-bearing	$736,180	$626,684
Interest-bearing	1,843,495	1,626,041
Total deposits	2,579,675	2,252,725
Short-term borrowings	204,151	94,167
Long-term FHLB advances	189,742	254,863
Subordinated notes	29,532	29,479
Accrued interest payable	2,734	1,851
Other liabilities	34,569	32,201
Total liabilities	3,040,403	2,665,286
Shareholders' equity		

Common stock, par value $1; authorized 100,000,000 shares; issued 21,110,968 and 20,931,416 shares as of December 31, 2016 and December 31, 2015, respectively, and outstanding of 16,939,715 and 17,071,523 as of December 31, 2016 and December 31, 2015, respectively	21,111	20,931
Paid-in capital in excess of par value	232,806	228,814
Less: Common stock in treasury at cost - 4,171,253 and 3,859,893 shares as of December 31, 2016 and December 31, 2015, respectively	(66,950)	(58,144)
Accumulated other comprehensive loss, net of tax	(2,409)	(412)
Retained earnings	196,569	174,522
Total shareholders' equity	381,127	365,711
Total liabilities and shareholders' equity	$3,421,530	$3,030,997

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

Table of Contents

Consolidated Statements of Income

	Twelve Months Ended December 31,		
	2016	2015	2014
(dollars in thousands, except per share data)			
Interest income:			
Interest and fees on loans and leases	$110,536	$102,432	$78,541
Interest on cash and cash equivalents	168	409	193
Interest on investment securities:			
Taxable	5,575	5,018	3,596
Non-taxable	497	497	399
Dividends	215	186	177
Total interest income	116,991	108,542	82,906
Interest expense:			
Interest on deposits	5,833	4,212	2,898
Interest on short-term borrowings	93	48	17
Interest on FHLB advances and other borrowings	3,353	3,554	3,163
Interest on subordinated notes	1,476	601	-
Total interest expense	10,755	8,415	6,078
Net interest income	106,236	100,127	76,828
Provision for loan and lease losses	4,326	4,396	884
Net interest income after provision for loan and lease losses	101,910	95,731	75,944
Non-interest income:			
Fees for wealth management services	36,690	36,894	36,774
Insurance commissions	3,722	3,745	1,099
Service charges on deposits	2,791	2,927	2,578
Loan servicing and other fees	1,939	2,087	1,755
Net gain on sale of loans	3,119	3,022	1,772
Net (loss) gain on sale of investment securities available for sale	(77)	931	471
Net (loss) gain on sale of other real estate owned ("OREO")	(76)	123	175
Dividends on FHLB and FRB stock	1,063	1,382	615
Other operating income	4,868	4,849	3,083
Total non-interest income	54,039	55,960	48,322
Non-interest expenses:			
Salaries and wages	47,411	44,575	37,113
Employee benefits	9,548	10,205	7,340
Loss on pension plan settlement	-	17,377	-
Occupancy and bank premises	9,611	10,305	7,305
Branch lease termination expense	-	929	-
Furniture, fixtures, and equipment	7,520	6,841	4,508
Advertising	1,381	2,102	1,504
Amortization of intangible assets	3,498	3,827	2,659
Impairment of intangible assets	-	387	-

Due diligence, merger-related and merger integration expenses	-	6,670	2,373
Professional fees	3,659	3,353	3,017
Pennsylvania bank shares tax	1,749	1,253	1,256
Information technology	3,661	3,443	2,771
Other operating expenses	13,707	14,498	11,572
Total non-interest expenses	101,745	125,765	81,418
Income before income taxes	54,204	25,926	42,848
Income tax expense	18,168	9,172	15,005
Net income	$36,036	$16,754	$27,843
Basic earnings per common share	$2.14	$0.96	$2.05
Diluted earnings per common share	$2.12	$0.94	$2.01
Dividends declared per share	$0.82	$0.78	$0.74
Weighted-average basic shares outstanding	16,859,623	17,488,325	13,566,239
Dilutive shares	168,499	267,996	294,801
Adjusted weighted-average diluted shares	17,028,122	17,756,321	13,861,040

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

51

Table of Contents

Consolidated Statements of Comprehensive Income

(dollars in thousands)	**Twelve Months Ended December 31,**		
	2016	**2015**	**2014**
Net income	$36,036	$16,754	$27,843
Other comprehensive income (loss):			
Net change in unrealized (losses) gains on investment securities available for sale:			
Net unrealized (losses) gains arising during the period, net of tax (benefit) expense of $(1,053), $(618) and $1,335, respectively	(1,955)	(1,147)	1,867
Less: reclassification adjustment for net losses (gains) on sales realized in net income, net of tax benefit (expense) of $27, $(326), and $(165), respectively	50	(605)	(306)
Unrealized investment (losses) gains, net of tax (benefit) expense of $(1,079), $(292) and $1,170, respectively	(2,005)	(542)	2,173
Net change in fair value of derivative used for cash flow hedge:			
Net unrealized losses arising during the period, net of tax benefit of $0, $(228) and $(413), respectively	-	(422)	(768)
Less: realized loss on cash flow hedge reclassified to earnings, net of tax benefit of $0, $214, and $0, respectively	-	397	-
Change in fair value of hedging instruments, net of tax expense (benefit) of $0, $14 and $(413), respectively	-	25	(768)
Net change in unfunded pension liability:			
Change in unfunded pension liability related to unrealized loss, prior service cost and transition obligation, net of tax expense (benefit) of $5, $264 and $(4,063), respectively	8	514	(7,544)
Change in unfunded pension liability related to settlement of pension plan, net of tax expense of $0, $6,082 and $0	-	11,295	-
Total change in unfunded pension liability, net of tax expense (benefit) of $5, $6,346 and $(4,063), respectively	8	11,809	(7,544)
Total other comprehensive income (loss)	(1,997)	11,292	(6,139)

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

Table of Contents

Consolidated Statements of Cash Flows

(dollars in thousands)	**Twelve Months Ended December 31,**		
	2016	**2015**	**2014**
Operating activities:			
Net Income	$36,036	$16,754	$27,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan and lease losses	4,326	4,396	884
Depreciation of fixed assets	5,630	4,925	3,486
Net amortization of investment premiums and discounts	3,200	3,280	2,299
Net loss on settlement of pension plan	-	17,377	-
Net loss (gain) on sale of investment securities available for sale	77	(931)	(471)
Net gain on sale of loans	(3,119)	(3,022)	(1,772)
Stock based compensation cost	1,713	1,441	1,256
Amortization and net impairment of mortgage servicing rights	880	661	532
Net accretion of fair value adjustments	(3,776)	(4,942)	(2,757)
Amortization of intangible assets	3,498	3,827	2,659
Impairment of intangible assets	-	387	-
Impairment of other real estate owned ("OREO")	94	90	-
Net loss (gain) on sale of OREO	76	(123)	(175)
Net increase in cash surrender value of bank owned life insurance ("BOLI")	(908)	(782)	(315)
Other, net	(899)	1,049	2,822
Loans originated for resale	(161,597)	(141,578)	(58,173)
Proceeds from loans sold	162,762	138,964	56,866
Provision for deferred income taxes	1,676	(2,834)	2,350
Excess tax benefit from stock-based compensation	-	(783)	(831)
Change in income taxes payable/receivable	4,340	(529)	808
Change in accrued interest receivable	(664)	(215)	168
Change in accrued interest payable	883	516	199
Net cash provided by operating activities	54,228	37,928	37,678
Investing activities:			
Purchases of investment securities available for sale	(350,669)	(176,034)	(45,199)
Purchases of investment securities held to maturity	(2,928)	-	-
Proceeds from maturity and paydowns of investment securities available for sale	65,176	66,209	40,801
Proceeds from maturity and paydowns of investment securities held to maturity	34	-	-
Proceeds from sale of investment securities available for sale	276	64,851	24,394
Net change in FHLB stock	(4,363)	3,562	131
Proceeds from calls of investment securities	60,840	104,240	37,750
Proceeds from sales of other investments	664	-	342
Net change in other investments	264	(4,184)	(789)
Net portfolio loan and lease originations	(266,331)	(194,066)	(105,918)
Purchases of premises and equipment	(2,207)	(7,611)	(5,455)
Purchases of BOLI	-	(5,000)	-

Acquisitions, net of cash acquired	-	16,129	(4,125)
Proceeds from sale of OREO	1,806	1,215	1,646
Net cash used in investing activities	(497,438)	(130,689)	(56,422)
Financing activities:			
Change in deposits	327,169	83,784	96,704
Change in short-term borrowings	109,995	(38,128)	12,933
Dividends paid	(13,961)	(13,837)	(10,189)
Change in long-term FHLB advances and other borrowings	(65,000)	(24,883)	54,623
Payment of contingent consideration for business combinations	(627)	(542)	-
Net proceeds from issuance of subordinated notes	-	29,456	-
Excess tax benefit from stock-based compensation	-	783	831
Cash payments to taxing authorities on employees' behalf from shares withheld from stock-based compensation	(745)	-	
Net (purchase of) proceeds from sale of treasury stock for deferred compensation plans	(133)	(128)	79
Net purchase of treasury stock through publicly announced plans	(7,971)	(26,418)	(947)
Proceeds from issuance of common stock	-	20	72
Proceeds from exercise of stock options	2,181	6,452	2,836
Net cash provided by financing activities	350,908	16,559	156,942
Change in cash and cash equivalents	(92,302)	(76,202)	138,198
Cash and cash equivalents at beginning of period	143,067	219,269	81,071
Cash and cash equivalents at end of period	$50,765	$143,067	$219,269
Supplemental cash flow information:			
Cash paid during the year for:			
Income taxes	$12,261	$11,703	$11,831
Interest	$9,872	$7,604	$5,879
Non-cash information:			
Change in other comprehensive loss	$(1,997)	$11,292	$(9,446)
Change in deferred tax due to change in comprehensive income	$(1,074)	$6,068	$(3,306)
Transfer of loans to other real estate owned and repossessed assets	$546	$2,283	$1,763
Issuance of shares and options for acquisitions	$-	$123,734	$-
Acquisition of noncash assets and liabilities:			
Assets acquired	$-	$727,908	$10,005
Liabilities assumed	$-	$620,303	$5,880

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

53

Table of Contents

Consolidated Statements of Changes in Shareholders' Equity

(dollars in thousands, except per share information)

	For the Years Ended December 31, 2014, 2015 and 2016						
	Shares of Common Stock Issued	**Common Stock**	**Paid-in Capital**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Total Shareholders' Equity**
Balance December 31, 2013	16,596,869	$ 16,597	$ 95,673	$ (30,764)	$ (5,565)	$ 153,957	$ 229,898
Net income	-	-	-	-	-	27,843	27,843
Dividends declared, $0.74 per share	-	-	-	-	-	(10,208)	(10,208)
Other comprehensive loss, net of tax benefit of $3,307	-	-	-	-	(6,139)	-	(6,139)
Stock based compensation	-	-	1,256	-	-	-	1,256
Tax benefit from stock-based compensation	-	-	831	-	-	-	831
Retirement of treasury stock	(3,512)	(3)	(32)	35	-	-	-
Net purchase of treasury stock from stock award and deferred compensation plans..	-	-	45	(913)	-	-	(868)
Issuance costs - S-4 filing	-	-	(147)	-	-	-	(147)
Common stock issued:							-
Dividend Reinvestment and Stock Purchase Plan	2,517	2	70	-	-	-	72
Share-based awards and options exercises	146,261	146	2,790	-	-	-	2,936
Balance December 31, 2014	16,742,135	$ 16,742	$ 100,486	$ (31,642)	$ (11,704)	$ 171,592	$ 245,474
Net income	-	-	-	-	-	16,754	16,754
Dividends declared, $0.78 per share	-	-	-	-	-	(13,824)	(13,824)
Other comprehensive income, net of tax expense of $6,080	-	-	-	-	11,292	-	11,292
Stock based compensation	-	-	1,441	-	-	-	1,441

Excess tax benefit from stock-based compensation	-	-	783	-	-	-	783
Retirement of treasury stock	(4,418)	(4)	(40)	44	-	-	-
Cancellation of forfeited restricted stock awards	(27,375)	(27)	27	-	-	-	-
Net purchase of treasury stock	-	-		(26,546)	-	-	(26,546)
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	342,107	341	6,242	-	-	-	6,583
Balance December 31, 2015	20,931,416	$ 20,931	$ 228,814	$ (58,144)	$ (412)	$ 174,522	$ 365,711
Net income	-	-	-	-	-	36,036	36,036
Tax provision-to-return adjustment related to excess tax benefit on stock-based compensation	-	-	197	-	-	-	197
Dividends declared, $0.82 per share	-	-	-	-	-	(13,989)	(13,989)
Other comprehensive income, net of tax benefit of $1,075	-	-	-	-	(1,997)	-	(1,997)
Stock based compensation	-	-	1,713	-	-	-	1,713
Retirement of treasury stock	(4,320)	(4)	(39)	43	-	-	-
Net purchase of treasury stock through publicly announced plans	-	-	-	(7,971)	-	-	(7,971)
Net purchase of treasury stock from stock award and deferred compensation plans	-	-	-	(878)	-	-	(878)
Common stock issued:							
Common stock issued through share-based awards and options exercises	183,872	184	2,121	-	-	-	2,305
Balance December 31, 2016	21,110,968	$ 21,111	$ 232,806	$ (66,950)	$ (2,409)	$ 196,569	$ 381,127

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

54

Table of Contents

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

A. Nature of Business

The Bryn Mawr Trust Company (the “Bank”) received its Pennsylvania banking charter in 1889 and is a member of the Federal Reserve System. In 1986, Bryn Mawr Bank Corporation (the “Corporation”) was formed and on January 2, 1987, the Bank became a wholly-owned subsidiary of the Corporation. The Bank and Corporation are headquartered in Bryn Mawr, Pennsylvania, located in the western suburbs of Philadelphia. The Corporation and its subsidiaries provide wealth management, commercial and community banking, residential mortgage lending, insurance and business banking services to its customers through 25 full service branches, eight limited-hour retirement community offices, one limited-service branch, five wealth offices and a full-service insurance agency located throughout Montgomery, Delaware, Chester, Dauphin and Philadelphia counties in Pennsylvania and New Castle county in Delaware. The common stock of the Corporation trades on the NASDAQ Stock Market (“NASDAQ”) under the symbol BMTC.

On January 30, 2017, the Corporation entered into a definitive Agreement and Plan of Merger to acquire Royal Bancshares of Pennsylvania, Inc. (“RBPI”), parent company of Royal Bank America (“RBA”), in a transaction with an aggregate value of $127.7 million (the “Acquisition”). In connection with the Acquisition, RBPI will merge with and into the Corporation and RBA will merge with and into the Bank. The Acquisition, which is expected to add approximately $602 million in loans and $630 million in deposits (based on unaudited December 31, 2016 financial information), strengthens the Corporation’s position as the largest community bank in Philadelphia’s western suburbs and, based on deposits, ranks it as the eighth largest community bank headquartered in Pennsylvania. The Acquisition, which will expand the Corporation's distribution network by providing entry into the new markets of New Jersey and Berks County, Pennsylvania, and a new physical presence in Philadelphia County, Pennsylvania is expected to close during the third quarter of 2017.

On April 1, 2015, the acquisition of Robert J. McAllister Agency, Inc. (“RJM”), an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed. Consideration paid totaled $1.0 million, of which $500 thousand was paid at closing, $85 thousand of the first annual payment not to exceed $100 thousand was paid during the second quarter of 2016 and four remaining contingent cash payments, not to exceed $100 thousand each, will be payable on each of 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 enhanced the Corporation’s ability to offer comprehensive insurance solutions to both individual and business clients.

On January 1, 2015, the merger of Continental Bank Holdings, Inc. (“CBH”) with and into the Corporation (the “CBH Merger”), and the merger of Continental Bank with and into the Bank, were completed. Consideration paid totaled $125.1 million, comprised of 3,878,383 shares (which included fractional shares paid in cash) of the Corporation’s common stock, the assumption of options to purchase Corporation common stock valued at $2.3 million and $1.3 million for the cash-out of certain warrants. The CBH Merger initially added $424.7 million of loans, $181.8 million of investments, $481.7 million of deposits and ten new branches. The acquisition of CBH enabled the Corporation to expand its footprint into a significant portion of Montgomery County, Pennsylvania.

On October 1, 2014, the acquisition of Powers Craft Parker and Beard, Inc. (“PCPB”), an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed. The consideration paid by the Corporation was $7.0 million, of which $5.4 million was paid at closing and the first two of three contingent payments, of $542 thousand each, were paid during the fourth quarters of 2015 and 2016. The remaining $542 thousand represents one contingent payment, not to exceed $542 thousand. The payment is subject to the attainment of certain revenue targets during the applicable period. The addition enabled the Corporation to offer a full range of insurance products to both individual and business clients.

The Corporation operates in a highly competitive market area that includes local, national and regional banks as competitors along with savings banks, credit unions, insurance companies, trust companies, registered investment advisors and mutual fund families. The Corporation and its subsidiaries are regulated by many regulatory agencies including the Securities and Exchange Commission (“SEC”), Federal Deposit Insurance Corporation (“FDIC”), the Federal Reserve and the Pennsylvania Department of Banking.

B. Basis of Presentation

The accounting policies of the Corporation conform to U.S. generally accepted accounting principles (“GAAP”).

Table of Contents

The Consolidated Financial Statements include the accounts of the Corporation and its wholly owned subsidiaries. The Corporation’s consolidated financial condition and results of operations consist almost entirely of the Bank’s financial condition and results of operations. All inter-company transactions and balances have been eliminated.

In preparing the Consolidated Financial Statements, the Corporation is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the balance sheets, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Although our current estimates contemplate current conditions and how we expect them to change in the future, it is reasonably possible that in 2017, actual conditions could be worse than anticipated in those estimates, which could materially affect our results of operations and financial condition. Amounts subject to significant estimates are items such as the allowance for loan and lease losses and lending related commitments, goodwill and intangible assets, pension and post-retirement obligations, the fair value of financial instruments and other-than-temporary impairments. Among other effects, such changes could result in future impairments of investment securities, goodwill and intangible assets and establishment of allowances for loan losses and lending-related commitments as well as increased pension and post-retirement expense.

C. Cash and Cash Equivalents

Cash and cash equivalents include cash, interest-bearing and non-interest bearing amounts due from banks, and federal funds sold. Cash balances required to meet regulatory reserve requirements of the Federal Reserve Board amounted to $10.4 million and $11.7 million at December 31, 2016 and December 31, 2015, respectively.

D. Investment Securities

Investment securities which are held for indefinite periods of time, which the Corporation intends to use as part of its asset/liability strategy, or which may be sold in response to changes in credit quality of the issuer, interest rates, changes in prepayment risk, increases in capital requirements, or other similar factors, are classified as available for sale and are carried at fair value. Net unrealized gains and losses for such securities, net of tax, are required to be recognized as a separate component of shareholders' equity and excluded from determination of net income. Gains or losses on disposition are based on the net proceeds and cost of the securities sold, adjusted for the amortization of premiums and accretion of discounts, using the specific identification method.

The Corporation follows ASC 370-10-65-1 "Recognition and Presentation of Other-Than-Temporary Impairments" that provides guidance related to accounting for recognition of other-than-temporary impairment for debt securities and expands disclosure requirements for other-than-temporarily impaired debt and equity securities. Companies are required to record other-than-temporary impairment charges through earnings if they have the intent to sell, or will more likely than not be required to sell, an impaired debt security before a recovery of its amortized cost basis. In addition, companies are required to record other-than-temporary impairment charges through earnings for the amount of credit losses, regardless of the intent or requirement to sell. Credit loss is measured as the difference between the present value of an impaired debt security's cash flows and its amortized cost basis. Non-credit-related write-downs to fair value must be recorded as decreases to accumulated other comprehensive income as long as the Corporation has no intent or it is more likely than not that the Corporation would not be required to sell an impaired security before a recovery of its amortized cost basis. The Corporation did not have any other-than-temporary impairments for 2016, 2015 or 2014.

Investments for which the Corporation has the intent and ability to hold until maturity are classified as held-to-maturity and are carried at their amortized cost on the balance sheet. No adjustment for market value fluctuations are recorded related to the held to maturity portfolio.

Investment securities held in trading accounts consist solely of deferred compensation trust accounts which are invested in listed mutual funds whose diversification is at the discretion of the deferred compensation plan participants. Investment securities held in trading accounts are reported at fair value, with adjustments in fair value reported through income.

E. Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized temporary losses, if any, are recognized through a valuation allowance by charges to income.

F. Portfolio Loans and Leases

The Corporation originates construction, commercial and industrial, commercial mortgage, residential mortgage, home equity and consumer loans to customers primarily in southeastern Pennsylvania as well as small-ticket equipment leases to customers nationwide. Although the Corporation has a diversified loan and lease portfolio, its debtors' ability to honor their contracts is substantially dependent upon the real estate and general economic conditions of the region.

Table of Contents

Loans and leases that the Corporation has the intention and ability to hold for the foreseeable future or until maturity or pay-off, generally are reported at their outstanding principal balance adjusted for charge-offs, the allowance for loan and lease losses and any deferred fees or costs on originated loans and leases. Interest income is accrued on the unpaid principal balance.

Loan and lease origination fees and loan and lease origination costs are deferred and recognized as an adjustment to the related yield using the interest method.

The accrual of interest on loans and leases is generally discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in the process of collection. Loans and leases are placed on nonaccrual status or charged-off at an earlier date if collection of principal or interest is considered doubtful. All interest accrued, but not collected for loans that are placed on nonaccrual status or charged-off, is charged against interest income. All interest accrued, but not collected, on leases that are placed on nonaccrual status is not charged against interest income until the lease becomes 120 days delinquent, at which point it is charged off. The interest received on these nonaccrual loans and leases is applied to reduce the carrying value of loans and leases. Loans and leases are returned to accrual status when all the principal and interest amounts contractually due are brought current, remain current for at least six months and future payments are reasonably assured. Once a loan returns to accrual status, any interest payments collected during the nonaccrual period which had been applied to the principal balance are reversed and recognized as interest income over the remaining term of the loan.

Certain loans which have reached maturity and have been approved for extension or renewal, but for which all required documents have not been fully executed as of the reporting date, are classified as Administratively Delinquent and are not considered to be delinquent. These loans are reported as current in all disclosures.

Loans acquired in mergers are recorded at their fair values. The difference between the recorded fair value and the principal value is accreted to interest income over the contractual lives of the loans in accordance with ASC 310-20. Certain acquired loans which were deemed to be credit impaired at acquisition are accounted for in accordance with ASC 310-30, as discussed below, in subsection *H* of this footnote.

G. Allowance for Loan and Lease Losses

The allowance for loan and lease losses (the “Allowance”) is established through a provision for loan and lease losses (the “Provision”) charged as an expense. The principal balances of loans and leases are charged against the Allowance when the Corporation believes that the principal is uncollectible. The Allowance is maintained at a level that the Corporation believes is sufficient to absorb estimated potential credit losses.

The Corporation's determination of the adequacy of the Allowance is based on guidance provided in ASC 450 – Contingencies and ASC 310 - Receivables, and involves the periodic evaluations of the loan and lease portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires significant estimates by the Corporation. Consideration is given to a variety of factors in establishing these estimates. Quantitative factors in the form of historical net charge-off rates by portfolio segment are considered. In connection with these quantitative factors, management establishes what it deems to be an adequate look-back period ("LBP") for the charge-off history. As of December 31, 2016, the Corporation utilized a five-year LBP, which it believes adequately captures the trends in charge-offs. In addition, management develops an estimate of a loss emergence period ("LEP") for each segment of the loan portfolio. The LEP estimates the time between the occurrence of a loss event for a borrower and an actual charge-off of a loan. As of December 31, 2016, the Corporation utilized a two-year LEP for its commercial loan segments and a one-year LEP for its consumer loan segments based on analyses of actual charge-offs tracked back in time to the triggering event for the eventual loss. In addition, various qualitative factors are considered, including the specific terms and conditions of loans, changes in underwriting standards, delinquency statistics, industry concentrations and overall exposure of a single customer. In addition, consideration is given to the adequacy of collateral, the dependence on collateral, and the results of internal loan reviews, including a borrower's financial strengths, their expected cash flows, and their access to additional funds.

As part of the process of calculating the Allowance for the different segments of the loan and lease portfolio, the Corporation considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by both in-house staff as well as external third-party loan review specialists. The result of these reviews is reflected in the risk grade assigned to each loan. For the consumer segments of the loan portfolio, the indicator of credit quality is reflected by the performance/non-performance status of a loan.

The evaluation process also considers the impact of competition, current and expected economic conditions, national and international events, the regulatory and legislative environment and inherent risks in the loan and lease portfolio. All of these factors may be susceptible to significant change. To the extent actual outcomes differ from the Corporation's estimates, an additional Provision may be required that might adversely affect the Corporation's results of operations in future periods. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review the adequacy of the Allowance. Such agencies may require the Corporation to record additions to the Allowance based on their judgment of information available to them at the time of their examination.

Table of Contents

H. Impaired Loans and Leases

A loan or lease is considered impaired when, based on current information, it is probable that the Corporation will be unable to collect the contractually scheduled payments of principal or interest. When assessing impairment, the Corporation considers various factors, which include payment status, realizable value of collateral and the probability of collecting scheduled principal and interest payments when due. Loans and leases that experience insignificant payment delays and payment shortfalls generally are not classified as impaired.

The Corporation determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

For loans that indicate possible signs of impairment, which in most cases is based on the performance/non-performance status of the loan, an impairment analysis is conducted based on guidance provided by ASC 310-10. Impairment is measured by (i) the fair value of the collateral, if the loan is collateral-dependent, (ii) the present value of expected future cash flows discounted at the loan's contractual effective interest rate, or (iii), less frequently, the loan's obtainable market price.

In addition to originating loans, the Corporation occasionally acquires loans through mergers or loan purchase transactions. Some of these acquired loans may exhibit deteriorated credit quality that has occurred since origination and, as such, the Corporation may not expect to collect all contractual payments. Accounting for these purchased credit-impaired ("PCI") loans is done in accordance with ASC 310-30. The loans are recorded at fair value, reflecting the present value of the amounts expected to be collected. Income recognition on these loans is based on a reasonable expectation about the timing and amount of cash flows to be collected. Acquired loans deemed impaired and considered collateral-dependent, with the timing of the sale of loan collateral indeterminate, remain on nonaccrual status and have no accretable yield. On a regular basis, at least quarterly, an assessment is made on PCI loans to determine if there has been any improvement or deterioration of the expected cash flows. If there has been improvement, an adjustment is made to increase the recognition of interest on the PCI loan, as the estimate of expected loss on the loan is reduced. Conversely, if there is deterioration in the expected cash flows of a PCI loan, a Provision is recorded in connection with the loan.

I. Troubled Debt Restructurings ("TDR"s)

A TDR occurs when a creditor, for economic or legal reasons related to a borrower's financial difficulties, modifies the original terms of a loan or lease or grants a concession to the borrower that it would not otherwise have granted. A concession may include an extension of repayment terms, a reduction in the interest rate or the forgiveness of principal and/or accrued interest. If the debtor is experiencing financial difficulty and the creditor has granted a concession, the Corporation will make the necessary disclosures related to the TDR. In certain cases, a modification or concession may be made in an effort to retain a customer who is not experiencing financial difficulty. This type of modification is not considered a TDR.

J. Other Real Estate Owned ("OREO")

OREO consists of assets that the Corporation has acquired through foreclosure, by accepting a deed in lieu of foreclosure, or by taking possession of assets that were used as loan collateral. The Corporation reports OREO on the balance sheet as part of other assets, at the lower of cost or fair value less cost to sell, adjusted periodically based on current appraisals. Costs relating to the development or improvement of assets, as well as the costs required to obtain legal title to the property, are capitalized, while costs related to holding the property are charged to expense as incurred.

K. Other Investments and Equity Stocks Without a Readily Determinable Fair Value

Other investments include Community Reinvestment Act ("CRA") investments and equity stocks without a readily determinable fair value. The Corporation's investments in equity stocks include those issued by the Federal Home Loan Bank of Pittsburgh ("FHLB"), the Federal Reserve Bank ("FRB") and Atlantic Central Bankers Bank. The Corporation is required to hold FHLB stock as a condition of its borrowing funds from the FHLB. As of December 31, 2016, the carrying value of the Corporation's FHLB stock was $17.3 million. In addition, the Corporation is required to hold FRB stock based on the Corporation's capital. As of December 31, 2016, the carrying value of the Corporation's FRB stock was $6.9 million. Ownership of FHLB and FRB stock is restricted and there is no market for these securities. For further information on the FHLB stock, see Note 10 – "Short-Term Borrowings and Long-Term FHLB Advances".

L. Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation and predetermined rent are recorded using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the expected lease term or the estimated useful lives, whichever is shorter.

M. Pension and Postretirement Benefit Plan

As of December 31, 2016, the Corporation had two non-qualified defined-benefit supplemental executive retirement plans and a postretirement benefit plan as discussed in Note 16 – “Pension and Postretirement Benefit Plans”. Net pension expense related to the defined-benefit consists of service cost, interest cost, return on plan assets, amortization of prior service cost, amortization of transition obligations and amortization of net actuarial gains and losses. Prior to December 31, 2015, the Corporation had a qualified pension plan which was settled on December 31, 2015. As it relates to the costs associated with the post-retirement benefit plan, the costs are recognized as they are incurred.

N. Bank Owned Life Insurance ("BOLI")

BOLI is recorded at its cash surrender value. Income from BOLI is tax-exempt and included as a component of non-interest income.

O. Derivative Financial Instruments

The Corporation recognizes all derivative financial instruments on its balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative has qualified as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is recognized in earnings immediately. To determine fair value, the Corporation uses valuations obtained from a third party which utilizes a pricing model that incorporates assumptions about market conditions and risks that are current as of the reporting date. Management reviews, annually, the inputs utilized by its independent third-party valuation organization.

The Corporation may use interest-rate swap agreements to modify the interest rate characteristics from variable to fixed or fixed to variable in order to reduce the impact of interest rate changes on future net interest income. If present, the Corporation accounts for its interest-rate swap contracts in cash flow hedging relationships by establishing and documenting the effectiveness of the instrument in offsetting the change in cash flows of assets or liabilities that are being hedged. To determine effectiveness, the Corporation performs an analysis to identify if changes in fair value or cash flow of the derivative correlate to the equivalent changes in the forecasted interest receipts or payments related to a specified hedged item. Recorded amounts related to interest-rate swaps are included in other assets or liabilities. The change in fair value of the ineffective part of the instrument would need to be charged to the Statement of Income, potentially causing material fluctuations in reported earnings in the period of the change relative to comparable periods. In a fair value hedge, the fair value of the interest rate swap agreements and changes in the fair value of the hedged items are recorded in the Corporation's consolidated balance sheets with the corresponding gain or loss being recognized in current earnings. The difference between changes in the fair values of interest rate swap agreements and the hedged items represents hedge ineffectiveness and is recorded in net interest income in the Statement of Income. The Corporation performs an assessment, both at the inception of the hedge and quarterly thereafter, to determine whether these derivatives are highly effective in offsetting changes in the value of the hedged items. In December 2012, the Corporation entered into a $15 million forward-starting interest rate swap in order to hedge the cash flows of a $15 million floating-rate FHLB borrowing. On November 30, 2015, the start date of the swap, the Corporation elected to terminate the swap.

P. Accounting for 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.

All share-based payments, including grants of stock options, restricted stock awards and performance-based stock awards, are recognized as compensation expense in the statement of income at their fair value. The fair value of stock option grants is determined using the Black-Scholes pricing model which considers the expected life of the options, the volatility of stock price, risk-free interest rate and annual dividend yield. The fair value of the restricted stock awards and performance-based awards whose performance is measured based on an internally produced metric is based on their closing price on the grant date, while the fair value of the performance-based stock awards which use an external measure, such as total stockholder return, is based on their grant-date fair value adjusted for the likelihood of attaining certain pre-determined performance goals and is calculated by utilizing a Monte Carlo Simulation model.

Q. 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 that would occur if in-the-money stock options were exercised and converted into common shares and restricted stock awards and performance-based stock awards were vested. Proceeds assumed to have been received on options exercises are assumed to be used to purchase shares of the Corporation's common stock at the average market price during the period, as required by the treasury stock method of accounting. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive.

R. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Table of Contents

The Corporation recognizes the benefit of a tax position only after determining that the Corporation would more-likely-than-not sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The Corporation applies these criteria to tax positions for which the statute of limitations remains open.

S. Revenue Recognition

With the exception of nonaccrual loans and leases, the Corporation recognizes all sources of income on the accrual method.

Additional information relating to wealth management fee revenue recognition follows:

The Corporation earns wealth management fee revenue from a variety of sources including fees from trust administration and other related fiduciary services, custody, investment management and advisory services, employee benefit account and IRA administration, estate settlement, tax service fees, shareholder service fees and brokerage. These fees are generally based on asset values and fluctuate with the market. Some revenue is not directly tied to asset value but is based on a flat fee for services provided. For many of our revenue sources, amounts are not received in the same accounting period in which they are earned. However, each source of wealth management fees is recorded on the accrual method of accounting.

The most significant portion of the Corporation’s wealth management fees is derived from trust administration and other related services, custody, investment management and advisory services, and employee benefit account and IRA administration. These fees are generally billed monthly, in arrears, based on the market value of assets at the end of the previous billing period. A smaller number of customers are billed in a similar manner, but on a quarterly or annual basis and some revenues are not based on market values.

The balance of the Corporation’s wealth management fees includes estate settlement fees and tax service fees, which are recorded when the related service is performed and asset management and brokerage fees on non-depository investment products, which are received one month in arrears, based on settled transactions, but are accrued in the month the settlement occurs.

Included in other assets on the balance sheet is a receivable for wealth management fees that have been earned but not yet collected.

Insurance revenue is primarily related to commissions earned on insurance policies and is recognized over the related policy coverage period.

T. Mortgage Servicing

A portion of the residential mortgage loans originated by the Corporation is sold to third parties; however the Corporation often retains the servicing rights related to these loans. A fee, usually based on a percentage of the outstanding principal balance of the loan, is received in return for these services. Gains on the sale of these loans are based on the specific identification method.

An intangible asset, referred to as mortgage servicing rights (“MSR”s) is recognized when a loan’s servicing rights are retained upon sale of a loan. These MSRs amortize to non-interest expense in proportion to, and over the period of, the estimated future net servicing life of the underlying loans.

MSRs are evaluated quarterly for impairment based upon the fair value of the rights as compared to their amortized cost. Impairment is determined by stratifying the MSRs by predominant characteristics, such as interest rate and terms. Fair value is determined based upon discounted cash flows using market-based assumptions. Impairment is recognized on the income statement to the extent the fair value is less than the capitalized amount for the stratum. A valuation allowance is utilized to record temporary impairment in MSRs. Temporary impairment is defined as impairment that is not deemed permanent. Permanent impairment is recorded as a reduction of the MSR and is not reversed.

U. Statement of Cash Flows

The Corporation’s statement of cash flows details operating, investing and financing activities during the reported periods.

V. Goodwill and Intangible Assets

The Corporation accounts for goodwill and other intangible assets in accordance with ASC 350, "Intangibles – Goodwill and Other." The goodwill and intangible assets as of December 31, 2016, other than MSRs in Note 1-T above, are related to the acquisitions of Lau Associates, The Private Wealth Management Group of the Hershey Trust Company ("PWMG"), Davidson Trust Company ("DTC"), PCPB and RJM which are components of the Wealth Management segment, and First Keystone Financial, Inc. ("FKF"), First Bank of Delaware ("FBD") and CBH, which are components of the Banking segment. The amount of goodwill initially recorded is based on the fair value of the acquired entity at the time of acquisition. Goodwill impairment tests are performed annually, as of October 31, or when events occur or circumstances change that would more likely than not reduce the fair value of the acquisition or investment. Prior to October 31, 2016, the Corporation had performed the goodwill impairment testing as of December 31. During 2016, the Corporation made a voluntary change in the method of applying an accounting principle related to the timing of the annual goodwill impairment assessment from December 31st to October 31st. Management made this decision based on the time intensive nature of the goodwill impairment assessment. Management does not consider this change in impairment testing date to be a material change in application of an accounting principle. Goodwill impairment is tested on a reporting unit level. The Corporation currently has three reporting units: Banking, Wealth Management and Insurance. As of December 31, 2016, the Insurance reporting unit did not meet the quantitative thresholds for separate disclosure as an operating segment and is therefore reported as a component of the Wealth Management segment, based on its internal reporting structure. While the Insurance reporting unit did not meet the threshold for reporting as a separate operating segment, for goodwill and intangible testing, the Insurance segment was tested for impairment. An operating segment is a component of an enterprise that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the enterprise's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available

Table of Contents

The Corporation's impairment testing methodology is consistent with the methodology prescribed in ASC 350. Other intangible assets include core deposit intangibles, which were acquired in the FKF merger, the FBD transaction, and the CBH Merger, customer relationships, trade name and non-competition agreements acquired in connection with the acquisitions of DTC, PWMG, Lau Associates, PCPB and RJM. The customer relationships, non-competition agreement and core deposit intangibles are amortized over the estimated useful lives of the assets. The trade name intangibles have indefinite lives and are evaluated for impairment annually.

W. Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation.

X. Recent Accounting Pronouncements

The following recent accounting pronouncements are divided into pronouncements which have been adopted by the Corporation and those which are not yet effective and have been evaluated or are currently being evaluated by the Corporation as of December 31, 2016.

Adopted Pronouncements:

FASB ASU 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern"

Issued on August 15, 2014, ASU 2014-15 describes how an entity should assess its ability to meet obligations and sets disclosure requirements for how this information should be disclosed in the financial statements. The standard provides accounting guidance that will be used with existing auditing standards. The new standard applies to all entities for the first annual period ending after December 15, 2016, and interim periods thereafter. As of December 31, 2016, the adoption of FASB ASU 2014-15 has not had an impact on our consolidated financial statements.

FASB ASU 2016-09 (Topic 718), "Improvements to Employee Share-Based Payment Accounting"

In March 2016, the FASB issued ASU No. 2016-09, which changes several aspects of the accounting for share-based payment award transactions, including: (1) Accounting and Cash Flow Classification for Excess Tax Benefits and Deficiencies, (2) Forfeitures, and (3) Tax Withholding Requirements and Cash Flow Classification. The standard is effective for public business entities in annual and interim periods in fiscal years beginning after December 15, 2016. Early adoption is permitted if the entire standard is adopted. If an entity early adopts the standard in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Corporation early-adopted ASU 2016-09 during the three months ended September 30, 2016. As a result of the adoption, the Corporation recognized a $565 thousand tax benefit in the Consolidated Statements of Income for the twelve months ended December 31, 2016. The impact of the income tax benefit or expense related to ASU 2016-09 is treated as a discrete item in the calculation of the year-to-date income tax expense. Also, in accordance with the provisions of ASU 2016-09, the Corporation presents excess tax benefits as an operating activity in the Consolidated Statement of Cash Flows using a retrospective transition method. Adoption of all other changes did not have an impact on our consolidated financial statements.

Pronouncements Not Yet Effective:

FASB ASU No. 2014-09 (Topic 606), "Revenue from Contracts with Customers"

Issued in May 2014, ASU 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This amendment defers the effective date of ASU 2014-09 by one year. In March 2016, the FASB issued ASU 2016- 08, "Principal versus Agent Considerations (Reporting Gross versus Net)," which amends the principal versus agent guidance and clarifies that the analysis must focus on whether the entity has control of the goods or services before they are transferred to the customer. In addition, the FASB issued ASU Nos. 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers and 2016-12, Narrow-Scope Improvements and Practical Expedients, both of which provide additional clarification of certain provisions in Topic 606. These Accounting Standards Codification ("ASC") updates are effective for annual reporting periods beginning after December 15, 2017, but early adoption is permitted. Early adoption is permitted only as of annual reporting periods after December 15, 2016. The standard permits the use of either the retrospective or retrospectively with the cumulative effect transition method. The Corporation is currently in the process of evaluating all revenue streams, accounting policies, practices and reporting to identify and understand any impact on the Corporation's Consolidated Financial Statements. Our preliminary evaluation suggests that adoption of this guidance is not expected to have a material effect on our Consolidated Financial Statements.

FASB ASU 2017-04 (Topic 350), "Intangibles – Goodwill and Others"

Issued in January 2017, ASU 2017-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. ASU 2017-04 is effective for annual periods beginning after December 15, 2019 including interim periods within those periods. The Corporation is evaluating the effect that ASU 2017-04 will have on its consolidated financial statements and related disclosures.

Table of Contents

FASB ASU 2017-01 (Topic 805), "Business Combinations"

Issued in January 2017, ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. ASU 2017-01 is effective for annual periods beginning after December 15, 2017 including interim periods within those periods. The Corporation is evaluating the effect that ASU 2017-01 will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-15 (Topic 320), "Classification of Certain Cash Receipts and Cash Payments"

Issued in August 2016, ASU 2016-15 provides guidance on eight specific cash flow issues and their disclosure in the consolidated statements of cash flows. The issues addressed include debt prepayment, settlement of zero-coupon debt, contingent consideration in business combinations, proceeds from settlement of insurance claims, proceeds from settlement of BOLI, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the Predominance principle. 2016-15 is effective for the annual and interim periods in fiscal years beginning after December 15, 2017, with early adoption permitted. The Corporation is currently evaluating the impact of this guidance and does not anticipate a material impact on its consolidated financial statements.

FASB ASU 2016-13 (Topic 326), "Measurement of Credit Losses on Financial Instruments"

Issued in June 2016, ASU 2016-13 significantly changes how companies measure and recognize credit impairment for many financial assets. The new current expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets that are in the scope of the standard. The ASU also makes targeted amendments to the current impairment model for available-for-sale debt securities. ASU 2016-13 is effective for the annual and interim periods in fiscal years beginning after December 15, 2018, with early adoption permitted. The Corporation is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

62

FASB ASU 2016-02 (Topic 842), "Leases"

Issued in February 2016, ASU 2016-02 revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. ASU 2016-02 is effective for the first interim period within annual periods beginning after December 15, 2018, with early adoption permitted. The standard is required to be adopted using the modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Corporation is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

FASB ASU 2016-01 (Subtopic 825-10), "Financial Instruments – Overall, Recognition and Measurement of Financial Assets and Financial Liabilities"

Issued in January 2016, ASU 2016-01 provides that equity investments will be measured at fair value with changes in fair value recognized in net income. When fair value is not readily determinable an entity may elect to measure the equity investment at cost, minus impairment, plus or minus any change in the investment's observable price. For financial liabilities that are measured at fair value, the amendment requires an entity to present separately, in other comprehensive income, any change in fair value resulting from a change in instrument-specific credit risk. ASU 2016-01 will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. Entities may apply this guidance on a prospective or retrospective basis. The Corporation is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures.

Note 2 - Business Combinations

Robert J. McAllister Agency, Inc.

The acquisition of RJM, an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed on April 1, 2015. The consideration paid totaled $1.0 million, of which $500 thousand was paid at closing, $85 thousand of the first annual payment not to exceed $100 thousand was paid during the second quarter of 2016 and four remaining contingent cash payments, not to exceed $100 thousand each, will be payable on each of 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 $15 thousand difference between the first maximum payment of $100 thousand and the $85 thousand that was actually paid was recognized as other non-interest income. 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 following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and subsequent adjustments, during the measurement period, to the fair value of the assets acquired, liabilities assumed and the resulting goodwill recorded:

(dollars in thousands)	Original Estimates	Adjustments to Estimates	Final Valuation
Consideration paid:			
Cash paid at closing	$ 500	$ —	$ 500
Contingent payment liability	500	—	500
Value of consideration	1,000	—	1,000
Assets acquired:			
Cash operating accounts	20	—	20
Intangible assets – trade name	129	(129)	—
Intangible assets – customer relationships	424	—	424
Intangible assets – non-competition agreements	257	—	257
Other assets	4	—	4
Total assets	834	(129)	705
Liabilities assumed:			
Deferred tax liability	336	(45)	291
Other liabilities	46	—	46
Total liabilities	382	(45)	337
Net assets acquired	452	(84)	368
Goodwill resulting from acquisition of RJM	$ 548	$ 84	$ 632

Table of Contents

An adjustment was made which eliminated the value initially placed on the trade name (and its associated deferred tax liability), as the entity was immediately merged into PCPB.

As of December 31, 2015, the estimates of fair values of the assets acquired and liabilities assumed in the acquisition of RJM were finalized.

Continental Bank Holdings, Inc.

On January 1, 2015, the previously announced merger of CBH with and into the Corporation, and the merger of Continental Bank with and into 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 CBH Merger. Holders of options to purchase shares of CBH common stock received options to purchase shares of Corporation common stock, converted at the same ratio of 0.45. In addition, $1.3 million was paid to certain warrant holders to cash-out certain warrants. In accordance with the acquisition method of accounting, assets acquired and liabilities assumed were preliminarily adjusted to their fair values as of the date of the CBH Merger. The excess of consideration paid above the fair value of net assets acquired was recorded as goodwill. This goodwill is not amortizable nor is it deductible for income tax purposes.

In connection with the CBH Merger, the following table details the consideration paid, the initial estimated fair value of identifiable assets acquired and liabilities assumed as of the date of acquisition and the subsequent adjustments, during the measurement period, to the fair value of the assets acquired, liabilities assumed and the resulting goodwill recorded:

(dollars in thousands)	Original Estimates	Adjustments to Estimates	Final Valuation
Consideration paid:			
Common shares issued (3,878,304)	$121,391	$ —	$121,391
Cash in lieu of fractional shares	2	—	2
Cash-out of certain warrants	1,323	—	1,323

Fair value of options assumed	2,343	—	2,343
Value of consideration	125,059	—	125,059
Assets acquired:			
Cash and due from banks	17,934	—	17,934
Investment securities available for sale	181,838	—	181,838
Loans*	426,601	(1,864)	424,737
Premises and equipment	9,037	—	9,037
Deferred income taxes	6,288	1,396	7,684
Bank-owned life insurance	12,054	—	12,054
Core deposit intangible	4,191	—	4,191
Favorable lease asset	792	(68)	724
Other assets	18,085	(111)	17,974
Total assets	676,820	(647)	676,173
Liabilities assumed:			
Deposits	481,674	—	481,674
FHLB and other long-term borrowings	19,726	—	19,726
Short-term borrowings	108,609	—	108,609
Unfavorable lease liability	2,884	—	2,884
Other liabilities	4,706	1,867	6,573
Total liabilities	617,599	1,867	619,466
Net assets acquired	59,221	(2,514)	56,707
Goodwill resulting from the CBH Merger	$65,838	$ 2,514	$68,352

**includes $507 thousand of loans held for sale*

Table of Contents

For the twelve months ended December 31, 2015, adjustments to the fair value of the assets acquired and liabilities assumed were related to circumstances that existed prior to the CBH Merger date, but that were not known to the Corporation. The adjustments included reductions in the fair value of certain loans, unrecorded liabilities of CBH, and an immaterial adjustment to the calculation of a favorable lease asset, which reduced its value, along with the associated deferred tax items.

As of December 31, 2015, the estimates of fair values of the assets acquired and liabilities assumed in the CBH Merger were finalized.

Powers Craft Parker and Beard, Inc.

The acquisition of PCPB, an insurance brokerage headquartered in Rosemont, Pennsylvania, was completed on October 1, 2014. The consideration paid by the Corporation was $7.0 million, of which $5.4 million was paid at closing and the first of three contingent payments, of $542 thousand, was paid during the fourth quarter of 2015. The remaining $1.1 million consists of two 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 two remaining contingent payments are the twelve month periods ending September 30, 2016 and 2017. 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 disbursed	542
Contingent payment liability	1,083
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.

Pro Forma Income Statements (unaudited)

The following pro forma income statements for the twelve months ended December 31, 2014, 2015 and 2016 present the pro forma results of operations of the combined institution (CBH and the Corporation) as if the merger occurred on January 1, 2014, January 1, 2015 and January 1, 2016, 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 twelve month period ended December 31, 2014. Due to the immaterial contribution to net income of the PCPB and RJM acquisitions, which occurred during the three year period shown in the table, the pro forma effects of the PCPC acquisition and the RJM acquisition are excluded.

	Twelve Months Ended December 31,		
(dollars in thousands)	2016	2015	2014
Net interest income	$106,236	$100,127	$100,609
Provision for loan and lease losses	4,326	4,396	2,041
Net interest income after provision for loan and lease losses	101,910	95,731	98,568
Non-interest income	54,039	55,960	51,836
Non-interest expense	101,745	125,765	100,011
Income before income taxes	54,204	25,926	50,393
Income tax expense	18,168	9,172	17,673
Net income	$36,036	$16,754	$32,720
Per share data*:			
Weighted-average basic shares outstanding	16,859,623	17,488,325	17,444,543
Dilutive shares	168,499	267,996	373,384
Adjusted weighted-average diluted shares	17,028,122	17,756,321	17,817,927
Basic earnings per common share	$2.14	$0.96	$1.88
Diluted earnings per common share	$2.12	$0.94	$1.84

** Assumes that the shares of CBH common stock outstanding as of December 31, 2014 were outstanding for the full twelve month periods ended December 31, 2013 and 2014, and therefore equal the weighted average shares of common stock outstanding for the twelve months periods ended December 31, 2013 and 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).*

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:

	Twelve Months Ended December 31,		
(dollars in thousands)	**2016**	**2015**	**2014**
Advertising	$—	$162	$10
Employee benefits	—	258	23
Furniture, fixtures and equipment	—	159	9
Information technology	—	1,168	44
Professional fees	—	2,471	1,340
Salaries and wages	—	1,868	346
Other	—	584	601
Total due diligence and merger-related expenses	$—	$6,670	$2,373

Table of Contents

Note 3 - Goodwill & Other Intangible Assets

The Corporation completed an annual impairment test for goodwill and other intangibles as of December 31, 2015 and October 31, 2016. During 2016, the Corporation made a voluntary change in the method of applying an accounting principle related to the timing of the annual goodwill impairment assessment from December 31st to October 31st. Management made this decision based on the time intensive nature of the goodwill impairment assessment. Management does not consider this change in impairment testing date to be a material change in application of an accounting principle. Future impairment testing will be conducted each October 31, unless a triggering event occurs in the interim that would suggest possible impairment, in which case it would be tested as of the date of the triggering event. There was no goodwill impairment and no material impairment to identifiable intangible assets recorded during 2015 or 2016. There can be no assurance that future impairment assessments or tests will not result in a charge to earnings.

The Corporation's goodwill and intangible assets related to the acquisitions of Lau Associates in July 2008, FKF in July 2010, PWMG in May 2011, DTC in May 2012, FBD in November 2012, PCPB in October 2014, CBH in January 2015 and RJM in April 2015 for the years ended December 31, 2016 and 2015 are as follows:

(dollars in thousands)	**Beginning Balance 12/31/15**	**Additions/ Adjustments**	**Amortization**	**Ending Balance 12/31/16**	**Initial Amortization Period**
Goodwill – Wealth reporting unit	$ 20,412	$ —	$ —	$ 20,412	Indefinite
Goodwill – Banking reporting unit	80,783	—	—	80,783	Indefinite
Goodwill – Insurance reporting unit	3,570	—	—	3,570	Indefinite
Total	$ 104,765	$ —	$ —	$ 104,765	
Core deposit intangible	$ 4,272	$ —	(825)	$ 3,447	10 years
Customer relationships	14,384	—	(1,328)	13,056	10 to 20 years
Non-compete agreements	2,932	—	(1,298)	1,634	5 to 10 years
Trade name	2,165	—	—	2,165	Indefinite
Favorable lease asset	150	—	(47)	103	17 to 75 months
Total	$ 23,903	$ —	(3,498)	$ 20,405	
Grand total	$ 128,668	$ —	(3,498)	$ 125,170	

(dollars in thousands)	**Beginning**	**Additions/**	**Amortization/**	**Ending**	**Amortization Period**

	Balance 12/31/14	Adjustments	Impairment	Balance 12/31/15	
Goodwill – Wealth reporting unit	$ 20,412	$ —	$ —	$ 20,412	Indefinite
Goodwill – Banking reporting unit	12,431	68,352	—	80,783	Indefinite
Goodwill – Insurance reporting unit	2,938	632	—	3,570	Indefinite
Total	$ 35,781	$ 68,984	$ —	$ 104,765	
Core deposit intangible	$ 1,066	$ 4,191	$ (985)	$ 4,272	10 years
Customer relationships	15,562	424	(1,602)	14,384	10 to 20 years
Non-compete agreements	3,728	257	(1,053)	2,932	5 to 10 years
Trade name	2,165	—	—	2,165	Indefinite
Favorable lease asset	—	724	(574)	150	17 to 75 months
Total	$ 22,521	$ 5,596	$ (4,214)	$ 23,903	
Grand total	$ 58,302	$ 74,580	$ (4,214)	$ 128,668	

Table of Contents

Note 4 - Investment Securities

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

As of December 31, 2016

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	$ 200,094	$ 3	$ —	$ 200,097
Obligations of the U.S. government and agencies	83,111	167	(1,080)	82,198
Obligations of state and political subdivisions	33,625	26	(121)	33,530
Mortgage-backed securities	185,997	1,260	(1,306)	185,951
Collateralized mortgage obligations	49,488	108	(902)	48,694
Other investments	16,575	105	(154)	16,526
Total	$ 568,890	$ 1,669	$ (3,563)	$ 566,996

As of December 31, 2015

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Treasury securities	$ 101	$ —	$ (1)	$ 100
Obligations of the U.S. government and agencies	101,342	470	(317)	101,495
Obligations of state and political subdivisions	41,892	123	(49)	41,966
Mortgage-backed securities	157,422	1,482	(215)	158,689
Collateralized mortgage obligations	29,756	166	(123)	29,799
Other investments	17,263	38	(384)	16,917
Total	$ 347,776	$ 2,279	$ (1,089)	$ 348,966

The following table shows the amount of *available for sale* investment securities that were in an unrealized loss position at December 31, 2016:

(dollars in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of the U.S. government and agencies	$62,211	$ (1,080)	$—	$ —	$62,211	$ (1,080)
Obligations of state and political subdivisions	24,482	(121)	—	—	24,482	(121)
Mortgage-backed securities	101,433	(1,306)	—	—	101,433	(1,306)
Collateralized mortgage obligations	35,959	(902)	—	—	35,959	(902)
Other investments	2,203	(93)	11,895	(61)	14,098	(154)
Total	$226,288	$ (3,502)	$11,895	$ (61)	$238,183	$ (3,563)

68

Table of Contents

The following table shows the amount of *available for sale* investment securities that were in an unrealized loss position at December 31, 2015:

(dollars in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities	$100	$ (1)	$—	$ —	$100	$ (1)
Obligations of the U.S. government and agencies	49,759	(317)	—	—	49,759	(317)
Obligations of state and political subdivisions	18,725	(46)	2,016	(3)	20,741	(49)
Mortgage-backed securities	55,763	(215)	—	—	55,763	(215)
Collateralized mortgage obligations	6,407	(85)	2,436	(38)	8,843	(123)
Other investments	3,945	(238)	11,810	(146)	15,755	(384)
Total	$134,699	$ (902)	$16,262	$ (187)	$150,961	$ (1,089)

Management evaluates the Corporation’s investment securities that are in an unrealized loss position in order to determine if the decline in fair value is other than temporary. The 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 investment portfolio are rated as investment-grade or higher. 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 or collateral. Management 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.

At December 31, 2016, securities having a fair value of $119.4 million were specifically pledged as collateral for public funds, trust deposits, the FRB discount window program, 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 *available for sale* investment and mortgage-related securities available for sale as of December 31, 2016 and 2015, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(dollars in thousands)	**December 31, 2016** **Amortized Cost**	**Fair Value**
Investment securities*:		
Due in one year or less	$213,876	$213,885
Due after one year through five years...	40,335	40,270
Due after five years through ten years	45,840	44,914
Due after ten years	18,079	18,055
Subtotal	318,130	317,124
Mortgage-related securities	235,485	234,644
Total	$553,615	$551,768

**Included in the investment portfolio, but not in the table above, are mutual funds with an amortized cost and fair value, as of December 31, 2016, of $15.3 million and $15.2 million, respectively, which have no stated maturity.*

Table of Contents

(dollars in thousands)	**December 31, 2015** **Amortized Cost**	**Fair Value**
Investment securities*:		
Due in one year or less	$9,570	$9,574
Due after one year through five years	61,368	61,467
Due after five years through ten years	53,193	53,070
Due after ten years	20,904	21,141
Subtotal	145,035	145,252
Mortgage-related securities	187,178	188,488
Total	$332,213	$333,740

** Included in the investment portfolio, but not in the table above, are mutual funds with an amortized cost and fair value, as of December 31, 2015, of $15.6 million and $15.2 million, respectively, which have no stated maturity.*

Proceeds from the sale of *available for sale* investment securities totaled $276 thousand, $64.9 million and $24.4 million for the twelve months ended December 31, 2016, 2015 and 2014, respectively. Net loss on sale of available for sale investment securities for the twelve months ended December 31, 2016 totaled $77 thousand. Net gain on sale of available for sale investment securities for the twelve months ended December 31, 2015 and 2014 totaled $931 thousand and $471 thousand, respectively.

The amortized cost and fair value of investment securities *held to maturity* as of December 31, 2016 are as follows:

As of December 31, 2016

(dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mortgage-backed securities	$ 2,879	$ —	$ (61)	$2,818
Total	$ 2,879	$ —	$ (61)	$2,818

The following table shows the amount of *held to maturity* securities that were in an unrealized loss position at December 31, 2015:

(dollars in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mortgage-backed securities	$2,818	$ (61)	$ —	$ —	$2,818	$ (61)
Total	$2,818	$ (61)	$ —	$ —	$2,818	$ (61)

The amortized cost and fair value of *held to maturity* investment securities as of December 31, 2016, by contractual maturity, are shown below:

(dollars in thousands)	December 31, 2016	
	Amortized Cost	Fair Value
Mortgage-related securities[1]	2,879	2,818
Total	$2,879	$2,818

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

As of December 31, 2015, there were no investments *held to maturity*.

70

Table of Contents

As of December 31, 2016 and December 31, 2015, the Corporation’s investment securities held in *trading* accounts totaled $3.9 million and $4.0 million, respectively, and consist solely of deferred compensation trust accounts which are invested in listed mutual funds whose diversification is at the discretion of the deferred compensation plan participants. Investment securities held in trading accounts are reported at fair value, with adjustments in fair value reported through income.

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:

	December 31, 2016	December 31, 2015
Loans held for sale	$9,621	$8,987
Real estate loans:		
Commercial mortgage	$1,110,898	$964,259
Home equity lines and loans	207,999	209,473
Residential mortgage	413,540	406,404
Construction	141,964	90,421
Total real estate loans	1,874,401	1,670,557
Commercial and industrial	579,791	524,515
Consumer	25,341	22,129
Leases	55,892	51,787
Total portfolio loans and leases	2,535,425	2,268,988
Total loans and leases	$2,545,046	$2,277,975
Loans with fixed rates	$1,130,172	$1,103,622
Loans with adjustable or floating rates	1,414,874	1,174,353

Total loans and leases	$2,545,046	$2,277,975
Net deferred loan origination fees included in the above loan table	$(735)	$(70)

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

	December 31, 2016	December 31, 2015
Loans held for sale	$9,621	$8,987
Real estate loans:		
Commercial mortgage	$946,879	$772,571
Home equity lines and loans	178,450	171,189
Residential mortgage	342,268	316,487
Construction	141,964	87,155
Total real estate loans	1,609,561	1,347,402
Commercial and industrial	550,334	462,746
Consumer	25,200	21,934
Leases	55,892	51,787
Total portfolio loans and leases	2,240,987	1,883,869
Total loans and leases	$2,250,608	$1,892,856
Loans with fixed rates	$992,917	$932,575
Loans with adjustable or floating rates	1,257,691	960,281
Total originated loans and leases	$2,250,608	$1,892,856
Net deferred loan origination fees included in the above loan table	(735)	(70)

Table of Contents

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

	December 31, 2016	**December 31, 2015**
Real estate loans:		
Commercial mortgage	$ 164,019	$ 191,688
Home equity lines and loans	29,549	38,284
Residential mortgage	71,272	89,917
Construction	—	3,266
Total real estate loans	264,840	323,155
Commercial and industrial	29,457	61,769
Consumer	141	195
Total portfolio loans and leases	294,438	385,119
Total loans and leases	$ 294,438	$ 385,119
Loans with fixed rates	$ 137,255	$ 171,047
Loans with adjustable or floating rates	157,183	214,072
Total acquired loans and leases	$ 294,438	$ 385,119

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

(dollars in thousands)	**December 31, 2016**	**December 31, 2015**
Minimum lease payments receivable	$ 62,379	$ 58,422
Unearned lease income	(8,608)	(8,919)
Initial direct costs and deferred fees	2,121	2,284
Total	$ 55,892	$ 51,787

C. Non-Performing Loans and Leases[(1)]

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

(dollars in thousands)	December 31, 2016	December 31, 2015
Non-accrual loans and leases:		
Commercial mortgage	$ 320	$ 829
Home equity lines and loans	2,289	2,027
Residential mortgage	2,658	3,212
Construction	—	34
Commercial and industrial	2,957	4,133
Consumer	2	—
Leases	137	9
Total	$ 8,363	$ 10,244

(1) *Purchased credit-impaired loans, which have been recorded at their fair values at acquisition, and which are performing, are excluded from this table, with the exception of $344 thousand and $661 thousand of purchased credit-impaired loans as of December 31, 2016 and December 31, 2015, respectively, which became non-performing subsequent to acquisition.*

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

(dollars in thousands)	December 31, 2016	December 31, 2015
Non-accrual originated loans and leases:		
Commercial mortgage	$ 265	$ 279
Home equity lines and loans	2,169	1,788
Residential mortgage	1,654	1,964
Construction	—	34
Commercial and industrial	941	3,044
Consumer	2	—
Leases	137	9
Total	$ 5,168	$ 7,118

Table of Contents

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

(dollars in thousands)	**December 31, 2016**	**December 31, 2015**
Non-accrual acquired loans and leases:		
Commercial mortgage	$ 55	$ 550
Home equity lines and loans	120	239
Residential mortgage	1,004	1,248
Commercial and industrial	2,016	1,089
Total	$ 3,195	$ 3,126

(1) *Purchased credit-impaired loans, which have been recorded at their fair values at acquisition, and which are performing, are excluded from this table, with the exception of $344 thousand and $661 thousand of purchased credit-impaired loans as of December 31, 2016 and December 31, 2015, respectively, which became non-performing subsequent to acquisition.*

D. Purchased Credit-Impaired Loans

The outstanding principal balance and related carrying amount of credit-impaired loans, for which the Corporation applies ASC 310-30, *Accounting for Purchased Loans with Deteriorated Credit Quality*, to account for the interest earned, as of the dates indicated, are as follows:

(dollars in thousands)	**December 31, 2016**	**December 31, 2015**
Outstanding principal balance	$ 18,091	$ 24,879
Carrying amount[1]	$ 12,432	$ 16,846

(1)

Includes $368 thousand and $699 thousand of purchased credit-impaired loans as of December 31, 2016 and December 31, 2015, respectively, for which the Corporation could not estimate the timing or amount of expected cash flows to be collected at acquisition, and for which no accretable yield is recognized. Additionally, the table above includes $344 thousand and $661 thousand of purchased credit-impaired loans as of December 31, 2016 and December 31, 2015, respectively, which became non-performing subsequent to acquisition, which are disclosed in Note 5C, above, and which also have no accretable yield.

The following table presents changes in the accretable discount on purchased credit-impaired loans, for which the Corporation applies ASC 310-30, for the twelve months ended December 31, 2016:

(dollars in thousands)	**Accretable Discount**
Balance, December 31, 2015	$ 6,115
Accretion	(1,858)
Reclassifications from nonaccretable difference	182
Additions/adjustments	68
Disposals	(1,274)
Balance, December 31, 2016	$ 3,233

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:

(dollars in thousands) As of December 31, 2016	Accruing Loans and Leases 30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current*	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$666	$722	$ —	$1,388	$1,109,190	$1,110,578	$ 320	$1,110,898
Home equity lines and loans	11	—	—	11	205,699	205,710	2,289	207,999
Residential mortgage	823	490	—	1,313	409,569	410,882	2,658	413,540
Construction	—	—	—	—	141,964	141,964	—	141,964
Commercial and industrial	36	—	—	36	576,798	576,834	2,957	579,791
Consumer	10	5	—	15	25,324	25,339	2	25,341
Leases	177	86	—	263	55,492	55,755	137	55,892
	$1,723	$1,303	$ —	$3,026	$2,524,036	$2,527,062	$ 8,363	$2,535,425

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

**included as "current" are $15.3 million and $10.5 million of loans and leases as of December 31, 2016 and 2015, respectively, which are classified as Administratively Delinquent. An Administratively Delinquent loan is one which has been approved for a renewal or extension but has not had all the required documents fully executed as of the* *reporting date. The Corporation does not consider these loans to be delinquent.*

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

(dollars in thousands)	**Accruing Loans and Leases**							
As of December 31, 2016	**30 – 59 Days Past Due**	**60 – 89 Days Past Due**	**Over 89 Days Past Due**	**Total Past Due**	**Current***	**Total Accruing Loans and Leases**	**Nonaccrual Loans and Leases**	**Total Loans and Leases**
Commercial mortgage	$—	$722	$ —	$722	$945,892	$946,614	$ 265	$946,879
Home equity lines and loans	11	—	—	11	176,270	176,281	2,169	178,450
Residential mortgage	773	64	—	837	339,778	340,615	1,653	342,268
Construction	—	—	—	—	141,964	141,964	—	141,964
Commercial and industrial	—	—	—	—	549,393	549,393	941	550,334
Consumer	10	5	—	15	25,183	25,198	2	25,200
Leases	177	86	—	263	55,492	55,755	137	55,892
	$971	$877	$ —	$1,848	$2,233,972	$2,235,820	$ 5,167	$2,240,987

Table of Contents

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

**included as "current" are $13.5 million and $10.1 million of loans and leases as of December 31, 2016 and 2015, respectively, which are classified as Administratively Delinquent. An Administratively Delinquent loan is one which has been approved for a renewal or extension but has not had all the required documents fully executed as of the reporting date. The Corporation does not consider these loans to be delinquent.*

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

(dollars in thousands) As of December 31, 2016	Accruing Loans and Leases 30 – 59 Days Past Due	60 – 89 Days Past Due	Over 89 Days Past Due	Total Past Due	Current*	Total Accruing Loans and Leases	Nonaccrual Loans and Leases	Total Loans and Leases
Commercial mortgage	$666	$—	$ —	$666	$163,298	$163,964	$ 55	$164,019
Home equity lines and loans	—	—	—	—	29,429	29,429	120	29,549
Residential mortgage	50	426	—	476	69,791	70,267	1,005	71,272
Construction	—	—	—	—	—	—	—	—
Commercial and industrial	36	—	—	36	27,405	27,441	2,016	29,457
Consumer	—	—	—	—	141	141	—	141
	$752	$426	$ —	$1,178	$290,064	$291,242	$ 3,196	$294,438

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

**included as "current" are $1.8 million and $418 thousand of loans and leases as of December 31, 2016 and 2015, respectively, which are classified as Administratively Delinquent. An Administratively Delinquent loan is one which has been approved for a renewal or extension but has not had all the required documents fully executed as of the reporting date. The Corporation does not consider these loans to be delinquent.*

75

Table of Contents

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

The following tables detail the roll-forward of the Allowance for the twelve months ended December 31, 2016:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
Balance, December 31, 2015	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857
Charge-offs	(110)	(592)	(306)	—	(1,298)	(173)	(808)	—	(3,287)
Recoveries	62	68	48	64	93	23	232	—	590
Provision for loan and lease losses	1,076	472	435	845	738	161	617	(18)	4,326
Balance, December 31, 2016	$ 6,227	1,255	1,917	2,233	5,142	153	559	—	17,486

The following table details the roll-forward of the Allowance for the twelve months ended December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
Balance, December 31, 2014	$ 3,948	$ 1,917	$ 1,736	$ 1,367	$ 4,533	$ 238	$ 468	$ 379	$ 14,586
Charge-offs	(50)	(774)	(791)	—	(1,220)	(177)	(442)	—	(3,454)
Recoveries	27	98	35	4	35	29	101	—	329
Provision for loan and lease losses	1,274	66	760	(47)	2,261	52	391	(361)	4,396
Balance December 31, 2015	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857

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 December 31, 2016 and December 31, 2015:

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of December 31, 2016									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$—	$ 73	$ —	$ 5	$ 8	$—	$ —	$86
Collectively evaluated for impairment	6,227	1,255	1,844	2,233	5,137	145	559	—	17,400
Purchased credit-impaired[(1)]	—	—	—	—	—	—	—	—	—
Total	$ 6,227	$1,255	$ 1,917	$ 2,233	$ 5,142	$ 153	$559	$ —	$17,486
As of December 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$115	$ 54	$ —	$ 519	$ 5	$—	$ —	$693
Collectively evaluated for impairment	5,199	1,192	1,686	1,324	5,090	137	518	18	15,164
Purchased credit-impaired[(1)]	—	—	—	—	—	—	—	—	—
Total	$ 5,199	$1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$518	$ 18	$15,857

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

Table of Contents

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

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of December 31, 2016								
Carrying value of loans and leases:								
Individually evaluated for impairment	$1,576	$2,354	$7,266	$—	$2,946	$31	$—	$14,173
Collectively evaluated for impairment	1,098,788	205,540	406,271	141,964	575,055	25,310	55,892	2,508,820
Purchased credit-impaired[1]	10,534	105	3	—	1,790	—	—	12,432
Total	$1,110,898	$207,999	$413,540	$141,964	$579,791	$25,341	$55,892	$2,535,425
As of December 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$349	$1,980	$7,754	$33	$4,240	$30	$—	$14,386
Collectively evaluated for impairment	952,448	207,378	398,635	89,625	515,784	22,099	51,787	2,237,756
Purchased credit-impaired[1]	11,462	115	15	763	4,491	—	—	16,846
Total	$964,259	$209,473	$406,404	$90,421	$524,515	$22,129	$51,787	$2,268,988

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

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

Construction	**Consumer**	**Leases**	**Unallocated**	**Total**

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**		**Commercial and Industrial**				
As of December 31, 2016									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$—	$ 45	$ —	$ 5	$ 8	$—	$ —	$58
Collectively evaluated for impairment	6,227	1,255	1,844	2,233	5,137	145	559	—	17,400
Total	$ 6,227	$ 1,255	$ 1,889	$ 2,233	$ 5,142	$ 153	$ 559	$ —	$ 17,458
As of December 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ 115	$ 54	$ —	$ 519	$ 5	$—	$ —	$693
Collectively evaluated for impairment	5,199	1,192	1,686	1,324	5,090	137	518	18	15,164
Total	$ 5,199	$ 1,307	$ 1,740	$ 1,324	$ 5,609	$ 142	$ 518	$ 18	$ 15,857

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

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of December 31, 2016								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 1,521	$ 2,319	$ 4,111	$ —	$ 1,190	$ 31	$—	$9,172
Collectively evaluated for impairment	945,358	176,131	338,157	141,964	549,144	25,169	55,892	2,231,815
Total	$ 946,879	$ 178,450	$ 342,268	$ 141,964	$ 550,334	$ 25,200	$ 55,892	$ 2,240,987
As of December 31, 2015								
Carrying value of loans and leases:								

Individually evaluated for impairment	$ 279	$ 1,832	$ 4,394	$ 33	$ 3,229	$ 30	$—	$ 9,797
Collectively evaluated for impairment	772,292	169,357	312,093	87,122	459,517	21,904	51,787	1,874,072
Total	$ 772,571	$ 171,189	$ 316,487	$ 87,155	$ 462,746	$ 21,934	$ 51,787	$ 1,883,869

77

Table of Contents

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

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Unallocated**	**Total**
As of December 31, 2016									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ 28	$ —	$ —	$ —	$ —	$ —	$ 28
Collectively evaluated for impairment	—	—	—	—	—	—	—	—	—
Purchased credit-impaired[1]	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ 28	$ —	$ —	$ —	$ —	$ —	$ 28
As of December 31, 2015									
Allowance on loans and leases:									
Individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	—	—	—	—	—	—	—	—	—
Purchased credit-impaired[1]	—	—	—	—	—	—	—	—	—
Total	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

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

(dollars in thousands)	**Commercial Mortgage**	**Home Equity Lines and Loans**	**Residential Mortgage**	**Construction**	**Commercial and Industrial**	**Consumer**	**Leases**	**Total**
As of December 31, 2016								

Carrying value of loans and leases:								
Individually evaluated for impairment	$ 55	35	3,155	—	1,756	—	—	5,001
Collectively evaluated for impairment	153,430	29,409	68,114	—	25,911	141	—	277,005
Purchased credit-impaired[1]	10,534	105	3	—	1,790	—	—	12,432
Total	$ 164,019	29,549	71,272	—	29,457	141	—	294,438
As of December 31, 2015								
Carrying value of loans and leases:								
Individually evaluated for impairment	$ 70	$ 148	$ 3,360	$ —	$ 1,011	$ —	$ —	$ 4,589
Collectively evaluated for impairment	180,156	38,021	86,542	2,503	56,267	195	—	363,684
Purchased credit-impaired[1]	11,462	115	15	763	4,491	—	—	16,846
Total	$ 191,688	$ 38,284	$ 89,917	$ 3,266	$ 61,769	$ 195	$ —	$ 385,119

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

As part of the process of determining the Allowance for the different segments of the loan and lease portfolio, Management considers certain credit quality indicators. For the commercial mortgage, construction and commercial and industrial loan segments, periodic reviews of the individual loans are performed by both in-house staff as well as external loan reviewers. The result of these reviews is reflected in the risk grade assigned to each loan. These internally assigned grades are as follows:

- Pass – Loans considered satisfactory with no indications of deterioration.

- Special mention - Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

- Substandard - Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Substandard loans have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

- Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Table of Contents

In addition, for the remaining segments of the loan and lease portfolio, which include residential mortgage, home equity lines and loans, consumer, and leases, the credit quality indicator used to determine this component of the Allowance is based on performance status.

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

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Pass	$1,099,557	$946,887	$140,370	$ 88,653	$570,342	$510,040	$1,810,269	$1,545,580
Special Mention	1,892	7,029	—	—	2,315	1,123	4,207	8,152
Substandard	9,449	10,343	1,594	1,768	5,512	13,352	16,555	25,463
Doubtful	—	—	—	—	1,622	—	1,622	—
Total	$1,110,898	$964,259	$141,964	$ 90,421	$579,791	$524,515	$1,832,653	$1,579,195

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Performing	$410,882	$403,192	$205,710	$207,446	$25,339	$22,129	$55,755	$51,778	$697,686	$684,545
Non-performing	2,658	3,212	2,289	2,027	2	—	137	9	5,086	5,248
Total	$413,540	$406,404	$207,999	$209,473	$25,341	$22,129	$55,892	$51,787	$702,772	$689,793

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

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Pass	$936,737	$758,240	$140,370	$ 86,065	$544,876	$454,454	$1,621,983	$1,298,759
Special Mention	1,892	7,029	—	—	2,279	1,015	4,171	8,044
Substandard	8,250	7,302	1,594	1,090	3,054	7,277	12,898	15,669
Doubtful	—	—	—	—	125	—	125	—
Total	$946,879	$772,571	$141,964	$ 87,155	$550,334	$462,746	$1,639,177	$1,322,472

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Leases**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Performing	$340,615	$314,523	$176,281	$169,401	$25,198	$21,934	$55,755	$51,778	$597,849	$557,636
Non-performing	1,653	1,964	2,169	1,788	2	—	137	9	3,961	3,761
Total	$342,268	$316,487	$178,450	$171,189	$25,200	$21,934	$55,892	$51,787	$601,810	$561,397

79

Table of Contents

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

Credit Risk Profile by Internally Assigned Grade

(dollars in thousands)	**Commercial Mortgage**		**Construction**		**Commercial and Industrial**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Pass	$ 162,820	$ 188,647	$ —	$ 2,588	$ 25,466	$ 55,586	$ 188,286	$ 246,821
Special Mention	—	—	—	—	36	108	36	108
Substandard	1,199	3,041	—	678	2,458	6,075	3,657	9,794
Doubtful	—	—	—	—	1,497	—	1,497	—
Total	$ 164,019	$ 191,688	$ —	$ 3,266	$ 29,457	$ 61,769	$ 193,476	$ 256,723

Credit Risk Profile by Payment Activity

(dollars in thousands)	**Residential Mortgage**		**Home Equity Lines and Loans**		**Consumer**		**Total**	
	December 31, 2016	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**	**December 31, 2016**	**December 31, 2015**
Performing	$ 70,267	$ 88,669	$ 29,429	$ 38,045	$ 141	$ 195	99,837	$ 126,909
Non-performing	1,005	1,248	120	239	—	—	1,125	1,487
Total	$ 71,272	$ 89,917	$ 29,549	$ 38,284	$ 141	$ 195	100,962	$ 128,396

G. Troubled Debt Restructurings (“TDRs”)

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

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

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

(dollars in thousands)	**December 31, 2016**	**December 31, 2015**
TDRs included in nonperforming loans and leases	$ 2,632	$ 1,935
TDRs in compliance with modified terms	6,395	4,880
Total TDRs	$ 9,027	$ 6,815

The following table presents information regarding loan and lease modifications categorized as TDRs for the twelve months ended December 31, 2016:

(dollars in thousands)	For the Twelve Months Ended December 31, 2016		
	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial mortgage	1	$ 1,256	$ 1,256
Residential	2	141	148
Home equity lines and loans	6	265	265
Commercial and industrial	4	1,006	1,006
Leases	3	104	104
Total	16	$ 2,772	$ 2,779

Table of Contents

The following table presents information regarding the types of loan and lease modifications made for the twelve months ended December 31, 2016:

	Number of Contracts					
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest Rate Change and/or Interest-Only Period	Contractual Payment Reduction (Leases only)	Temporary Payment Deferral
Commercial mortgage	—	1	—	—	—	—
Residential	—	—	2	—	—	—
Home equity lines and loans	—	—	—	6	—	
Commercial and industrial	—	3	—	—	—	1
Leases	—	—	—	—	3	—
Total	—	4	2	6	3	1

The following table presents information regarding loan and lease modifications categorized as TDRs for the twelve months ended December 31, 2015:

	For the Twelve Months Ended December 31, 2015		
		Pre-Modification	Post-Modification
(dollars in thousands)	Number of Contracts	Outstanding Recorded Investment	Outstanding Recorded Investment
Residential	4	$ 2,181	$ 2,181
Home equity lines and loans	1	22	22
Leases	2	66	66
Total	7	$ 2,269	$ 2,269

The following table presents information regarding the types of loan and lease modifications made for the twelve months ended December 31, 2015:

	Number of Contracts					
	Interest Rate Change	Loan Term Extension	Interest Rate Change and Term Extension	Interest Rate Change and/or Interest-Only Period	Contractual Payment Reduction (Leases only)	Temporary Payment Deferral
Residential	—	—	2	2	—	—
Home equity lines and loans	—	—	—	1	—	—
Leases	—	—	—	—	2	—
Total	—	—	2	3	2	—

During the twelve months ended December 31, 2016, there were no defaults of loans that had received troubled debt restructurings in 2015.

Table of Contents

H. Impaired Loans

The following tables detail the recorded investment and principal balance of impaired loans by portfolio segment, their related allowance for loan and lease losses and interest income recognized for the twelve months ended December 31, 2016, 2015 and 2014 (purchased credit-impaired loans are not included in the tables):

(dollars in thousands) **As of or for the Twelve Months Ended December 31, 2016**	**Recorded Investment****	**Principal Balance**	**Related Allowance**	**Average Principal Balance**	**Interest Income Recognized**	**Cash-Basis Interest Income Recognized**
Impaired loans with related allowance:						
Residential mortgage	$ 622	$ 622	$ 73	$ 639	$ 27	$ —
Commercial and industrial	84	84	5	103	5	—
Consumer	31	31	8	33	2	—
Total	737	737	86	775	34	—
Impaired loans* without related allowance:						
Commercial mortgage	1,577	1,577	—	1,583	70	—
Home equity lines and loans	2,354	2,778	—	2,833	25	—
Residential mortgage	6,644	6,970	—	7,544	276	—
Commercial and industrial	2,862	3,692	—	8,362	146	—
Total	13,437	15,017	—	20,322	517	—
						—
Grand total	$ 14,174	$ 15,754	$ 86	$ 21,097	$ 551	$ —

*****_The table above does not include the recorded investment of $240 thousand of impaired leases without a related allowance for loan and lease losses._

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

(dollars in thousands)	**Recorded**	**Principal**	**Related**	**Average**	**Interest**	**Cash-Basis**

As of or for the Twelve Months Ended December 31, 2015	**Investment****	**Balance**	**Allowance**	**Principal Balance**	**Income Recognized**	**Interest Income Recognized**
Impaired loans with related allowance:						
Home equity lines and loans	$ 115	$ 115	$ 115	$ 125	$ 4	$ —
Residential mortgage	515	527	54	531	23	—
Commercial and industrial	2,011	2,002	519	2,215	49	—
Consumer	30	30	5	31	1	—
Total	2,671	2,674	693	2,902	77	—
Impaired loans* without related allowance:						
Commercial mortgage	349	358	—	361	9	—
Home equity lines and loans	1,865	2,447	—	2,605	46	—
Residential mortgage	7,239	8,166	—	8,085	257	—
Construction	33	996	—	1,087	—	—
Commercial and industrial	2,229	3,089	—	4,985	124	—
Total	11,715	15,056	—	17,123	436	—
						—
Grand total	$ 14,386	$ 17,730	$ 693	$ 20,025	$ 513	$ —

*****_The table above does not include the recorded investment of $77 thousand of impaired leases without a related allowance for loan and lease losses._

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

82

Table of Contents

(dollars in thousands) **As of or for the Twelve Months Ended December 31, 2014**	**Recorded Investment****	**Principal Balance**	**Related Allowance**	**Average Principal Balance**	**Interest Income Recognized**	**Cash-Basis Interest Income Recognized**
Impaired loans with related allowance:						
Home equity lines and loans	$ 111	$ 198	$ 4	$ 197	$ —	$ —
Residential mortgage	3,273	3,260	184	3,289	112	—
Commercial and industrial	2,069	2,527	448	2,577	49	—
Consumer	31	32	32	32	1	—
Total	5,484	6,017	668	6,095	162	—
Impaired loans* without related allowance:						
Commercial mortgage	97	97	—	103	4	—
Home equity lines and loans	1,044	1,137	—	1,251	12	—
Residential mortgage	5,369	5,794	—	6,210	152	—
Construction	264	1,225	—	1,427	—	—
Commercial and industrial	1,391	1,403	—	1,430	11	—
Total	8,165	9,656	—	10,421	179	—
						—
Grand total	$ 13,649	$ 15,673	$ 668	$ 16,516	$ 341	$ —

*****The table above does not include the recorded investment of $32 thousand of impaired leases without a related allowance for loan and lease losses.

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

I. Loan Mark

Loans acquired in mergers and acquisitions are recorded at fair value as of the date of the transaction. This adjustment to the acquired principal amount is referred to as the “Loan Mark”. With the exception of purchased credit impaired loans, for which the Loan Mark is accounted under ASC 310-30, the Loan Mark is amortized or accreted as an adjustment to yield over the lives of the loans.

The following tables detail, for *acquired loans*, the outstanding principal, remaining loan mark, and recorded investment, by portfolio segment, as of the dates indicated:

(dollars in thousands)	As of December 31, 2016		
	Outstanding Principal	Remaining Loan Mark	Recorded Investment
Commercial mortgage	$168,612	$(4,593)	$164,019
Home equity lines and loans	31,236	(1,687)	29,549
Residential mortgage	73,902	(2,630)	71,272
Commercial and industrial	32,812	(3,355)	29,457
Consumer	163	(22)	141
Total	$306,725	$(12,287)	$294,438

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

Table of Contents

Note 6 - Other Real Estate Owned

Other real estate owned consists of properties acquired as a result of foreclosures or deeds in-lieu-of foreclosure. Properties or other assets are classified as OREO and are reported at the lower of carrying value or fair value, less estimated costs to sell. Costs relating to the development or improvement of assets are capitalized, and costs relating to holding the property are charged to expense. As of December 31, 2016 the balance of OREO is comprised of seven single-family residential properties.

The summary of the change in other real estate owned, which is included as a component of other assets on the Corporation's Consolidated Balance Sheets, is as follows:

	December 31,	
(dollars in thousands)	**2016**	**2015**
Balance January 1	$2,638	$1,147
Additions	355	2,673
Impairments	(94)	(89)
Sales	(1,882)	(1,093)
Balance December 31	$1,017	$2,638

Note 7 - Premises and Equipment

A. A summary of premises and equipment is as follows:

	December 31,	
(dollars in thousands)	**2016**	**2015**
Land	$5,306	$5,306
Buildings	24,998	24,820
Furniture and equipment	36,930	34,758
Leasehold improvements	24,713	24,596
Construction in progress	56	500
Less: accumulated depreciation	(50,225)	(44,641)
Total	$41,778	$45,339

Depreciation and amortization expense related to the assets detailed in the above table for the years ended December 31, 2016, 2015, and 2014 amounted to $5.8 million, $5.1 million, and $3.6 million, respectively.

B. Future minimum cash rent commitments under various operating leases as of December 31, 2016 are as follows:

(dollars in thousands)	
2016	$4,234
2017	4,166
2018	3,908
2019	3,345
2020	2,721
2021 and thereafter	13,109
Total	$31,483

Rent expense on leased premises and equipment for the years ended December 31, 2016, 2015 and 2014 amounted to $4.6 million, $5.1 million, and $3.3 million, respectively.

Table of Contents

Note 8 - Mortgage Servicing Rights (“MSR”s)

A. The following summarizes the Corporation’s activity related to MSRs for the years ended December 31:

(dollars in thousands)	**2016**	**2015**	**2014**
Balance, January 1	$5,142	$4,765	$4,750
Additions	1,321	1,037	547
Amortization	(750)	(590)	(476)
Impairment	(131)	(70)	(56)
Balance, December 31	$5,582	$5,142	$4,765
Fair value	$6,154	$5,726	$5,456
Residential mortgage loans serviced for others	$631,889	$601,939	$590,660

B. The following summarizes the Corporation’s activity related to changes in the impairment valuation allowance of MSRs for the years ended December 31:

(dollars in thousands)	**2016**	**2015**	**2014**
Balance, January 1	$(1,674)	$(1,604)	$(1,548)
Impairment	(715)	(123)	(97)
Recovery	584	53	41
Balance, December 31	$(1,805)	$(1,674)	$(1,604)

C. Other MSR Information – At December 31, 2016, key economic assumptions and the sensitivity of the current fair value of MSRs to immediate 10 and 20 percent adverse changes in those assumptions are as follows:

(dollars in thousands)	
Fair value amount of MSRs	$6,154
Weighted average life (in years)	6.3
Prepayment speeds (constant prepayment rate)*	10.2 %
Impact on fair value:	
10% adverse change	$(115)
20% adverse change	$(238)
Discount rate	9.55 %

Impact on fair value:	
10% adverse change	$(225)
20% adverse change	$(434)

**Represents the weighted average prepayment rate for the life of the MSR asset.*

At December 31, 2016, 2015 and 2014, the fair value of the MSRs was $6.2 million, $5.7 million, and $5.5 million, respectively. The fair value of the MSRs for these dates was determined using values obtained from a third party which utilizes a valuation model which calculates the present value of estimated future servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds and discount rates. Mortgage loan prepayment speed is the annual rate at which borrowers are forecasted to repay their mortgage loan principal and is based on historical experience. The discount rate is used to determine the present value of future net servicing income. Another key assumption in the model is the required rate of return the market would expect for an asset with similar risk. These assumptions can, and generally will, change quarterly valuations as market conditions and interest rates change. Management reviews, annually, the process utilized by its independent third-party valuation experts.

These assumptions and sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the MSRs is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another, which could magnify or counteract the sensitivities.

Table of Contents

Note 9 - Deposits

A. The following table details the components of deposits:

(dollars in thousands)	**As of December 31, 2016**	**2015**
Savings	$232,193	$187,299
NOW accounts*	380,057	339,366
Market rate accounts*	835,296	816,938
Retail time deposits, less than $100	139,276	123,113
Retail time deposits, $100 or more	183,636	106,140
Wholesale time deposits	73,037	53,185
Total interest-bearing deposits	1,843,495	1,626,041
Non-interest-bearing deposits	736,180	626,684
Total deposits	$2,579,675	$2,252,725

* *Includes wholesale deposits.*

The aggregate amount of deposit and mortgage escrow overdrafts included as loans as of December 31, 2016 and 2015 were $818 thousand and $840 thousand, respectively.

B. The following tables detail the maturities of retail time deposits:

	As of December 31, 2016	
(dollars in thousands)	**$100 or more**	**Less than $100**
Maturing during:		
2017	$154,965	$107,043
2018	16,281	17,152
2019	4,982	8,011
2020	3,044	3,466
2021 and thereafter	4,364	3,604

Total	$183,636	$139,276

C. The following tables detail the maturities of wholesale time deposits:

	As of December 31, 2016	
(dollars in thousands)	**$100 or more**	**Less than $100**
Maturing during:		
2017	$72,783	$254
Total	$72,783	$254

Note 10 - Short-Term Borrowings and Long-Term FHLB Advances

A. Short-term borrowings – As of December 31, 2016 and 2015, the Corporation had $204.2 million and $94.2 million of short-term borrowings (original maturity of one year or less), respectively, which consisted of funds obtained from overnight repurchase agreements with commercial customers, an overnight repurchase agreement with a correspondent bank, short-term FHLB advances and overnight federal funds.

A summary of short-term borrowings is as follows:

	As of December 31,	
(dollars in thousands)	**2016**	**2015**
Repurchase agreements* – commercial customers	$39,151	$29,156
Repurchase agreement – correspondent bank	—	5,011
Short-term FHLB advances	165,000	30,000
Overnight federal funds	—	30,000
Total short-term borrowings	$204,151	$94,167

** overnight repurchase agreements with no expiration date*

Table of Contents

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

	As of or Twelve Months Ended December 31,	
(dollars in thousands)	**2016**	**2015**
Balance at period-end	$204,151	$94,167
Maximum amount outstanding at any month end	$204,151	$94,167
Average balance outstanding during the period	$37,041	$36,010
Weighted-average interest rate:		
As of the period-end	0.66 %	0.56 %
Paid during the period	0.25 %	0.13 %

Average balances outstanding during the year represent daily average balances and average interest rates represent interest expense divided by the related average balance.

B. Long-term FHLB Advances:

As of December 31, 2016 and 2015, the Corporation had $189.7 million and $254.9 million, respectively, of long-term FHLB advances (original maturities exceeding one year).

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

	As of December 31,	
(dollars in thousands)	**2016**	**2015**
Within one year	$75,000	$75,000
Over one year through five years	114,742	179,863
Total	$189,742	$254,863

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

Description	Maturity Range* From	Maturity Range* To	Weighted Average Rate	Coupon Rate From	Coupon Rate To	Balance at December 31, 2016	Balance at December 31, 2015
Bullet maturity – fixed rate	02/01/17	12/09/20	1.44 %	0.80%	2.13%	153,612	198,612
Bullet maturity – variable rate	11/28/17	11/28/17	1.08 %	1.08%	1.08%	15,000	35,000
Convertible-fixed	01/03/18	08/20/18	2.94 %	2.58%	3.50%	21,130	21,251
Total						$189,742	$254,863

**Maturity range and interest rates refers to December 31, 2016 balances*
***Loans from correspondent banks other than FHLB*

Included in the table above as of December 31, 2016 and 2015 are $21.1 million and $21.3 million, respectively, of long-term FHLB advances whereby the FHLB has the option, at predetermined times, to convert the fixed interest rate to an adjustable interest rate indexed to the London Interbank Offered Rate (“LIBOR”). The Corporation has the option to prepay these advances, without penalty, if the FHLB elects to convert the interest rate to an adjustable rate. As of December 31, 2016, substantially all the FHLB advances with this convertible feature are subject to conversion in fiscal 2017. These advances are included in the periods in which they mature, rather than the period in which they are subject to conversion.

C. Other Information –In connection with its FHLB borrowings, the Corporation is required to hold the capital stock of the FHLB. The amount of capital stock held was $17.3 million at December 31, 2016, and $12.9 million at December 31, 2015. The carrying amount of the FHLB stock approximates its redemption value.

The level of required investment in FHLB stock is based on the balance of outstanding loans the Corporation has from the FHLB. Although FHLB stock is a financial instrument that represents an equity interest in the FHLB, it does not have a readily determinable fair value. FHLB stock is generally viewed as a long-term investment. Accordingly, when evaluating FHLB stock for impairment, its value should be determined based on the ultimate recoverability of the par value rather than by recognizing temporary declines in value.

Table of Contents

The Corporation had a maximum borrowing capacity (“MBC”) with the FHLB of $1.22 billion as of December 31, 2016 of which the unused capacity was $886.0 million. In addition there were $79.0 million in overnight federal funds line, $117.3 million of Federal Reserve Discount Window capacity and $5.0 million in a correspondent bank line of credit.

Note 11 – Subordinated Notes

On August 6, 2015, the Corporation completed the issuance of $30 million in aggregate principal amount of fixed-to-floating rate subordinated notes (the "Notes") due 2025 in a private placement transaction to institutional accredited investors.

The net proceeds of the offering, which totaled $29.5 million, increased Tier 2 regulatory capital and the Corporation intends to use the net proceeds for general corporate purposes including share repurchases, possible acquisitions and organic growth. The debt issuance costs are included as a direct deduction from the debt liability and the costs are amortized to interest expense using the effective interest method.

The Notes bear interest at an annual fixed rate of 4.75% from the date of issuance until August 14, 2020, with the first interest payment on the Notes occurring on February 15, 2016 and semi-annually thereafter each August 15 and February 15 through August 15, 2020. Thereafter, the Notes will bear interest at a variable rate that will reset quarterly to a level equal to the then-current three-month LIBOR rate plus 3.068% until August 15, 2025, or any early redemption date, payable quarterly on November 15, February 15, May 15 and August 15 of each year. Beginning with the interest payment date of August 15, 2020, and on any scheduled interest payment date thereafter, the Corporation has the option to redeem the Notes in whole or in part at a redemption price equal to 100% of the principal amount of the redeemed Notes, plus accrued and unpaid interest to the date of the redemption.

In conjunction with the issuance, the Corporation engaged the Kroll Bond Rating Agency (“KBRA”) to assign a senior unsecured long-term debt rating, a subordinated debt rating and a short-term rating to the Corporation. As a result of their evaluation, KBRA assigned the Corporation a senior unsecured debt rating of A-, a subordinated debt rating of BBB+ and a short-term debt rating of K2.

Note 12 - Derivatives and Hedging Activities

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

On November 30, 2015, the Corporation elected to terminate the Swap and as a result, as of both December 31, 2016 and 2015, the Corporation held no derivative positions.

The following table details the Corporation's derivative positions as of the December 31, 2014:

(dollars in thousands)

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

For the twelve months ended December 31, 2015, the tax-effected accumulated other comprehensive loss associated with the Swap increased by $372 thousand. For the twelve months ended December 31, 2015, the Corporation reclassified $611 thousand, net of income tax benefit of $214 thousand from accumulated other comprehensive loss into earnings. During the twelve month periods ended December 31, 2014, there were no reclassifications of the Swap's fair value from other comprehensive income to earnings.

Note 13 - Disclosure about Fair Value of Financial Instruments

FASB ASC 825, "Disclosures about Fair Value of Financial Instruments" requires disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate such value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other market value techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. The aggregate fair value amounts presented below do not represent the underlying value of the Corporation.

Table of Contents

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate their fair values.

Investment Securities

Fair values for investment securities are generally determined by the Corporation including the use of an independent third party based on market data, utilizing pricing models that vary by asset and incorporate available trade, bid and other market information. The Corporation reviews, annually, the process utilized by its independent third-party valuation service provider. On a quarterly basis, the Corporation tests the validity of the prices provided by the third party by selecting a representative sample of the portfolio and obtaining actual trade results, or if actual trade results are not available, competitive broker pricing. On an annual basis, the Corporation evaluates, for appropriateness, the methodology utilized by the independent third-party valuation service provider.

Loans Held for Sale

The fair value of loans held for sale is based on pricing obtained from secondary markets.

Net Portfolio Loans and Leases

For variable rate loans that reprice frequently and which have no significant change in credit risk, estimated fair values are based on carrying values. Fair values of certain fixed rate mortgage loans and consumer loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality and is indicative of an entry price. The estimated fair value of nonperforming loans is based on discounted estimated cash flows as determined by the internal loan review of the Bank or the appraised market value of the underlying collateral, as determined by independent third party appraisers. This technique does not reflect an exit price.

Impaired Loans

The Corporation evaluates and values impaired loans at the time the loan is identified as impaired, and the fair values of such loans are estimated using Level 3 inputs in the fair value hierarchy. Each loan’s collateral has a unique appraisal and management’s discount of the value is based on the factors unique to each impaired loan. The significant unobservable input in determining the fair value is management’s subjective discount on appraisals of the collateral securing the loan, which range from 10% - 50%. Collateral may consist of real estate and/or business assets including equipment, inventory and/or accounts receivable and the value of these assets is determined based on the appraisals by qualified licensed appraisers hired by the Corporation. Appraised and reported values may be discounted based on management’s historical knowledge, changes in market conditions from the time of valuation, estimated costs to sell, and/or management’s expertise and knowledge of the client and the client’s business.

Other Real Estate Owned

Other real estate owned consists of properties acquired as a result of foreclosures and deeds in-lieu-of foreclosure. Properties are classified as OREO and are reported at the lower of cost or fair value less cost to sell, and are classified as Level 3 in the fair value hierarchy.

Mortgage Servicing Rights

The fair value of the MSRs for these periods was determined using a proprietary third-party valuation model that calculates the present value of estimated future servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds and discount rates. Due to the proprietary nature of the valuation model used and the lack of observable inputs, the Corporation classifies the value of MSRs as using Level 3 inputs.

Other Assets

Due to their short-term nature, the carrying amounts of accrued interest receivable, income taxes receivable and other investments approximate their fair value.

89

Table of Contents

Deposits

The fair values disclosed for non-interest-bearing demand deposits, savings, NOW accounts, and market rate accounts are, by definition, equal to the amounts payable on demand at the reporting date (i.e., their carrying amounts). Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of expected monthly maturities on the certificates of deposit. FASB Codification 825 defines the fair value of demand deposits as the amount payable on demand, as of the reporting date, and prohibits adjusting estimated fair value from any value derived from retaining those deposits for an expected future period of time.

Short-term borrowings

Due to their short-term nature, the carrying amount of short-term borrowings, which include overnight repurchase agreements approximate their fair value.

FHLB Advances and Other Borrowings

The fair value of FHLB advances and other borrowings is established using a discounted cash flow calculation that applies interest rates currently being offered on mid-term and long term borrowings.

Subordinated Notes

The fair value of the Notes is estimated by discounting the principal balance using the FHLB yield curve for the term to the call date as the Corporation has the option to call the Notes. The Notes are classified within Level 2 in the fair value hierarchy.

Other Liabilities

The carrying amounts of accrued interest payable and other accrued payables approximate fair value. The fair value of the interest-rate swap derivative is derived from quoted prices for similar instruments in active markets and is classified as using Level 2 inputs.

Off-Balance Sheet Instruments

The fair values of the Corporation's commitments to extend credit, standby letters of credit and financial guarantees are not included in the table below as their carrying values generally approximate their fair values. These instruments generate fees that approximate those currently charged to originate similar commitments.

Table of Contents

The carrying amount and fair value of the Corporation's financial instruments are as follows:

		As of December 31,			
		2016		**2015**	
(dollars in thousands)	Fair Value Hierarchy Level*	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets:					
Cash and cash equivalents	Level 1	$50,765	$50,765	$143,067	$143,067
Investment securities - available for sale	See Note 14	566,996	566,996	348,966	348,966
Investment securities - trading	See Note 14	3,888	3,888	3,950	3,950
Investment securities – held to maturity	Level 2	2,879	2,818	—	—
Loans held for sale	Level 2	9,621	9,621	8,987	8,987
Net portfolio loans and leases	Level 3	2,517,939	2,505,546	2,253,131	2,273,947
Mortgage servicing rights	Level 3	5,582	6,154	5,142	5,726
Other assets	Level 3	34,465	34,465	30,271	30,271
Total financial assets		$3,192,135	$3,180,253	$2,793,514	$2,814,914
Financial liabilities:					
Deposits	Level 2	$2,579,675	$2,579,011	$2,252,725	$2,251,703
Short-term borrowings	Level 2	204,151	204,151	94,167	94,156
FHLB advances and other borrowings	Level 2	189,742	186,863	254,863	254,796
Subordinated notes	Level 2	29,532	29,228	29,479	27,453
Other liabilities	Level 2	37,303	37,303	34,052	34,052
Total financial liabilities		$3,040,403	$3,036,556	$2,665,286	$2,662,160

**see Note 14 in the Notes to Consolidated Financial Statements for a description of hierarchy levels.*

Note 14 - Fair Value Measurement

FASB ASC 820, "Fair Value Measurement" establishes a fair value hierarchy based on the nature of data inputs for fair value determinations, under which the Corporation is required to value each asset using assumptions that market participants would utilize to value that asset. When the Corporation uses its own assumptions it is required to disclose additional information about the assumptions used and the effect of the measurement on earnings or the net change in assets for the period.

The value of the Corporation’s available for sale investment securities, which include obligations of the U.S. government and its agencies, mortgage-backed securities issued by U.S. government- and U.S. government sponsored agencies, obligations of state and political subdivisions, corporate bonds, other debt securities, as well as bond mutual funds are determined by the Corporation, including the use of an independent third party. The Corporation performs tests to assess the validity of these third-party values. The third party’s evaluations are based on market data. They utilize pricing models that vary by asset and incorporate available trade, bid and other market information. For securities that do not trade on a daily basis, their pricing models apply available information such as benchmarking and matrix pricing. The market inputs normally sought in the evaluation of securities include benchmark yields, reported trades, broker/dealer quotes (only obtained from market makers or broker/dealers recognized as market participants), issuer spreads, two-sided markets, benchmark securities, bid, offers and reference data. For certain securities, additional inputs may be used or some market inputs may not be applicable. Inputs are prioritized differently on any given day based on market conditions.

U.S. Government agencies are evaluated and priced using multi-dimensional relational models and option adjusted spreads. State and municipal securities are evaluated on a series of matrices including reported trades and material event notices. Mortgage-backed securities are evaluated using matrix correlation to treasury or floating index benchmarks, prepayment speeds, monthly payment information and other benchmarks. Other available-for-sale investments are evaluated using a broker-quote based application, including quotes from issuers.

The value of the investment portfolio is determined using three broad levels of inputs:

Level 1 – Quoted prices in active markets for identical securities.

Table of Contents

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments whose significant value drivers are unobservable.

These levels are not necessarily an indication of the risks or liquidity associated with these investments. The following tables summarize the assets at December 31, 2016 and 2015 that are recognized on the Corporation's balance sheet using fair value measurement determined based on the differing levels of input.

Fair value of assets measured on a recurring basis as of December 31, 2016:

(dollars in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment securities (available for sale and trading):				
U.S. Treasury securities	$200.1	$200.1	$—	$ —
Obligations of U.S. government & agencies	82.2	—	82.2	—
Obligations of state & political subdivisions	33.5	—	33.5	—
Mortgage-backed securities	188.8	—	188.8	—
Collateralized mortgage obligations	48.7	—	48.7	—
Mutual funds	19.1	19.1	—	—
Other debt securities	1.3	—	1.3	—
Total assets measured on a recurring basis at fair value	$573.7	$219.2	$354.5	$ —

Fair value of assets measured on a non-recurring basis as of December 31, 2016:

(dollars in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Mortgage servicing rights	$6.2	$ —	$ —	$6.2
Impaired loans and leases	14.3	—	—	14.3
OREO	1.0	—	—	1.0
Total assets measured at fair value on a non-recurring basis	$21.5	$ —	$ —	$21.5

Fair value of assets measured on a recurring basis as of December 31, 2015:

(dollars in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Investment securities (available for sale and trading):				
U.S. Treasury securities	$0.1	$0.1	$—	$ —
Obligations of U.S. government & agencies	101.5	—	101.5	—
Obligations of state & political subdivisions	42.0	—	42.0	—
Mortgage-backed securities	158.7	—	158.7	—
Collateralized mortgage obligations	29.8	—	29.8	—
Mutual funds	19.2	19.2	—	—
Other debt securities	1.6	—	1.6	—
Total assets measured on a recurring basis at fair value	$352.9	$19.3	$333.6	$ —

Fair value of assets measured on a non-recurring basis as of December 31, 2015:

(dollars in millions)	**Total**	**Level 1**	**Level 2**	**Level 3**
Mortgage servicing rights	$5.7	$ —	$ —	$5.7
Impaired loans and leases	13.8	—	—	13.8
OREO	2.6	—	—	2.6
Total assets measured at fair value on a non-recurring basis	$22.1	$ —	$ —	$22.1

For the twelve months ended December 31, 2016, a net decrease of $607 thousand in the Allowance was recorded and for the twelve months ended December 31, 2015, a net increase of $448 thousand in the Allowance was recorded as a result of adjusting the carrying value and estimated fair value of the impaired loans in the above tables. As it relates to the fair values of assets measured on a recurring basis, there have been no transfers between levels during the twelve months ended December 31, 2016.

Table of Contents

Note 15 - 401(K) Plan and Other Defined Contribution Plans

The Corporation has a qualified defined contribution plan (the “401(K) Plan”) for all eligible employees, under which the Corporation matches employee contributions up to a maximum of 3.0% of the employee’s base salary. The Corporation’s expenses for the 401(K) Plan were $1.0 million, $920 thousand and $846 thousand in 2016, 2015 and 2014, respectively.

In addition to the matching contribution above, the Corporation provides a discretionary, non-matching employer contribution to the 401(K) Plan. The Corporation’s expense for the non-matching discretionary contribution was $126 thousand, $1.3 million and $1.1 million, for the twelve months ended December 31, 2016, 2015 and 2014, respectively. In connection with the December 31, 2015 settlement of the Qualified Defined Benefit Plan, $2.3 million of excess assets were transferred to the Corporation’s 401(K) plan. As a result, the expense recorded for the non-matching discretionary contribution was significantly lower for 2016, as compared to the previous two years.

On June 28, 2013, the Corporation adopted the Bryn Mawr Bank Corporation Executive Deferred Compensation Plan (the “EDCP”), a non-qualified defined-contribution plan which was restricted to certain senior officers of the Corporation. The intended purpose of the EDCP is to provide deferred compensation to a select group of employees. The Corporation’s expense for the EDCP, for the twelve months ended December 31, 2016, 2015 and 2014 was $272 thousand, $164 thousand and $239 thousand, respectively.

Note 16 - Pension and Postretirement Benefit Plans

A. General Overview – Prior to December 31, 2015, the Corporation had three defined-benefit pension plans comprised of a qualified defined benefit plan (the “QDBP”) which covered all employees over age 20 1/2 who met certain service requirements, and two non-qualified defined-benefit supplemental executive retirement plans (“SERP I” and “SERP II”) which are restricted to certain senior officers of the Corporation.

On May 29, 2015, by unanimous consent, the Board of Directors of the Corporation voted to settle the QDBP. On June 2, 2015, notices were sent to participants informing them of the settlement. Final distributions to participants were completed by December 31, 2015. As a result of the settlement of the QDBP, a loss on pension settlement of $17.4 million was recorded for the twelve months ended December 31, 2015.

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

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

On April 1, 2008, the Corporation added SERP II, a non-qualified defined benefit plan which was restricted to certain senior officers of the Corporation. Effective March 31, 2013, the Corporation curtailed SERP II, as further increases to the defined benefit amounts to over 20% of the participants were frozen.

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

The following table provides information with respect to our QDBP, SERP, and PRBP, including benefit obligations and funded status, net periodic pension costs, plan assets, cash flows, amortization information and other accounting items.

B. Actuarial Assumptions used to determine benefit obligations as of December 31 of the years indicated:

	QDBP		**SERP I and SERP II**		**PRBP**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Discount rate	N/A	N/A	3.75%	3.90%	2.80%	3.90%
Rate of increase for future compensation	N/A	N/A	N/A	N/A	N/A	N/A
Expected long-term rate of return on plan assets	N/A	N/A	N/A	N/A	N/A	N/A

Table of Contents

C. Changes in Benefit Obligations and Plan Assets:

	QDBP		SERP I & SERP II		PRBP	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Change in benefit obligations						
Benefit obligation at January 1	$169	$44,092	$4,830	$5,079	$493	$540
Service cost	—	—	—	—	—	—
Interest cost	—	1,589	184	184	17	18
Plan participants contribution	—	—	—	—	49	46
Actuarial loss (gain)	—	(2,978)	32	(178)	(6)	27
Settlements	—	(40,625)	—	—	—	—
Benefits paid	(169)	(1,909)	(260)	(255)	(135)	(138)
Benefit obligation at December 31	$—	$169	$4,786	$4,830	$418	$493
Change in plan assets						
Fair value of plan assets at January 1	$169	$43,874	$—	$—	$—	$—
Actual return on plan assets	—	1,140	—	—	—	—
Settlements	—	(40,625)	—	—		—
Excess assets transferred to defined contribution plan	—	(2,311)	—	—		—
Employer contribution	—	—	260	254	86	92
Plan participants' contribution	—	—	—	—	49	46
Benefits paid	(169)	(1,909)	(260)	(254)	(135)	(138)
Fair value of plan assets at December 31	$—	$169	$—	$—	$—	$—
Funded status at year end (plan assets less benefit obligations)	$—	$—	$(4,786)	$(4,830)	$(418)	$(493)

As indicated in the table above, the excess assets remaining in the settled QDBP as of December 31, 2015 were transferred to the Corporation's defined contribution plan and serve to defray some of the future costs to fund this plan.

	QDBP		SERP I & SERP II		PRBP	
	For the Twelve Months Ended December 31,					
Amounts included in the consolidated balance sheet as other assets (liabilities) and accumulated other comprehensive income including the following:	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Prepaid benefit cost/(accrued liability)	$—	$—	$(3,248)	$(3,266)	$(170)	$(197)
Net actuarial loss	—	—	(1,539)	(1,564)	(248)	(296)
Prior service cost	—	—	—	—	—	—
Unrecognized net initial obligation	—	—	—	—	—	—
Net included in Other Liabilities in the Consolidated Balance Sheets	$—	$—	$(4,787)	$(4,830)	$(418)	$(493)

Table of Contents

D. The following tables provide the components of net periodic pension costs for the periods indicated:

QDBP Net Periodic Pension Cost	**For the Twelve Months Ended December 31,**		
(dollars in thousands)	**2016**	**2015**	**2014**
Service cost	$—	$—	$—
Interest cost	—	1,589	1,640
Expected return on plan assets	—	(3,217)	(3,348)
Amortization of prior service cost	—	—	—
Recognition of net actuarial loss	—	1,913	391
Recognition of net actuarial loss due to settlement	—	17,377	—
Net periodic pension cost (benefit)	$—	$17,662	$(1,317)

SERP I and SERP II Periodic Pension Cost	**For the Twelve Months Ended December 31,**		
(dollars in thousands)	**2016**	**2015**	**2014**
Service cost	$—	$—	$61
Interest cost	184	184	177
Gain on curtailment	—	—	—
Amortization of prior service cost	—	—	14
Recognition of net actuarial loss	57	63	(33)
Net periodic pension cost (benefit)	$241	$247	$219

PRBP Net Periodic Pension Cost	**For the Twelve Months Ended December 31,**		
(dollars in thousands)	**2016**	**2015**	**2014**
Service cost	$—	$—	$—
Interest cost	17	18	29
Settlement	—	—	—
Amortization of transition obligation	—	—	—
Amortization of prior service cost	—	—	—
Recognition of net actuarial loss	41	37	61
Net periodic pension cost	$58	$ 55	$ 90

For the Twelve Months Ended December 31,

	2016	2015	2014
Discount Rate Used in the Calculation of Periodic Pension Costs	3.90%	3.70%	4.60%

E. Plan Assets:
The information in this section pertains to the assets of the QDBP. The PRBP, SERP I and SERP II are unfunded plans and, as such, have no related plan assets.

As of December 31, 2015, with the exception of $169 thousand disbursed in January 2016 to QDBP participants already receiving benefits, all assets of the QDBP had been distributed to the participants either in the form of an annuity or as a lump sum payment.

F. Cash Flows

The following benefit payments, which reflect expected future service, are expected to be paid over the next ten years:

(dollars in thousands)	**SERP I & SERP II**	**PRBP**
Fiscal year ending		
2017	$259	$ 78
2018	$257	$ 68
2019	$256	$ 59
2020	$254	$ 50
2021	$250	$ 42
2022-2026	$1,671	$ 125

Table of Contents

G. Other Pension and Post Retirement Benefit Information

In 2005, the Corporation placed a cap on the future annual benefit payable through the PRBP. This cap is equal to 120% of the 2005 annual benefit.

H. Expected Contribution to be Paid in the Next Fiscal Year

The 2017 expected contribution for the SERP I and SERP II is $259 thousand.

I. Actuarial Losses

As indicated in section C of this footnote, the Corporation's pension plans had cumulative actuarial losses as of December 31, 2016 that will result in an increase in the Corporation's future pension expense because such losses at each measurement date exceed 10% of the greater of the projected benefit obligation or the market-related value of the plan assets. In accordance with GAAP, net unrecognized gains or losses that exceed that threshold are required to be amortized over the expected service period of active employees, and are included as a component of net pension cost. Amortization of these net actuarial losses has the effect of increasing the Corporation's pension costs as shown on the table in section D of this footnote.

Note 17 – Accumulated Other Comprehensive Loss

The following table details the components of accumulated other comprehensive (loss) income for the twelve months ended December 31, 2016, 2015 and 2014:

(dollars in thousands)	**Net Change in**	**Accumulated**

	Unrealized Gains on Available-for-Sale Investment Securities	Net Change in Fair Value of Derivative Used for Cash Flow Hedge	Net Change in Unfunded Pension Liability	Other Comprehensive Loss
Balance, December 31, 2013	$ (857)	$ 743	$ (5,451)	$ (5,565)
Net change	2,173	(768)	(7,544)	(6,139)
Balance, December 31, 2014	$ 1,316	$ (25)	$ (12,995)	$ (11,704)
Balance, December 31, 2014	$ 1,316	$ (25)	$ (12,995)	$ (11,704)
Net change	(542)	25	11,809	11,292
Balance, December 31, 2015	$ 774	$ —	$ (1,186)	$ (412)
Balance, December 31, 2015	$ 774	$ —	$ (1,186)	$ (412)
Net change	(2,005)		8	(1,997)
Balance, December 31, 2016	$ (1,231)	$ —	$ (1,178)	$ (2,409)

Table of Contents

The following tables detail the amounts reclassified from each component of accumulated other comprehensive loss for the twelve month periods ended December 31, 2016, 2015 and 2014:

Description of Accumulated Other Comprehensive Loss Component	Amount Reclassified from Accumulated Other Comprehensive Loss For The Twelve Months Ended December 31, 2016	2015	2014	Affected Income Statement Category
Net unrealized gain on investment securities available for sale:				
Realization of (loss) gain on sale of investment securities available for sale	$(77)	$931	$471	Net gain (loss) on sale of available for sale investment securities
Less: income tax benefit (expense)	27	(326)	(165)	Less: income tax benefit (expense)
Net of income tax	$(50)	$605	$306	Net of income tax
Cash flow hedge:				
Realized loss on cash flow hedge	$—	$(611)	$—	Other operating expenses
Less: income tax benefit	—	214	—	Less: income tax benefit
Net of income tax	—	(397)	—	Net of income tax
Unfunded pension liability:				
Amortization of net loss included in net periodic pension costs*	$98	$2,013	$419	Employee benefits
Settlement of pension plan settlement	—	17,377	—	Loss on pension plan settlement
Amortization of prior service cost included in net periodic pension costs*	—	—	14	Employee benefits
Gain on curtailment of SERP II	—	—	—	Net gain on curtailment of nonqualified pension plan
	98	19,390	433	Total expense before income tax benefit
	34	6,787	152	Less: income tax benefit
	$64	$12,603	$281	Net of income tax

*Accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 16 - Pension and Other Post-Retirement Benefit Plans.

Table of Contents

Note 18 – Income Taxes

A. Components of Net Deferred Tax Asset:

(dollars in thousands)	**December 31, 2016**	**2015**
Deferred tax assets:		
Loan and lease loss reserve	$6,492	$5,872
Other reserves	3,611	5,509
Net operating loss carry-forward	471	927
Alternative minimum tax credits	567	567
Unrealized depreciation of available for sale securities	663	—
Defined benefit plans	2,068	1,851
Total deferred tax asset	13,872	14,726
Deferred tax liabilities:		
Other reserves	52	461
Originated MSRs	1,969	1,800
Amortizing fair value adjustments	1,336	911
Unrealized appreciation of available for sale securities	—	417
Total deferred tax liability	3,357	3,589
Total net deferred tax asset	$10,515	$11,137

Not included in the table above is a $157 thousand deferred tax asset for state taxes related to net operating losses of our leasing subsidiary as of December 31, 2016, for which we have recorded a 100% valuation allowance. These state net operating losses will expire between 2023 and 2035. As a result of the CBH Merger, deferred tax assets were increased by $7.2 million related to purchase accounting adjustments and net deferred tax assets carried over from CBH.

B. The provision (benefit) for income taxes consists of the following:

(dollars in thousands)	**2016**	**2015**	**2014**
Current	$16,492	$12,006	$12,655
Deferred	1,676	(2,834)	2,350
Total	$18,168	$9,172	$15,005

C. Applicable income taxes differed from the amount derived by applying the statutory federal tax rate to income as follows:

(dollars in thousands)	**2016**	**Tax Rate**	**2015**	**Tax Rate**	**2014**	**Tax Rate**
Computed tax expense at statutory federal rate	$18,972	35.0%	$9,074	35.0%	$14,997	35.0%
Tax-exempt income	(758)	(1.4)	(622)	(2.4)	(401)	(0.9)
State tax (net of federal tax benefit)	425	0.8	299	1.2	215	0.5
Non-deductible merger expense	—	—	105	0.4	105	0.2
Excess tax benefit – stock based compensation	(565)	(1.0)	—	—	—	—
Other, net	94	0.1	316	1.2	89	0.2
Total income tax expense	$18,168	33.5%	$9,172	35.4%	$15,005	35.0%

Table of Contents

D. Other Income Tax Information

In accordance with the provisions of ASC 740, “Accounting for Uncertainty in Income Taxes”, the Corporation recognizes the financial statement benefit of a tax position only after determining that the Corporation would more likely than not sustain the position following an examination. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The Corporation applied these criteria to tax positions for which the statute of limitations remained open.

There were no reserves for uncertain tax positions recorded during the twelve months ended December 31, 2016, 2015 or 2014.

The Corporation is subject to income taxes in the U.S. federal jurisdiction, and in multiple state jurisdictions. The Corporation is no longer subject to U.S. federal income tax examination by tax authorities for the years before 2013.

The Corporation’s policy is to record interest and penalties on uncertain tax positions as income tax expense. No interest or penalties were accrued in 2016.

As of December 31, 2016, the Corporation has net operating loss carry-forwards for federal income tax purposes of $1.3 million, related to the FKF merger, which are available to offset future federal taxable income through 2030. In addition, the Corporation has alternative minimum tax credits of $567 thousand, which are available to reduce future federal regular income taxes over an indefinite period. The Corporation has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax asset related to these amounts.

As a result of the July 1, 2010 merger with FKF, the Corporation succeeded to certain tax bad debt reserves that existed at FKF as of June 30, 2010. As of December 31, 2016, the Corporation had unrecognized deferred income taxes of $2.5 million with respect to these reserves. These reserves could be recognized as taxable income and create a current and/or deferred tax liability at the income tax rates then in effect if one of the following conditions occurs: (1) the Bank’s retained earnings represented by this reserve are used for distributions, in liquidation, or for any other purpose other than to absorb losses from bad debts; (2) the Bank fails to qualify as a bank, as provided by the Internal Revenue Code; or (3) there is a change in federal tax law.

Note 19 - Stock –Based Compensation

A. General Information

The Corporation permits the issuance of stock options, dividend equivalents, performance stock awards, stock appreciation rights and restricted stock awards to employees and directors of the Corporation under several plans. The performance awards and restricted awards may be in the form of stock awards or stock units. Stock awards and stock units differ in that for a stock award, shares of restricted stock are issued in the name of the grantee, whereas a stock unit constitutes a promise to issue shares of stock upon vesting. The accounting for awards and units is identical. The terms and conditions of awards under the plans are determined by the Corporation's Compensation Committee.

Prior to April 25, 2007, all shares authorized for grant as stock-based compensation were limited to grants of stock options. On April 25, 2007, the shareholders approved the Corporation's "2007 Long-Term Incentive Plan" (the "2007 LTIP") under which a total of 428,996 shares of the Corporation's common stock were made available for award grants. On April 28, 2010, the shareholders approved the Corporation's "2010 Long Term Incentive Plan" (the "2010 LTIP") under which a total of 445,002 shares of the Corporation's common stock were made available for award grants.

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

RSAs and RSUs have a restriction based on the passage of time. The grant date fair value of the RSAs and RSUs is based on the closing price on the date of the grant.

PSAs and PSUs have a restriction based on the passage of time and also have a restriction based on a performance criteria. The performance criteria may be a market-based criteria measured by the Corporation's total shareholder return ("TSR") relative to the performance of the community bank index for the respective period. The fair value of the PSAs and PSUs based on the Corporation's TSR relative to the performance of the community bank index is calculated using the Monte Carlo Simulation method. The performance criteria may also be based on a non-market-based criteria such as return on average equity. The grant date fair value of these PSUs and PSAs is based on the closing price of the Corporation's stock on the date of the grant. PSU and PSA grants may have a vesting percent ranging from 0% to 150%.

Table of Contents

The following table summarizes the remaining shares authorized to be granted for options, RSAs and PSAs:

	Shares Authorized for Grant
Balance, December 31, 2013	216,905
Shares authorized for grant under non-shareholder approved plans	47,368
Grants of RSUs	(16,456)
Grants of PSUs	(71,184)
Expiration of unexercised options	1,750
Forfeitures of RSAs and RSUs	2,560
Forfeitures of PSAs and PSUs	1,900
Balance, December 31, 2014	182,843
Shares authorized for grant under shareholder approved plans	500,000
Grants of RSUs	(24,514)
Grants of PSUs	(92,474)
Expiration of unexercised options	3,180
Non-vesting PSAs*	25,929
Forfeitures of PSAs and PSUs	22,801
Balance, December 31, 2015	617,765
Grants of RSUs	(33,142)
Grants of PSUs	(45,346)
Expiration of unexercised options	—
Non-vesting PSUs*	10,088
Forfeitures of PSUs	2,344
Forfeitures of RSUs	1,250
Balance, December 31, 2016	552,959

** Non-vesting PSAs and PSUs represent awards that did not meet their performance criteria, were cancelled and are available for future grant.*

Table of Contents

B. Fair Value of Options Granted

In connection with the CBH Merger, 181,256 fully vested options, with a value of $2.3 million which had been granted to former CBH employees and directors, were assumed by the Corporation.

No other stock options were granted or assumed during the twelve month periods ended December 31, 2016, 2015 and 2014.

C. Other Stock Option Information – The following table provides information about options outstanding:

	For the Twelve Months Ended December 31,								
	2016			2015			2014		
	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Options outstanding, beginning of period	290,853	$ 20.88	$ 4.85	447,966	$ 20.94	$ 4.75	591,086	$ 20.73	$ 4.70
Granted	—	—	—	—	$ —	$ —	—	$ —	$ —
Assumed in the CBH Merger	—	—	—	181,256	$ 17.73	$ —	—	$ —	$ —
Expired	—	—	—	(3,180)	$ 21.33	$ 4.84	(1,750)	$ 22.31	$ 4.99
Exercised	(105,830)	$ 20.61	7.32	(335,189)	$ 19.25	$ 4.62	(141,370)	$ 20.06	$ 4.51
Options outstanding, end of period	185,023	21.04	4.88	290,853	$ 20.88	$ 4.85	447,966	$ 20.94	$ 4.75

The following table provides information related to options as of December 31, 2016:

Range of Exercise Prices	Options Outstanding: Options Outstanding	Options Outstanding: Remaining Contractual Life (in years)	Options Exercisable: Shares Exercisable	Options Exercisable: Remaining Contractual Life (in years)	Weighted Average Exercise Price*
$10.36 to $17.15	1,383	2.21	1,383	2.21	$ 12.58
$17.16 to $18.30	87,725	2.64	87,725	2.64	$ 18.27
$18.31 to $20.17	563	7.05	563	7.05	$ 18.33
$20.18 to $22.64	23,500	0.66	23,500	0.66	$ 22.00
$22.65 to $23.78	338	0.96	338	0.96	$ 23.28
$23.79 to $24.27	71,514	1.63	71,514	1.63	$ 24.27
	185,023	2.00	185,023	2.00	$ 21.03

**price of exercisable options*

The following table provides information about unvested options:

	For the Twelve Months Ended December 31, 2016		2015		2014	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Unvested options, beginning of period	—	$ —	—	$ —	30,146	$ 4.42
Granted	—	$ —	—	$ —	—	$ —
Assumed in CBH Merger	—	$ —	181,256	$ 12.94	—	$ —
Vested	—	$ —	(181,256)	$ 12.94	(30,146)	$ 4.42
Forfeited	—	$ —	—	$ —	—	$ —
Unvested options, end of period	—	$ —	—	$ —	—	$ —

101

Table of Contents

Proceeds, related tax benefits realized from options exercised and intrinsic value of options exercised were as follows:

	For the Twelve Months Ended December 31,		
(dollars in thousands)	**2016**	**2015**	**2014**
Proceeds from strike price of value of options exercised	$2,181	$6,452	$2,836
Related tax benefit recognized	256	515	378
Proceeds of options exercised	$2,437	$6,967	$3,214
Intrinsic value of options exercised	$1,125	$3,615	$1,288

The following table provides information about options outstanding and exercisable options:

	As of December 31,					
	2015		**2014**		**2013**	
	Options Outstanding	**Exercisable Options**	**Options Outstanding**	**Exercisable Options**	**Options Outstanding**	**Exercisable Options**
Number	185,023	185,023	290,853	290,853	447,966	447,966
Weighted average exercise price	$21.03	$21.03	$20.88	$20.88	$20.94	$20.94
Aggregate intrinsic value	$3,907,758	$3,907,758	$2,280,288	$2,280,288	$4,640,917	$4,640,917
Weighted average contractual term (in years)	2.0	2.0	2.9	2.9	2.7	2.7

As of December 31, 2016, all compensation expense related to stock options has been recognized.

D. Restricted Stock and Performance Stock Awards and Units

The Corporation has granted RSAs, RSUs, PSAs and PSUs under the 2007 LTIP and 2010 LTIP and in accordance with Rule 5635(c)(4) of the Nasdaq listing standards.

RSAs and RSUs

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

For the twelve months ended December 31, 2016, the Corporation recognized $590 thousand of expense related to the Corporation's RSAs and RSUs. As of December 31, 2016, there was $1.2 million of unrecognized compensation cost related to RSAs and RSUs. This cost will be recognized over a weighted average period of 2.2 years.

The following table details the RSAs for the twelve month periods ended December 31, 2016, 2015 and 2014:

	Twelve Months Ended December 31, 2016		**Twelve Months Ended December 31, 2015**		**Twelve Months Ended December 31,2014**	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Beginning balance	42,802	$ 28.58	46,281	$ 23.17	54,156	$ 19.36
Granted	33,142	$ 29.67	24,514	$ 29.83	16,456	$ 28.88
Vested	(15,832)	$ 27.14	(27,993)	$ 20.73	(21,771)	$ 18.21
Forfeited	(1,250)	$ 29.12	—	$ —	(2,560)	$ 21.48
Ending balance	58,862	$ 29.57	42,802	$ 28.58	46,281	$ 23.17

Table of Contents

PSAs and PSUs

The compensation expense for PSAs and PSUs is measured based on their grant date fair value as calculated using the Monte Carlo Simulation and is recognized on a straight-line basis over the vesting period. For the twelve months ended December 31, 2015, there were two separate grants of PSUs. The grant date fair value of each grant was determined independently using the Monte Carlo Simulation. Assumptions used in the Monte Carlo Simulation for the grant of 23,675 PSUs, whose performance is based on TSR, in August 2016, included expected volatility of 21.87% a risk free rate of interest of 0.82% and a correlation co-efficient of 0.4505.

The Corporation recognized $1.1 million of expense related to the PSUs for the twelve months ended December 31, 2016. As of December 31, 2016, there was $2.0 million of unrecognized compensation cost related to PSUs. This cost will be recognized over a weighted average period of 2.0 years.

The following table details the PSAs and PSUs for the twelve month periods ending December 31, 2016, 2015 and 2014:

	Twelve Months Ended December 31, 2016		**Twelve Months Ended December 31, 2015**		**Twelve Months Ended December 31, 2014**	
	Number of Shares	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**	**Number of Shares**	**Weighted Average Grant Date Fair Value**
Beginning balance	216,820	$ 15.07	217,318	$ 13.41	204,980	$ 11.90
Granted	45,346	$ 28.34	92,474	$ 16.42	71,184	$ 15.05
Vested	(56,890)	$ 13.38	(44,242)	$ 11.80	(56,946)	$ 10.07
Non-vesting*	(10,088)	$ 13.38	(25,929)	$ 11.80	—	$ —
Forfeited	(2,344)	$ 15.37	(22,801)	$ 14.75	(1,900)	$ 12.32
Ending balance	192,844	$ 18.77	216,820	$ 15.07	217,318	$ 13.41

** Non-vesting PSAs represent PSAs that did not meet their performance criteria, and were therefore cancelled. The associated expense, however, was incurred over the vesting period.*

Note 20 - Earnings per Share

The calculation of basic earnings per share and diluted earnings per share is presented below:

(dollars in thousands, except per share data)	**Year Ended December 31,**		
	2016	**2015**	**2014**
Numerator - Net income available to common shareholders	$36,036	$16,754	$27,843
Denominator for basic earnings per share – Weighted average shares outstanding*	16,859,623	17,488,325	13,566,239
Effect of dilutive potential common shares	168,499	267,996	294,801
Denominator for diluted earnings per share – Adjusted weighted average shares outstanding	17,028,122	17,756,321	13,861,040
Basic earnings per share	$2.14	$0.96	$2.05
Diluted earnings per share	$2.12	$0.94	$2.01
Antidilutive shares excluded from computation of average dilutive earnings per share	—	—	—

**excludes restricted stock*

Table of Contents

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. See Note 1-Q – “Summary of Significant Accounting Policies: Earnings per Common Share” for a discussion on the calculation of earnings per share.

Note 21 - Other Operating Income

Components of other operating income for the indicated years ended December 31 include:

(dollars in thousands)	**2016**	**2015**	**2014**
Merchant interchange fees	$1,381	$1,238	$934
Bank owned life insurance income	908	783	315
Commissions and fees	673	867	637
Safe deposit box rentals	382	384	389
Other investment income	223	248	142
Rent income	163	175	164
Miscellaneous other income	1,138	1,154	502
Other operating income	$4,868	$4,849	$3,083

Note 22 - Other Operating Expense

Components of other operating expense for the indicated years ended December 31 include:

(dollars in thousands)	**2016**	**2015**	**2014**
Telephone and data lines	$1,620	$1,704	$1,332
FDIC insurance	1,616	1,447	1,046
Temporary help and recruiting	1,522	1,362	1,171
Loan processing	164	1,285	723
Debt prepayment penalty	—	1,131	526
Travel and entertainment	894	868	725
Insurance	788	770	759
MSR amortization and impairment	881	660	532
Stationary and supplies	518	623	445
Director fees	566	568	443
Postage	551	540	471
Outsourced services	569	508	432
Contributions	957	468	403

Dues and subscriptions	456	441	368
Portfolio maintenance	391	385	389
Other taxes	45	80	51
Deferred compensation expense	664	15	266
Miscellaneous other expense	1,505	1,643	1,490
Other operating expense	$13,707	$14,498	$11,572

Note 23 - Related Party Transactions

In the ordinary course of business, the Bank granted loans to principal officers, directors and their affiliates. Loan activity during 2016 and 2015 was as follows:

(dollars in thousands)	**2016**	**2015**
Loan balances, beginning of year	$11,386	$2,874
Additions	1,227	9,115
Amounts collected	(889)	(603)
Loan balances as end of year	$11,724	$11,386

Related party deposits amounted to $6.0 million and $3.6 million at December 31, 2016 and 2015, respectively.

Note 24 - Financial Instruments with Off-Balance Sheet Risk, Contingencies and Concentration of Credit Risk

Off-Balance Sheet Risk

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated statements of financial condition. The contractual amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation's exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument of commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments.

Commitments to extend credit, which include unused lines of credit and unfunded commitments to originate loans, are agreements to lend to a customer as long as there is no violation of any condition established in the agreement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Some of the commitments are expected to expire without being drawn upon, and the total commitment amounts do not necessarily represent future cash requirements. Total commitments to extend credit at December 31, 2016 were $675.4 million. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on a credit evaluation of the counterparty. Collateral varies but may include accounts receivable, marketable securities, inventory, property, plant and equipment, residential real estate, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to a customer for a third party. Such standby letters of credits are issued to support private borrowing arrangements. The credit risk involved in issuing standby letters of credit is similar to that involved in extending loan facilities to customers. The collateral varies, but may include accounts receivable, marketable securities, inventory, property, plant and equipment, and residential real estate for those commitments for which collateral is deemed necessary. The Corporation's obligation under standby letters of credit as of December 31, 2016 was $12.7 million. There were no outstanding bankers' acceptances as of December 31, 2016.

Contingencies

Legal Matters

In the ordinary course of business, the Corporation is subject to litigation, claims, and assessments that involve claims for monetary relief. Some of these are covered by insurance. Based upon information presently available to the Corporation and its counsel, it is the Corporation's opinion that any legal and financial responsibility arising from such claims will not have a material, adverse effect on its results of operations, financial condition or capital.

Indemnifications

In general, the Corporation does not sell loans with recourse, except to the extent that it arises from standard loan-sale contract provisions. These provisions cover violations of representations and warranties and, under certain circumstances, first payment default by borrowers. These indemnifications may include the repurchase of loans by the Corporation, and are considered customary provisions in the secondary market for conforming mortgage loan sales. For the twelve months ended December 31, 2016, 2015 and 2014, there were no make-whole requests presented to or settled by the Corporation. As of December 31, 2016, there are no pending make-whole requests.

Concentrations of Credit Risk

The Corporation has a material portion of its loans in real estate-related loans. A predominant percentage of the Corporation's real estate exposure, both commercial and residential, is in the Corporation's primary trade area which includes portions of Delaware, Chester, Montgomery and Philadelphia counties in Southeastern Pennsylvania. The Corporation is aware of this concentration and attempts to mitigate this risk to the extent possible in many ways, including the underwriting and assessment of borrower's capacity to repay. See Note 5 – "Loans and Leases" for additional information.

As of December 31, 2016, the Corporation had no loans sold with recourse outstanding.

Table of Contents

Note 25 - Dividend Restrictions

The Bank is subject to the Pennsylvania Banking Code of 1965 (the “Code”), as amended, and is restricted in the amount of dividends that can be paid to its sole shareholder, the Corporation. The Code restricts the payment of dividends by the Bank to the amount of its net income during the current calendar year and the retained net income of the prior two calendar years, unless the dividend has been approved by the Board of Governors of the Federal Reserve System. The Bank’s total retained net income for the combined two years ended December 31, 2015 and 2016 was $364 thousand. During the twelve months ended December 31, 2016, the Bank issued dividends to the Corporation totaling $16.0 million. Accordingly, the dividend payable by the Bank to the Corporation beginning on January 1, 2017 is limited to net income not yet earned in 2017 plus $364 thousand. The amount of dividends paid by the Bank may not exceed a level that reduces capital levels to below levels that would cause the Bank to be considered less than adequately capitalized as detailed in Note 26 – “Regulatory Capital Requirements”.

Note 26 - Regulatory Capital Requirements

A. General Regulatory Capital Information

Both the Corporation and the Bank are subject to various regulatory capital requirements, administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if taken, could have a direct material effect on the Corporation’s and the Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Beginning in 2015, new regulatory capital reforms, known as Basel III, issued as part of the Dodd-Frank Act began to be phased in. For more information, refer to the “Other Information” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

B. S-3 Shelf Registration Statement and Offerings Thereunder

In March 2015, the Corporation filed a shelf registration statement on Form S-3 (the “Shelf Registration Statement”) to replace its 2012 Shelf Registration Statement, which was set to expire in April 2015. The Shelf Registration Statement allows the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, debt securities, warrants to purchase common stock, stock purchase contracts and units or units consisting of any combination of the foregoing securities. Using the prospectus in the Shelf Registration Statement, together with applicable prospectus supplements, the Corporation may sell, from time to time, in one or more offerings, such securities in a dollar amount up to $200 million, in the aggregate.

In addition, the Corporation has in place under its Shelf Registration Statement a Dividend Reinvestment and Stock Purchase Plan (the “Plan”), which allows it to issue up to 1,500,000 shares of registered common stock. The Plan allows for the grant of a request for waiver (“RFW”) above the Plan’s maximum investment of $120 thousand per account per year. An RFW is granted based on a variety of factors, including the Corporation’s current and projected capital needs, prevailing market prices of the Corporation’s common stock and general economic and market conditions.

For the twelve months ended December 31, 2016, the Corporation did not issue any shares through the Plan. No RFWs were approved during the twelve months ended December 31, 2016. No other sales of securities were executed under the Shelf Registration Statement during the twelve months ended December 31, 2016.

C. Shares Issued in Mergers and Acquisitions

In connection with the acquisition of CBH, the Corporation issued 3,878,304 common shares, valued at $121.4 million, to former shareholders of CBH. These shares were registered on an S-4 registration statement filed by the Corporation in July 2014.

D. Share Repurchases

For the twelve month periods ended December 31, 2015 and 2016, the Corporation repurchased 862,500 shares and 286,700 shares of Corporation stock, respectively, through its announced repurchase programs. In addition, it is the Corporation’s practice to retire shares to its treasury account upon the vesting of stock awards to certain officers, in order to cover the statutory income tax withholdings related to such vesting.

Table of Contents

E. Regulatory Capital Ratios

As set forth in the following table, quantitative measures have been established to ensure capital adequacy ratios required of both the Corporation and the Bank. Both the Corporation's and the Bank's Tier II capital ratios are calculated by adding back a portion of the loan loss reserve to the Tier I capital. As of December 31, 2016 and 2015, the Corporation and the Bank had met all capital adequacy requirements to which they were subject. Federal banking regulators have defined specific capital categories, and categories range from a best of "well capitalized" to a worst of "critically under-capitalized." Both the Corporation and the Bank were classified as "well capitalized" as of December 31, 2016 and 2015.

The Corporation's and the Bank's capital amounts and ratios as of December 31, 2016 and 2015 are presented in the following table:

	Actual		**Minimum to be Well Capitalized**	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
December 31, 2016				
Total (Tier II) capital to risk weighted assets:				
Corporation	$318,191	12.35%	$257,651	10.00%
Bank	$287,897	11.19%	$257,179	10.00%
Tier I capital to risk weighted assets:				
Corporation	$270,845	10.51%	$206,121	8.00 %
Bank	$270,083	10.50%	$205,743	8.00 %
Tier I capital to average assets:				
Corporation	$270,845	8.73 %	$201,546	6.50 %
Bank	$270,083	8.73 %	$201,189	6.50 %
Common equity Tier I to risk weighted assets				
Corporation	$270,845	10.51%	$128,826	5.00 %
Bank	$270,083	10.50%	$128,589	5.00 %
December 31, 2015				
Total (Tier II) capital to risk weighted assets:				

Corporation	$302,236	12.61%	$239,680	10.00%
Bank	$257,716	10.78%	$239,069	10.00%
Tier I capital to risk weighted assets:				
Corporation	$256,900	10.72%	$191,716	8.00 %
Bank	$241,859	10.12%	$191,193	8.00 %
Tier I capital to average assets:				
Corporation	$256,900	9.02 %	$185,127	6.50 %
Bank	$241,859	8.51 %	$184,734	6.50 %
Common equity Tier I to risk weighted assets				
Corporation	$256,900	10.72%	$119,823	5.00 %
Bank	$241,859	10.12%	$119,496	5.00 %

Table of Contents

Note 27 - Selected Quarterly Financial Data (Unaudited)

(dollars in thousands, except per share data)	**2016** 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Interest income	$28,269	$29,286	$29,514	$29,922
Interest expense	2,367	2,659	2,797	2,932
Net interest income	25,902	26,627	26,717	26,990
Provision for loan and lease losses	1,410	445	1,412	1,059
Other income	13,208	13,820	13,892	13,119
Other expense	25,051	26,259	25,477	24,958
Income before income taxes	12,649	13,743	13,720	14,092
Income taxes	4,328	4,810	4,346	4,684
Net income	$8,321	$8,933	$9,374	$9,408
Basic earnings per common share*	$0.49	$0.53	$0.56	$0.56
Diluted earnings per common share*	$0.49	$0.52	$0.55	$0.55
Dividend declared	$0.20	$0.20	$0.21	$0.21

(dollars in thousands, except per share data)	**2015** 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Interest income	$26,754	$26,993	$27,029	$27,766
Interest expense	1,959	1,923	2,196	2,337
Net interest income	24,795	25,070	24,833	25,429
Provision for loan and lease losses	569	850	1,200	1,777
Other income	14,765	14,177	13,350	13,668
Other expense	27,429	25,982	25,403	46,951
Income (loss) before income taxes	11,562	12,415	11,580	(9,631)
Income taxes	4,068	4,296	4,084	(3,276)
Net income (loss)	$7,494	$8,119	$7,496	$(6,355)
Basic earnings (loss) per common share*	$0.43	$0.46	$0.43	$(0.37)
Diluted earnings per common share*	$0.42	$0.45	$0.42	$(0.37)
Dividend declared	$0.19	$0.19	$0.20	$0.20

**Earnings per share is computed independently for each period shown. As a result, the sum of the quarters may not equal the total earnings per share for the year.*

Table of Contents

Note 28 - Parent Company-Only Financial Statements

The condensed financial statements of the Corporation (parent company only) are presented below. These statements should be read in conjunction with the Notes to the Consolidated Financial Statements.

A. Condensed Balance Sheets

	December 31,	
(dollars in thousands)	**2016**	**2015**
Assets:		
Cash	$23,663	$37,992
Investment securities	400	404
Investments in subsidiaries, as equity in net assets	384,751	354,148
Premises and equipment, net	2,288	2,386
Goodwill	245	245
Other assets	1,435	1,704
Total assets	$412,782	$396,879
Liabilities and shareholders' equity:		
Borrowings	$—	$—
Subordinated notes	29,532	29,479
Other liabilities	2,123	1,689
Total liabilities	$31,655	$31,168
Common stock, par value $1, authorized 100,000,000 shares issued 21,110,968 shares and 20,931,416 shares as of December 31, 2016 and 2015, respectively, and outstanding 16,939,715 shares and 17,071,523 shares as of December 31, 2016 and 2015, respectively	$21,111	$20,931
Paid-in capital in excess of par value	232,806	228,814
Less common stock in treasury, at cost – 4,171,253 shares and 3,859,893 shares as of December 31, 2016 and 2015, respectively	(66,950)	(58,144)
Accumulated other comprehensive loss, net of deferred income taxes benefit	(2,409)	(412)
Retained earnings	196,569	174,522
Total shareholders' equity	$381,127	$365,711
Total liabilities and shareholders' equity	$412,782	$396,879

B. Condensed Statements of Income

(dollars in thousands)	**Twelve Months Ended December 31, 2016**	**2015**	**2014**
Dividends from subsidiaries	$17,718	$34,234	$12,160
Interest and other income	2,714	2,128	2,156
Total operating income	20,432	36,362	14,316
Expenses	2,443	2,140	1,849
Income before equity in undistributed income of subsidiaries	17,989	34,222	12,467
Equity in undistributed income of subsidiaries	17,600	(17,427)	15,480
Income before income taxes	35,589	16,795	27,947
Income tax (benefit) expense	(447)	41	104
Net income	$36,036	$16,754	$27,843

Table of Contents

C. Condensed Statements of Cash Flows

	Twelve Months Ended December 31,		
(dollars in thousands)	**2016**	**2015**	**2014**
Operating activities:			
Net Income	$36,036	$16,754	$27,843
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	(17,600)	17,427	(15,480)
Depreciation and amortization	151	121	98
Stock-based compensation cost	1,713	1,441	1,256
Other, net	1,000	508	485
Net cash provided by operating activities	21,300	36,251	14,202
Investing Activities:			
Investment in subsidiaries	(15,000)	—	—
Proceeds from sale investments	—	16	—
Acquisitions, net of cash acquired	—	128	—
Net cash (used in) provided by investing activities	(15,000)	144	—
Financing activities:			
Dividends paid	(13,961)	(13,837)	(10,189)
Change in other borrowings	—	—	(7,050)
Proceeds from issuance of subordinated notes	—	29,456	—
Net (purchase of) proceeds from sale of treasury stock for deferred compensation plans	(133)	(128)	79
Net purchase of treasury stock through publicly announced plans	(7,971)	(26,418)	(947)
Proceeds from issuance of common stock	—	20	72
Payment of contingent consideration for business combinations	—	—	—
Excess tax benefit from stock-based compensation	—	783	831
Cash payments to taxing authorities on employees' behalf from shares withheld from stock-based compensation	(745)	—	—
Proceeds from exercise of stock options	2,181	6,452	2,836
Net cash used by financing activities	(20,629)	(3,672)	(14,368)
Change in cash and cash equivalents	(14,329)	32,723	(166)
Cash and cash equivalents at beginning of period	37,992	5,269	5,435
Cash and cash equivalents at end of period	$23,663	$37,992	$5,269

Table of Contents

Note 29 - Segment Information

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

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

The Wealth Management segment has responsibility for a number of activities within the Corporation, including trust administration, other related fiduciary services, custody, investment management and advisory services, employee benefits and IRA administration, estate settlement, tax services and brokerage. Bryn Mawr Trust of Delaware and Lau Associates are included in the Wealth Management segment of the Corporation since they have similar economic characteristics, products and services to those of the Wealth Management Division of the Corporation. In addition, with the October 1, 2014 acquisition of PCPB and the April 1, 2015 acquisition of RJM, which was merged into PCPB, the Wealth Management Division assumed responsibility for all insurance services of the Corporation. Prior to the PCPB and RJM acquisitions, the Bank’s previous insurance subsidiary, ICBM, was reported through the Banking segment. Any adjustments to prior year figures are immaterial and are not reflected in the table below.

Table of Contents

The accounting policies of the Corporation are applied by segment in the following tables. The segments are presented on a pre-tax basis.

The following table details the Corporation’s segments:

	As of or for the Twelve Months Ended December 31,								
	2016			**2015**			**2014**		
(dollars in thousands)	**Banking**	**Wealth Management**	**Consolidated**	**Banking**	**Wealth Management**	**Consolidated**	**Banking**	**Wealth Management**	**Consolidate**
Net interest income	$106,233	$3	$106,236	$100,124	$3	$100,127	$76,825	$3	$76,828
Less: loan loss provision	4,326	—	4,326	4,396	—	4,396	884	—	884
Net interest income after loan loss provision	101,907	3	101,910	95,728	3	95,731	75,941	3	75,944
Other income:									
Fees for wealth management services	—	36,690	36,690	—	36,894	36,894	—	36,774	36,774
Service charges on deposit accounts	2,791	—	2,791	2,927	—	2,927	2,578	—	2,578
Loan servicing and other fees	1,939	—	1,939	2,087	—	2,087	1,755	—	1,755
Net gain on sale of loans	3,119	—	3,119	3,022	—	3,022	1,772	—	1,772
Net gain (loss) on sale of available for sale securities	(77)	—	(77)	931	—	931	471	—	471)
Net gain (loss) on sale of other real estate owned	(76)	—	(76)	123	—	123	175	—	175)

Insurance commissions	—	3,722	3,722	—	3,745	3,745	—	1,210	1,210
Other operating income	5,773	158	5,931	6,082	149	6,231	3,419	168	3,587
Total other income	13,469	40,570	54,039	15,172	40,788	55,960	10,170	38,152	48,322
Other expenses:									
Salaries & wages	32,321	15,090	47,411	30,391	14,184	44,575	24,612	12,501	37,113
Employee benefits	6,257	3,291	9,548	7,298	2,907	10,205	4,306	3,034	7,340
Loss on pension plan settlement	—	—	—	17,377	—	17,377	—	—	—
Occupancy and bank premises	8,005	1,606	9,611	8,662	1,643	10,305	5,753	1,552	7,305
Amortization of other intangible assets	872	2,626	3,498	1,172	2,655	3,827	276	2,383	2,659
Professional fees	3,516	143	3,659	3,227	126	3,353	2,923	94	3,017
Other operating expenses	24,183	3,835	28,018	32,150	3,973	36,123	20,457	3,527	23,984
Total other expenses	75,154	26,591	101,745	100,277	25,488	125,765	58,327	23,091	81,418
Segment profit	40,222	13,982	54,204	10,623	15,303	25,926	27,784	15,064	42,848
Intersegment (revenues) expenses*	(396)	396	—	(422)	422	—	(372)	372	—
Pre-tax segment profit after eliminations	$39,826	$14,378	$54,204	$10,201	$15,725	$25,926	$27,412	$15,436	$42,848
% of segment pre-tax profit after eliminations	73.5 %	26.5 %	100.0 %	39.3 %	60.7 %	100.0 %	64.0 %	36.0 %	100.0 %
Segment assets *(dollars in millions)*	$3,377.1	$44.4	$3,421.5	$2,983.2	$47.8	$3,031.0	$2,197.8	$48.7	$2,246.5

Intersegment revenues consist of rental payments, deposit interest and management fees.

112

Table of Contents

Other segment information:

Wealth Management Segment Information

	(dollars in millions)	
	December 31, 2016	**December 31, 2015**
Assets under management, administration, supervision and brokerage	$ 11,328.5	$ 8,364.8

Note 30 – Subsequent Events

On January 30, 2017, the Corporation entered into a definitive Agreement and Plan of Merger to acquire Royal Bancshares of Pennsylvania, Inc. ("RBPI"), parent company of Royal Bank America ("RBA"), in a transaction with an aggregate value of $127.7 million (the "Acquisition"). In connection with the Acquisition, RBPI will merge with and into the Corporation and RBA will merge with and into the Bank. The Acquisition, which is expected to add approximately $602 million in loans and $630 million in deposits (based on unaudited December 31, 2016 financial information), strengthens the Corporation's position as the largest community bank in Philadelphia's western suburbs and, based on deposits, ranks it as the eighth largest community bank headquartered in Pennsylvania. The Acquisition, which will expand the Corporation's distribution network by providing entry into the new markets of New Jersey and Berks County, Pennsylvania, and a new physical presence in Philadelphia County, Pennsylvania is expected to close during the third quarter of 2017.

ITEM 9. CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

• **Evaluation of Disclosure Controls and Procedures**

The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer, Francis J. Leto, and Chief Financial Officer, Michael W. Harrington, of the effectiveness of the Corporation's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2016 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures as of December 31, 2016 are effective.

Table of Contents

- **Changes in Internal Control over Financial Reporting**

There were no changes in the Corporation’s internal control over financial reporting during the fourth quarter of 2016 that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal control over financial reporting.

- **Design and Evaluation of Internal Control Over Financial Reporting**

Pursuant to Section 404 of Sarbanes-Oxley, the following is a report of management’s assessment of the design and effectiveness of our internal controls for the fiscal year ended December 31, 2016, and a report from our independent registered public accounting firm attesting to the effectiveness of our internal controls:

Management’s Report on Internal Control Over Financial Reporting

The Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this Annual Report on Form 10-K. The consolidated financial statements and notes included in this Annual Report on Form 10-K have been prepared in conformity with United States generally accepted accounting principles and necessarily include some amounts that are based on Management’s best estimates and judgments.

The Corporation’s Management is responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with United States generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Corporation; provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; provide a reasonable assurance that receipts and expenditures of the Corporation are only being made in accordance with authorizations of Management and directors of the Corporation; and provide a reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Corporation’s assets that could have a material effect on the financial statements. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by Management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are noted.

Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected.

Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

The Corporation’s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Management, including the Corporation’s Chief Executive Officer and Chief Financial Officer, assessed the Corporation’s system of internal control over financial reporting as of December 31, 2016, in relation to the criteria for effective control over financial reporting as described in “Internal Control – Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on this assessment, Management concludes that, as of December 31, 2016, the Corporation’s system of internal control over financial reporting is effective.

KPMG, LLP, which is the independent registered public accounting firm that audited the financial statements in this Annual Report on Form 10-K, has issued an attestation report on the Corporation’s internal control over financial reporting, which can be found under the heading “Report of Independent Registered Public Accounting Firm” at page 55, and is incorporated by reference herein.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required for Item 10 is incorporated by reference to the sections titled “Our Board of Directors,” “Information About our Directors,” “Information About our Executive Officers,” “Corporate Governance,” “Audit Committee Report” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the 2017 Proxy Statement.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

The information required for Item 11 is incorporated by reference to section titled "Director Compensation," "Compensation Discussion and Analysis," "Executive Compensation," "Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation" in the 2017 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required for Item 12 is incorporated by reference to the section titled "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in the 2017 Proxy Statement.

Table of Contents

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for Item 13 is incorporated by reference to sections titled "Transactions with Related Persons" and "Corporate Governance – Director Independence" in the 2017 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required for Item 14 is incorporated by reference to the section "Independent Registered Public Accounting Firm" in the 2017 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Item 15(a) (1 & 2) Financial Statements and Schedules

The financial statements listed in the accompanying index to financial statements are filed as part of this Annual Report.

Item 15(a) (3) and **(b) —** Exhibits

Exhibit No. **Description and References**

2.1	Stock Purchase Agreement, dated as of February 18, 2011, by and between Bryn Mawr Bank Corporation and Hershey Trust Company, incorporated by reference to Exhibit 2.1 of the Corporation's 8-K filed with SEC on February 18, 2011
2.2	Amendment to Stock Purchase Agreement, dated as of May 27, 2011, by and between Hershey Trust Company and Bryn Mawr Bank Corporation, incorporated by reference to Exhibit 2.2 of the Corporation's 8-K filed with the SEC on May 27, 2011
2.3	Assignment and Assumption Agreement, dated as of May 27, 2011, by and between Hershey Trust Company and PWMG Bank Holding Company Trust, incorporated by reference to Exhibit 2.3 of the Corporation's 8-K filed with the SEC on May 27, 2011
2.4	Stock Purchase Agreement, dated as of February 3, 2012, by and among Bryn Mawr Bank Corporation, Davidson Trust Company, Boston Private (PA) Corporation, Bruce K. Bauder, Ernest E. Cecilia, Joseph J. Costigan, William S. Covert, James M. Davidson, Steven R. Klammer, N. Ray Sague, Malcolm C. Wilson, Boston Private Financial Holdings, Inc., and Alvin A. Clay III, incorporated by reference to Exhibit 2. 1 of the Corporation's 8-K filed with the SEC on February 7, 2012
2.5	Purchase and Assumption Agreement, dated as of April 27, 2012, by and between The Bryn Mawr Trust Company and First Bank of Delaware, incorporated by reference to Exhibit 2. 1 of the Corporation's 8-K filed with the SEC on May 2, 2012
2.6	Amendment to Stock Purchase Agreement, dates as of May 15, 2012, by and among Bryn Mawr Bank Corporation, Davidson Trust Company, Boston Private (PA) Corporation, Bruce K. Bauder, Ernest E. Cecilia, Joseph J. Costigan, William S. Covert, James M. Davidson, Steven R. Klammer, N. Ray Sague, Malcolm C. Wilson, Boston Private Financial Holdings, Inc., and Alvin A. Clay III, incorporated by reference to Exhibit 2. 1 of the Corporation's 8-K filed with the SEC on May 18, 2012
2.7	Amendment to Purchase and Assumption Agreement, dated as of October 12, 2012, by and between The Bryn Mawr Trust Company and First Bank of Delaware, incorporated by reference to Exhibit 2.1 of the Corporation's 8-K filed with the SEC on October 18, 2012
2.8	Amendment to Purchase and Assumption Agreement, dated as of November 14, 2012, by and between The Bryn Mawr Trust Company and First Bank of Delaware, incorporated by reference to Exhibit 2.1 of the Corporation's 8-K filed with the SEC on November 19, 2012

Table of Contents

Exhibit No.	Description and References
2.9	Agreement and Plan of Merger, dated as of May 5, 2014, by and between Bryn Mawr Bank Corporation and Continental Bank Holdings, Inc., incorporated by reference to Exhibit 2.1 to the Corporation’s Form 8-K filed with the SEC on May 5, 2014
2.10	Amendment to Agreement and Plan of Merger, dated as of October 23, 2014, between Bryn Mawr Bank Corporation and Continental Bank Holdings, Inc., incorporated by reference to Exhibit 2.1 to the Corporation’s Form 8-K filed with the SEC on October 23, 2014
2.11	Stock Purchase Agreement, dated as of August 21, 2014, by and among The Bryn Mawr Trust Company, Donald W. Parker, Edward F. Lee, and Powers Craft Parker & Beard, Inc., incorporated by reference to Exhibit 2.1 to the Corporation’s Form 10-Q filed with the SEC on November 7, 2014
2.12	Amendment to Stock Purchase Agreement, dated as of October 1, 2014, by and among The Bryn Mawr Trust Company, Donald W. Parker, Edward F. Lee, and Powers Craft Parker and Beard, Inc., incorporated by reference to Exhibit 2.1 to the Corporation’s Form 8-K filed with the SEC on October 3, 2014
2.13	Agreement and Plan of Merger, dated as of January 30, 2017, by and between Bryn Mawr Bank Corporation and Royal Bancshares of Pennsylvania, Inc., incorporated by reference to Exhibit 2.1 to the Corporation’s Form 8-K filed with the SEC on January 31, 2017
3.1	Amended and Restated By-Laws, effective November 20, 2007, incorporated by reference to Exhibit 3.2 of the Corporation’s Form 8-K filed with the SEC on November 21, 2007
3.2	Amended and Restated Articles of Incorporation, effective November 21, 2007, incorporated by reference to Exhibit 3.1 of the Corporation’s Form 8-K filed with the SEC on November 21, 2007
4.1	Amended and Restated By-Laws, effective November 20, 2007, incorporated by reference to Exhibit 3.2 of the Corporation’s Form 8-K filed with the SEC on November 21, 2007
4.2	Amended and Restated Articles of Incorporation, effective November 21, 2007, incorporated by reference to Exhibit 3.1 of the Corporation’s Form 8-K filed with the SEC on November 21, 2007
4.3	Subordinated Note Purchase Agreement dated July 30, 2008, incorporated by reference to Exhibit 4.4 of the Corporation’s 10-Q filed with SEC on November 10, 2008
4.4	Subordinated Note Purchase Agreement dated August 28, 2008, incorporated by reference to Exhibit 4.5 of the Corporation’s 10-Q filed with the SEC on November 10, 2008
4.5	Subordinated Note Purchase Agreement dated April 20, 2009, incorporated by reference to Exhibit 4.6 of the Corporation’s 10-Q filed with the SEC on August 7, 2009
4.6	Shareholder Rights Agreement, dated as of November 16, 2012, between Bryn Mawr Bank Corporation and Computershare Shareowner Services LLC, as Rights Agent, incorporated by reference to Exhibit 4.1 of the Corporation’s 8-K filed with the SEC on November 16, 2012

4.7	Indenture, dated August 6, 2015, by and between Bryn Mawr Bank Corporation and U.S. Bank National Association, as trustee, incorporated by reference to the Corporation’s Form 8-K filed with the SEC on August 7, 2015
4.8	Forms of 4.75% Subordinated Note due 2025 (included as Exhibit A-1 and Exhibit A-2 to the Indenture filed as Exhibit 4.1), incorporated by reference to the Corporation’s Form 8-K filed with the SEC on August 7, 2015
10.1*	Amended and Restated Supplemental Employee Retirement Plan of the Bryn Mawr Bank Corporation, effective January 1, 1999, incorporated by reference to Exhibit 10.1 of the Corporation’s Form 10-K filed with the SEC on March 13, 2008
10.2**	Form of Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.3 of the Corporation’s Form 10-K filed with the SEC on March 16, 2011
10.3*	Amended and Restated Deferred Bonus Plan for Executives of Bryn Mawr Bank Corporation, effective January 1, 2008 incorporated by reference to Exhibit 10.4 of the Corporation’s Form 10-K filed with the SEC on March 16, 2009
10.4*	Amended and Restated Deferred Payment Plan for Directors of Bryn Mawr Bank Corporation, effective January 1, 2008 incorporated by reference to Exhibit 10.5 of the Corporation’s Form 10-K filed with the SEC on March 16, 2009
10.5*	Amended and Restated Deferred Payment Plan for Directors of Bryn Mawr Trust Company, effective January 1, 2008 incorporated by reference to Exhibit 10.6 of the Corporation’s Form 10-K filed with the SEC on March 16, 2009

Table of Contents

Exhibit No.	Description and References
10.6*	Employment Letter Agreement, dated as of April 25, 2014, between the Corporation and Francis J. Leto, incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K filed with the SEC on April 25, 2014
10.7*	Amendment to 2012 Restricted Stock Agreement, dated August 20, 2014, between Bryn Mawr Bank Corporation and Fredrick C. Peters, II, incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K filed with the SEC on August 21, 2014
10.8*	Amendment to 2013 Restricted Stock Unit Agreement, dated August 20, 2014, between Bryn Mawr Bank Corporation and Fredrick C. Peters, II, incorporated by reference to Exhibit 10.2 to the Corporation's Form 8-K filed with the SEC on August 21, 2014
10.9**	Bryn Mawr Bank Corporation 2004 Stock Option Plan, incorporated by reference to Appendix A of the Corporation's Proxy Statement dated March 10, 2004 filed with the SEC on March 8, 2004
10.10*	Executive Change-of-Control Amended and Restated Severance Agreement, dated May 21, 2004, between the Bryn Mawr Trust Company and Alison E. Gers, incorporated by reference to Exhibit 10.M of the Corporation's Form 10-K filed with the SEC on March 15, 2007
10.11*	Executive Change-of-Control Amended and Restated Severance Agreement, dated May 21, 2004, between the Bryn Mawr Trust Company and Joseph G. Keefer, incorporated by reference to Exhibit 10.N of the Corporation's Form 10-K filed with the SEC on March 15, 2007
10.12*	Form of Restricted Stock Unit Agreement for Executives (Time/Performance Based), filed herewith
10.13**	Form of Key Employee Non-Qualified Stock Option Agreement, incorporated by reference to Exhibit 10.3 of the Corporation's Form 10-Q filed with the SEC on May 10, 2005
10.14**	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors, incorporated by reference to Exhibit 10.2 of the Corporation's Form 10-Q filed with the SEC on May 10, 2005
10.15**	Form of Restricted Stock Unit Agreement for Employees (Service/Performance Based) – Multi-Year Vesting, incorporated by reference to Exhibit 10.1 to the Corporation's Form 8-K filed with the SEC on September 17, 2014
10.16**	2007 Long Term Incentive Plan, effective April 25, 2007, incorporated by reference to Exhibit 10.1 of the Corporation's Form 10-Q filed with the SEC May 10, 2007
10.17**	Bryn Mawr Bank Corporation Supplemental Employee Retirement Plan for Select Executives, executed December 8, 2008, incorporated by reference to Exhibit 10.20 of the Corporation's Form 10-K filed with the SEC on March 16, 2009
10.18	Form of Director Letter Agreement, incorporated by reference to Exhibit 10.2 to the Corporation's Form 10-Q filed with the SEC on August 8, 2014
10.19*	

	Executive Change-of-Control Amended and Restated Severance Agreement, dated November 2, 2009, between the Bryn Mawr Trust Company and Francis J. Leto, incorporated by reference to Exhibit 10.1 of the Corporation's 8-K filed with the SEC on November 6, 2009
10.20**	Bryn Mawr Bank Corporation Amended and Restated Dividend Reinvestment and Stock Purchase Plan with Request for Waiver Program, effective April 27, 2012, incorporated by reference to the prospectus supplement filed with the SEC on April 27, 2012 pursuant to Rule 424(b)(2) of the Securities Act
10.21**	Bryn Mawr Bank Corporation 2010 Long-Term Incentive Plan, effective April 28, 2010, incorporated by reference to Exhibit 10.24 of the Corporation's Form 10-Q filed with the SEC on May 10, 2010
10.22*	Amended and Restated Transition, Consulting, Noncompetition and Retirement Agreement, dated November 25, 2008, by and among First Keystone Financial, Inc., First Keystone Bank and Donald S. Guthrie, as assumed by Bryn Mawr Bank Corporation and The Bryn Mawr Trust Company as of July 1, 2010, incorporated by reference to Exhibit 10.1 of the Corporation's Form 8-K filed with the SEC on July 1, 2010
10.23**	First Keystone Financial, Inc. Amended and Restated 1998 Stock Option Plan, as assumed by Bryn Mawr Bank Corporation, incorporated by reference to Exhibit 10.1 of the Corporation's Post-Effective Amendment No.1 to Form S-4 on Form S-3, filed with the SEC on July 9, 2010
10.24*	Executive Change-in-Control Severance Agreement, dated as of November 2, 2016, by and between The Bryn Mawr Trust Company and Harry R. Madeira, Jr., incorporated by reference to Exhibit 10.4 to the Corporation's Form 10-Q filed with the SEC on November 4, 2016

Exhibit No.	Description and References
10.25**	Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, dated as of January 10, 2011, for Francis J. Leto, incorporated by reference to Exhibit 10.30 of the Corporation's Form 10-K filed with the SEC on March 16, 2011
10.26	Amendment No. 2 to Stock Purchase Agreement by and between PWMG Bank Holding Company Trust and Bryn Mawr Bank Corporation dated September 29, 2011, filed with the SEC on Form 8-K on October 4, 2011
10.27**	Form of Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.32 of the Corporation's Form 10-Q filed with the SEC on November 9, 2011
10.28**	Form of Restricted Stock Agreement for Directors (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.33 of the Corporation's Form 10-Q filed with the SEC on November 9, 2011
10.29*	Amendment No. 1 to Amended and Restated Deferred Bonus Plan for Executives of Bryn Mawr Bank Corporation, effective as of January 1, 2013, incorporated by reference to Exhibit 10.29 of the Corporation's Form 10-K filed with the SEC on March 15, 2013
10.30*	Amendment No. 2 to Amended and Restated Deferred Bonus Plan for Executives of Bryn Mawr Bank Corporation, effective as of January 1, 2013, incorporated by reference to Exhibit 10.30 of the Corporation's Form 10-K filed with the SEC on March 15, 2013
10.31*	Form of Letter Agreement entered into with certain executive officers of the Corporation in connection with the curtailment of benefits under the Bryn Mawr Bank Corporation Supplemental Employee Retirement Plan for Select Executives, executed December 8, 2008 (SERP II), incorporated by reference to Exhibit 10.1 of the Corporation's Form 8-K filed with the SEC on April 4, 2013
10.32*	Bryn Mawr Bank Corporation Executive Deferred Compensation Plan, effective January 1, 2013, incorporated by reference to Exhibit 10.32 of the Corporation's Form 10-K filed with the SEC on March 14, 2014
10.33*	Retention Bonus Agreement, dated as of June 10, 2013, by and between The Bryn Mawr Trust Company and Francis J. Leto, incorporated by reference to Exhibit 10.1 of the Corporation's Form 8-K filed with the SEC on June 14, 2013
10.34*	Form of Restricted Stock Unit Agreement for Directors (Time/Performance Based), filed herewith
10.35**	Form of Restricted Stock Unit Agreement for Employees (Service/Performance Based), incorporated by reference to Exhibit 10.4 to the Corporation's Form 10-Q filed with the SEC on November 7, 2014
10.36**	Form of Restricted Stock Unit Agreement for Directors (Service/Performance Based), incorporated by reference to Exhibit 10.5 to the Corporation's Form 10-Q filed with the SEC on November 7, 2014
10.37**	

	Form of Restricted Stock Unit Agreement – Inducement Grant, incorporated by reference to Exhibit 10.6 to the Corporation's Form 10-Q filed with the SEC on November 7, 2014
10.38	Second Amended and Restated Dividend Reinvestment and Stock Purchase Plan, effective April 30, 2015, incorporated by reference to the Corporation's prospectus supplement filed with the SEC on May 1, 2015 pursuant to Rule 424 (b) under the Securities Act of 1933, as amended
10.39	Letter Agreement and General Release, dated July 17, 2015, by and among Bryn Mawr Bank Corporation, The Bryn Mawr Trust Company and J. Duncan Smith, incorporated by reference to the Corporation's Form 8-K filed with the SEC on July 17, 2015
10.40	Form of Subordinated Note Purchase Agreement, dated August 6, 2015, by and among Bryn Mawr Bank Corporation and the Purchasers identified therein, incorporated by reference to the Corporation's Form 8-K filed with the SEC on August 7, 2015
10.41	Form of Registration Rights Agreement, dated August 6, 2015, by and among Bryn Mawr Bank Corporation and Purchasers identified therein, incorporated by reference to the Corporation's Form 8-K filed with the SEC on August 7, 2015
10.42*	Employment Letter Agreement, dated September 8, 2015, by and among Bryn Mawr Bank Corporation, The Bryn Mawr Trust Company and Michael W. Harrington, incorporated by reference to Exhibit 10.1 of the Corporation's Form 8-K filed with the SEC on September 9, 2015

Table of Contents

Exhibit No.	Description and References
10.43*	Executive Change-of-Control Severance Agreement, dated as of September 8, 2015, by and between The Bryn Mawr Trust Company and Michael W. Harrington, incorporated by reference to Exhibit 10.2 to the Corporation’s Form 8-K filed with the SEC on September 9, 2015
10.44	Amended and Restated Bryn Mawr Bank Corporation 2010 Long-Term Incentive Plan, effective April 30, 2015, incorporated by reference to Appendix A of the Corporation’s Proxy Statement on Definitive Schedule 14A filed with the SEC on March 20, 2015
10.45	Form of Restricted Stock Unit Agreement for Employees (Time-Based Cliff Vesting), incorporated by reference to Exhibit 10.2 to the Corporation’s Form 10-Q filed with the SEC on August 7, 2015
10.46	Continental Bank Holdings, Inc. Amended and Restated 2005 Stock Incentive Plan, incorporated by reference to Exhibit 4.3 of the Corporation’s Form S-8 filed with the SEC on January 22, 2015
10.47*	Employment Letter Agreement, dated July 7, 2016, by and between The Bryn Mawr Trust Company and Denise Rinear, incorporated by reference to Exhibit 10.1 to the Corporation’s Form 10-Q filed with the SEC on November 4, 2016
10.48*	Executive Change-in-Control Severance Agreement, dated as of August 1, 2016, by and between The Bryn Mawr Trust Company and Denise Rinear, incorporated by reference to Exhibit 10.2 to the Corporation’s 10-Q filed with the SEC on November 4, 2016
10.49*	Employee Restrictive Covenant Agreement, dated August 1, 2016, by and between The Bryn Mawr Trust Company and Denise Rinear, incorporated by reference to Exhibit 10.3 to the Corporation’s 10-Q filed with the SEC on November 4, 2016
21.1	List of Subsidiaries, filed herewith
23.1	Consent of KPMG LLP, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
99.1	Corporation’s Proxy Statement for 2017 Annual Meeting to be held on April 20, 2017, expected to be filed with the SEC on or about March 10, 2017

101.INS XBRL	Instance Document, filed herewith
101.SCH XBRL	Taxonomy Extension Schema Document, filed herewith
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document, filed herewith
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document, filed herewith
101.LAB XBRL	Taxonomy Extension Label Linkbase Document, filed herewith
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document, filed herewith

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*Management contract or compensatory plan arrangement.

Table of Contents

** Shareholder approved compensatory plan pursuant to which the Registrant's Common Stock may be issued to employees of the Corporation.

Item 15(c) — Not Applicable

Table of Contents

SIGNATURES

Pursuant to the requirements of section 13 or 15d of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Bryn Mawr Bank Corporation

By /s/ Michael W. Harrington
Michael W. Harrington
Chief Financial Officer

Date: March 10, 2017

Table of Contents

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Corporation and in the capacities and on the date indicated.

NAME	TITLE	DATE
/s/ Britton H. Murdoch **Britton H. Murdoch**	Chairman and Director	March 10, 2017
/s/ Francis J. Leto **Francis J. Leto**	President and Chief Executive Officer (Principal Executive Officer) and Director	March 10, 2017
/s/ Michael W. Harrington **Michael W. Harrington**	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2017
/s/ Michael J. Clement **Michael J. Clement**	Director	March 10, 2017
/s/ Andrea F. Gilbert **Andrea F. Gilbert**	Director	March 10, 2017
/s/ Wendell F Holland **Wendell F. Holland**	Director	March 10, 2017
/s/ Scott M. Jenkins **Scott M. Jenkins**	Director	March 10, 2017
/s/ Jerry L. Johnson **Jerry L. Johnson**	Director	March 10, 2017
/s/ David E. Lees **David E. Lees**	Director	March 10, 2017
/s/ A. John May, III **A. John May, III**	Director	March 10, 2017
/s/ Lynn B. McKee **Lynn B. McKee**	Director	March 10, 2017
/s/ Frederick C. Peters II **Frederick C. Peters**	Director	March 10, 2017

123

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description and References
10.12*	Form of Restricted Stock Unit Agreement for Executives (Time/Performance Based), filed herewith
10.34*	Form of Restricted Stock Unit Agreement for Directors (Time/Performance Based), filed herewith
21.1	List of Subsidiaries, filed herewith
23.1	Consent of KPMG LLP, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
99.1	Corporation's Proxy Statement for 2017 Annual Meeting to be held on April 20, 2017, expected to be filed with the SEC on or about March 10, 2017, and incorporated herein by reference
101.INS XBRL	Instance Document, filed herewith
101.SCH XBRL	Taxonomy Extension Schema Document, filed herewith
101.CAL XBRL	Taxonomy Extension Calculation Linkbase Document, filed herewith
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document, filed herewith
101.LAB XBRL	Taxonomy Extension Label Linkbase Document, filed herewith
101.PRE XBRL	Taxonomy Extension Presentation Linkbase Document, filed herewith