BRYN MAWR BANK CORP
Form 10-Q
November 09, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15 (d)

of the Securities and Exchange Act of 1934.

For Quarter ended September 30, 2009

Commission File Number 0-15261

Bryn Mawr Bank Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2434506**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**identification No.)**
801 Lancaster Avenue, Bryn Mawr, Pennsylvania	**19010**
(Address of principal executive offices)	**(Zip Code)**

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

Not Applicable

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

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

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

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

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ Smaller reporting company ¨

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

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

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

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

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QUARTER ENDED September 30, 2009

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income - Unaudited

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

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

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

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets - Unaudited

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

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

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

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows - Unaudited

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

Proceeds from issuance of common stock	2,501	50
Net cash provided by financing activities	31,367	121,664
Change in cash and cash equivalents	6,887	(25,637)
Cash and cash equivalents at beginning of period	68,985	95,174
Cash and cash equivalents at end of period	$ 75,872	$ 69,537
Supplemental cash flow information:		
Cash paid during the year for:		
Income taxes	$ 2,999	$ 4,732
Interest	$ 14,310	$ 17,079
Supplemental non-cash investing and financing activities:		
Change in other comprehensive loss	2,894	3,094
Change in deferred taxes due to change in comprehensive income	1,013	(1,083)
Transfer of loans to other real estate	1,897	

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

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Consolidated Statements of Changes in Shareholders Equity

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

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

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

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Unaudited

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

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

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

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BRYN MAWR BANK CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2009 and 2008

(Unaudited)

1. Basis of Presentation:

The unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. In the opinion of Bryn Mawr Bank Corporation s (the Corporation) Management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the consolidated financial position and the results of operations for the interim periods presented have been included. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Corporation s 2008 Annual Report on Form 10-K. The Corporation s consolidated financial condition and results of operations consist almost entirely of The Bryn Mawr Trust Company s (the Bank) financial condition and results of operations.

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

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

Previous Quarter Adjustments:

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

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

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

2. Earnings Per Common Share:

Basic earnings per common share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average common shares outstanding during the period. Diluted earnings per common share takes into account the potential dilution, computed pursuant to the treasury stock method that could occur if stock options were exercised and converted into common stock. The effects of stock options are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive. All weighted average shares, actual shares and per share information in the financial statements have been adjusted retroactively for the effect of stock dividends and splits.

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

3. Allowance for Loan and Lease Losses

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

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

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4. Investment Securities

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

As of September 30, 2009

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

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

As of December 31, 2008

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

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

(dollars in thousands)	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government agency securities	$ 7,928	$ (66)	$	$	$ 7,928	$ (66)
State, county and municipal securities	1,787	(9)			1,787	(9)
Total	$ 9,715	$ (75)	$	$	$ 9,715	$ (75)

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

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

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

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

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

5. Stock Based Compensation

Stock based compensation cost is measured at the grant date, based on the fair value of the award and is recognized as an expense over the vesting period. The fair value of stock option grants is determined using the Black-Scholes pricing model. The assumptions necessary for the calculation of the fair value are expected life of options, annual volatility of stock price, risk free interest rate and annual dividend yield.

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

	Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value

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

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

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

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

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

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

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

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

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

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

Intrinsic value of options exercised	$ 664	$ 457

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

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

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6. Pension and Other Post-Retirement Benefit Plans

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

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

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

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

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

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

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

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

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

7. Segment Information

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

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

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

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

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

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

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

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

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

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

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

(Dollars in thousands)	Banking	Wealth Management	2008 Mortgage Banking	All Other	Consolidated
Net interest income	$ 27,549	$	$ 52	$ 6	$ 27,607
Less: Loan and lease loss provision	2,698				2,698
Net interest income after loan and lease loss provision	24,851		52	6	24,909
Other income:					
Fees for wealth management services		10,147			10,147
Service charges on deposit accounts	1,230				1,230
Loan servicing and other fees	212		701		913
Net gain on sale of loans			982		982
BOLI income	260				260
Other income	2,405	5	125	140	2,675
Total other income	4,107	10,152	1,808	140	16,207
Other expenses:					
Salaries and wages	9,298	3,885	728	378	14,289
Employee benefits	2,345	787	91	37	3,260
Occupancy and bank premises	3,489	419	163	(136)	3,935
Net impairment/amortization of mortgage servicing rights			316		316
Other operating expense	5,442	1,012	290	(314)	6,430
Total other expense	20,574	6,103	1,588	(35)	28,230
Segment profit before income taxes	8,384	4,049	272	181	12,886
Intersegment pretax revenues (expenses)*	581	140	20	(741)	
Pretax segment profit (loss) after eliminations	$ 8,965	$ 4,189	$ 292	$ (560)	$ 12,886
% of segment pretax profit (loss) after eliminations	69.6%	32.5%	2.3%	(4.4)%	100.0%
Segment assets in millions of dollars	$ 1,117.5	$ 7.1	$ 3.6	$ 4.2	$ 1,132.4

Segment assets in millions of dollars

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

Other segment information is as follows:

(dollars in millions)	September 30 2009	September 30 2008	December 31, 2008
Wealth Management Segment:			
Brokerage Assets[1]	$ 173	$ 86	$ 76
Assets Under Management and Administration Wealth Division	1,678	1,964	1,564
Assets Under Management, Administration and Supervision Lau Associates	527	616	506
Assets Under Management, Administration BMTC DE	333		

Assets Under Management, Administration, Supervision and Brokerage Assets	$ 2,711	$ 2,666	$ 2,146
Mortgage Banking Segment:			
Mortgage Loans Serviced for Others	$ 499.5	$ 353.8	$ 350.2
Mortgage Servicing Rights	$ 3.8	$ 2.9	$ 2.2

(1) Brokerage assets, which include assets of Bryn Mawr Asset Management, represent assets held at a registered broker dealer under a networking agreement.

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8. Mortgage Servicing Rights

The following summarizes the Corporation s activity related to mortgage servicing rights (MSR s) for the nine months ended September 30, 2009 and 2008:

(dollars in thousands)	2009	2008
Balance, January 1	$ 2,205	$ 2,820
Additions	2,264	349
Amortization	(637)	(286)
Recovery	333	30
Impairment	(371)	(60)
Balance, September 30	$ 3,794	$ 2,853
Fair value	$ 4,338	$ 3,731

At September 30, 2009 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)	September 30, 2009
Fair value amount of MSRs	$ 4,338
Weighted average life (in years)	4.9
Prepayment speeds (constant prepayment rate)*:	17.3%
Impact on fair value:	
10% adverse change	$ (235)
20% adverse change	$ (449)
Discount rate:	10.27%
Impact on fair value:	
10% adverse change	$ (148)
20% adverse change	$ (286)

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

These assumptions and sensitivities are hypothetical and should be used with caution. 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.

9. Impaired Loans and Leases

The following summarizes the Corporation s impaired loans for the periods ended:

	For The Nine Months Ended		For The Twelve Months Ended
(dollars in thousands)	September 30, 2009	September 30, 2008	December 31, 2008
Period end loan balance	$ 5,251	$ 1,465	$ 4,586
Average period to date balance	3,142	1,129	1,476

Loans with specific loss allowances	595		3,150
Charge-offs, net of recoveries	1,300		
Loss allowances reserved	58		124
Period to date income recognized	82	58	42
Non-performing leases	523		
Troubled debt restructuring lease balance	1,551		
Troubled debt restructuring commercial loan*	1,459		
Trouble debt restructuring residential loan*	550		

* Troubled debt restructuring balances are included in the impaired loan figures.

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10. Goodwill and Other Intangibles

The goodwill and intangible balances presented below resulted from the acquisition of JNJ Holdings LLC, Lau Associates LLC and Lau Professional Services LLC (collectively, Lau) in the third quarter of 2008. During the first quarter of 2009, the Corporation paid $195 thousand based on the terms of the acquisition agreement related to the 2008 contingent payment. This payment was recorded as goodwill. For further information on the acquisition of Lau, please refer to Footnote 2 in the Corporation s 2008 Annual Report on Form 10-K. On September 1, 2009, Lau Professional Services LLC was merged into Lau Associates LLC.

The changes in the carrying amount of goodwill and intangibles were as follows:

(dollars in thousands)	Goodwill	Intangibles
Balance January 1, 2009	$ 4,629	$ 5,729
2008 Earn-out adjustment	195	
Amortization		(231)
Balance September 30, 2009	$ 4,824	$ 5,498

Management performed the annual review of goodwill and identifiable intangibles at December 31, 2008 in accordance with FASB Accounting Standards Codifications on goodwill and other intangible assets and accounting for the impairment or disposal of long-lived assets. Management determined there was no impairment of goodwill and other intangible assets.

11. Capital

Dividend

The Corporation declared and paid a regular dividend of $0.14 per share, during the third quarter of 2009. This payment totaled $1.2 million. The Corporation s Board of Directors declared a regular quarterly dividend of $0.14 per share payable December 1, 2009 to shareholders of record as of November 10, 2009.

Private Transactions in Securities

On April 20, 2009, the Bank raised from a single investor $7.5 million in subordinated debt which qualified as Tier II capital. This subordinated debt bears interest at a rate per annum equal to the ninety day LIBOR rate plus 5.75% and is adjusted quarterly. Interest is payable quarterly and principal is due on June 15, 2019. The rate of interest is capped at 10.0% per annum during the first five years of the term.

On April 20, 2009, in accordance with and reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended (the Securities Act), the Corporation also sold 150,061 shares of its common stock, par value $1.00 per share (Shares), in a private placement of securities to a purchaser which qualifies as an accredited investor under Rule 501(a) of Regulation D under the Securities Act. The purchase price per Share was equal to the average closing price of shares of the Corporation s common stock on NASDAQ Global Markets for the thirty trading days ending on April 16, 2009, which equaled $16.66 per Share. The aggregate purchase price for the Shares sold was $2.5 million. The Corporation did not pay any underwriting discounts or commissions and did not pay any brokerage fees in connection with the sale of the Shares. The Shares sold constituted 1.7% of the outstanding shares of the Corporation s common stock, as determined immediately after the closing of the sale.

S-3 Shelf Registration Statement and Dividend Reinvestment and Stock Purchase Plan

On June 17, 2009, the SEC declared effective a shelf registration statement on Form S-3/A (Shelf Registration Statement) filed by the Corporation on June 15, 2009. The Shelf Registration Statement is intended to allow the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, warrants to purchase common stock, stock purchase contracts 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, any amount of such securities in a dollar amount up to $90,000,000, in the aggregate. The Corporation also registered for resale in the Shelf Registration Statement the Shares issued in the private placement of securities discussed in the preceding paragraph.

On July 20, 2009, the Corporation filed with the Securities and Exchange Commission a prospectus supplement pursuant to Section 424(b)(2) of the Securities Act (Prospectus Supplement) in order to take securities down from the Shelf Registration Statement in connection with a newly established Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan is intended to allow both existing shareholders and new investors to easily and conveniently increase their investment in the Corporation without incurring many of the fees and commissions normally associated with brokerage transactions.

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12. Accounting for Uncertainty in Income Taxes

The Corporation recognizes the financial statement benefit of a tax position only after determining that the Corporation would be more likely than not to 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% likelihood of being realized upon settlement with the relevant tax authority. At January 1, 2007, the Corporation applied these criteria to all tax positions for which the statute of limitations remained open. There were no adjustments to retained earnings for unrecognized tax benefits as a result of the implementation at adoption during 2007.

The Corporation is subject to income taxes in the United States federal jurisdiction and multiple state jurisdictions. The Corporation is no longer subject to U.S. Federal income tax examination by taxing authorities for years before 2005. The Corporation recently closed with the Internal Revenue Service an examination of the 2005 tax year. Resolution of the examination did not have any material impact to the financial position of the Corporation. The Corporation received notification dated July 20, 2009 from the Internal Revenue Service that the Corporation s 2007 tax year is being audited.

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 the third quarter of 2009. There were no significant liabilities accrued during 2008 or in the first nine months of 2009.

13. Fair Value Measurement

The following disclosures are made in conjunction with the application of fair value measurements.

The Financial Accounting Standard Board Codification on 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 investment securities which generally includes state and municipal securities, U.S. government agencies and mortgage backed securities are reported at fair value. These securities are valued by an independent third party. The third party s evaluations are based on market data. They utilize evaluated 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 applications 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.

Trading securities are evaluated using quoted prices in active markets. 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 investments are evaluated using a broker-quote based application, including quotes from issuers.

These investment securities classified as available for sale and trading are shown below.

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

Level 1 Quoted prices in active markets for identical securities;

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.

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These levels are not necessarily an indication of the risks or liquidity associated with these investments. The following table summarizes the assets at September 30, 2009 that are recognized on the Corporation s balance sheet using fair value measurement determined based on the differing levels of input.

(dollars in millions)	Level 1	Level 2	Level 3	Total
Assets Measured at Fair Value on a Recurring Basis at September 30, 2009:				
Trading Securities	$ 5.3	$	$	$ 5.3
Investment Securities available for sale				
U.S. Government agency securities		55.2		55.2
State, county and municipal securities		25.1		25.1
Mortgage backed securities		62.6		62.6
Corporate bonds		12.6		12.6
Bonds mutual funds	11.8			11.8
Other debt securities		1.5		1.5
Total available for sale securities	$ 11.8	$ 157.0	$	$ 168.8
Total assets measured at fair value on a recurring basis	$ 17.1	$ 157.0	$	$ 174.1
Assets Measured at Fair Value on a Nonrecurring Basis at September 30, 2009:				
Mortgage servicing rights (MSRs)	$	$ 3.8	$	$ 3.8
Impaired loans and leases		7.3		7.3
OREO & Other repossessed property		1.5		1.5
Total assets measured at fair value on a nonrecurring basis	$	$ 12.6	$	$ 12.6

Other Real Estate Owned and Other Repossessed Property:

Other real estate owned (OREO) consists of properties acquired as a result of deed in-lieu-of foreclosure and foreclosures. 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. The Corporation had $1.5 million in OREO assets at September 30, 2009.

14. BOLI

On August 13, 2008, the Corporation gave notice to its BOLI insurance carrier that it was surrendering its separate account BOLI insurance contract. The Corporation received $15.6 million cash on February 9, 2009 which was recorded as a receivable on the December 31, 2008 balance sheet. For the next 5 years the Corporation must send a quarterly certification letter stating that no BOLI contract was entered into for any of the individuals previously covered.

15. Fair Value of Financial Instruments

The following disclosures and schedules are disclosed in conjunction with the Corporation s adoption of interim disclosures about fair value of financial instruments.

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 Statement excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

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.

Trading Securities - Estimated fair values for trading securities are based on quoted market price, where available.

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Available for Sale Securities - Estimated fair values for investment securities are based on quoted market price. If quoted market prices are not available, fair values are based on quoted market prices of comparable securities.

Net 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 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. 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.

MSR s - The fair value of MSR s is established using specific loan characteristics as well as market-based assumptions. The value is based on all relevant facts and circumstances, recent sales of comparable assets and the professional experience of the specialized service broker, as well as the hypothetical placement of the portfolio in that day s active marketplace.

Other Assets - The carrying amount of accrued interest receivable and other investments approximates fair value.

Deposits - The estimated fair values disclosed for non-interest-bearing demand deposits, 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 certificate of deposit. The Statement defines the fair value of demand deposits as the amount payable on demand and prohibits adjusting estimated fair value from any value derived from retaining those deposits for an expected future period of time.

Borrowed Funds - The fair value of borrowed funds is established using a discounted cash flow calculation that applies interest rates currently being offered on mid-term and long term borrowings.

Subordinated debt - The fair value of subordinated debt is established using a discounted cash flow calculation that applies interest rates currently being offered on comparable borrowings.

Mortgage payable - The fair value of the mortgage payable is established using a discounted cash flow calculation that applies interest rates currently being offered on comparable borrowings.

Other Liabilities - The carrying amounts of accrued interest payable, accrued taxes payable and other accrued payables approximate fair value.

Off-Balance Sheet Instruments - Estimated fair values of the Corporation s off-balance sheet instruments (standby letters of credit and loan commitments) 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. 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 estimated fair values of off-balance sheet instruments.

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The carrying amount and estimated fair value of the Corporation s financial instruments as of September 30, 2009 and December 31, 2008 are as follows:

	2009		2008	
(dollars in thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and due from banks	$ 9,381	$ 9,381	$ 18,776	$ 18,776
Interest-bearing deposits with other banks	48,351	48,351	45,100	45,100
Money market funds	18,140	18,140	5,109	5,109
Cash and cash equivalents	75,872	75,872	68,985	68,985
Trading securities	5,316	5,316		
Investment securities available for sale	168,754	168,754	108,329	108,329
Mortgage servicing rights	3,794	4,338	2,205	2,210
Loans held for sale	4,133	4,185	3,024	3,094
Other assets	61,476	61,476	79,558	69,226
Net loans and leases	876,180	890,627	889,245	919,560
Total financial assets	$ 1,195,525	$ 1,210,568	$ 1,151,346	$ 1,171,404
Financial liabilities:				
Deposits	$ 899,476	$ 900,468	$ 869,490	$ 871,679
Borrowed funds	147,386	150,364	154,939	157,344
Subordinated debt	22,500	22,736	15,000	15,000
Mortgage payable	2,076	2,258		
Other liabilities	22,040	22,040	19,504	19,504
Total financial liabilities	$ 1,093,478	$ 1,097,866	$ 1,058,933	$ 1,063,527
Off-balance sheet instruments	$ 338,700	$ 338,700	$ 318,368	$ 318,368

16. New Accounting Pronouncements

FASB Codification 825 Amendment to Interim Disclosure on Fair Value of Financial Instruments

FASB issued a Codification Standard related to the interim disclosure about fair value of financial instruments which amended the previous standard on disclosures about fair value of financial instruments to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. All publicly traded companies are required to include disclosures about the fair value of financial instruments whenever it issues summarized financial information for interim reporting periods. FASB Codification 825 became effective for interim reporting periods ending after June 15, 2009. The Corporation adopted this statement as of June 30, 2009 and has made the required disclosures in Note 15 of this Form 10-Q.

FASB Codification 320 and 958 Recognition and Presentation of Other Than Temporary Impairment

The Corporation adopted the Codification Standards related to the recognition and presentation of other than temporary as of June 30, 2009. Since the Corporation has not had any other-than-temporary impairment as of April 1, 2009, no cumulative-effect adjustments were required to be recorded at adoption.

FASB Codification 820 Fair Value of Instruments When Volume and Activity Have Decreased

The Corporation follows the FASB Codification Standard, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions that are not Orderly. This Codification Standard provides additional guidance for estimating fair value in accordance with the Codification Standard on Fair Value Measurements, when the volume and level of activity for the asset or liability have significantly decreased. Codification Standard 820 became effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The adoption of this Standard did not have a material effect on our financial condition or results of operations.

FASB Standard Related to Subsequent Events

The Corporation follows the FASB Codification Standard related to subsequent events. The Codification establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The statement sets forth (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements; (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) the disclosure that an entity should make about events or transactions that occurred after the balance sheet date. The Codification is effective for fiscal years and interim periods ending after June 15, 2009, and shall be applied prospectively. The Corporation adopted this standard as of June 30, 2009 and such adoption did not have an impact on the results of operations or financial position. The Company has evaluated subsequent events through November 9, 2009.

FASB Codification 860 Amendment to Accounting for Transfers of Financial Assets

In June 2009, the FASB issued a Codification standard related to accounting for transfers of financial assets, an amendment of FASB Statement No. 140. The Codification amends the derecognition guidance in Statement 140 and eliminates the concept of a qualifying special-purpose entities (QSPEs). The Codification is effective for fiscal years and interim periods beginning after November 15, 2009. Early adoption of the Codification is prohibited. The Corporation will adopt the Codification standard on January 1, 2010 and has not yet determined the effect of the adoption on its consolidated financial statements.

FASB Codification 810 Amendment to Guidance on Variable Interest Entities

In June 2009, the FASB issued a Codification standard related to amendments to FASB interpretation No. 46(R) which amends the consolidation guidance applicable to variable interest entities (VIE s). An entity would consolidate a VIE, as the primary beneficiary, when the entity has both of the following characteristics: (a) The power to direct the activities of a VIE that most significantly impact the entity s economic performance and (b) The obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. Ongoing reassessment of whether an enterprise is the primary beneficiary of a VIE is required. The Codification amends interpretation 46(R) to eliminate the quantitative approach previously required for determining the primary beneficiary of a VIE. This Statement is effective for fiscal years and interim periods beginning after November 15, 2009. The Corporation will adopt the Codification standard on January 1, 2010 and has not yet determined the effect of the adoption on its consolidated financial statements.

ASC-713 Employer s Disclosures about Pensions and Other Post Retirement Benefits FASB issued a Codification standard referencing an Employer s Disclosures About Pension and Post Retirement Benefits, to provide guidance on an employer s disclosure about the plan assets of a defined pension or post retirement plan. The Codification requires an entity to disclose more information on how investment allocation decisions are made, the major categories of plan assets including concentration risks and fair value measurements and the fair value techniques and inputs used to measure the plan. The Corporation will adopt the Codification effective December 15, 2009 and has not yet determined the effect of the adoption on its consolidated financial statements.

17. Subsequent Events

On November 3, 2009 the Corporation announced that it had signed a definitive Agreement and Plan of Merger to acquire First Keystone Financial, Inc., a federally-chartered savings bank headquartered in Media. The acquisition will be effected pursuant to a merger of First Keystone Financial, Inc. with and into the Corporation, and a two-step merger of First Keystone Bank with and into the Bank. This acquisition will increase the Corporation s total assets by more than $500 million and add 8 full-service branches, mainly in Delaware County, PA.

As a result of the mergers, the Corporation and the Bank expect to be able to more efficiently leverage resources and deliver the highest quality products and services to the marketplace. Increasing the Corporation s presence in Delaware and Chester Counties has been a strategic goal, and this acquisition is an important component of that strategic plan.

For further information on the Agreement, please review the Corporation s Form 8-K filed with the Securities and Exchange Commission on November 3, 2009.

ITEM 2 Management s Discussion and Analysis of Results of Operation and Financial Condition

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, PA, a western suburb of Philadelphia, PA. The Corporation and its subsidiaries provide wealth management, community banking, residential mortgage lending, insurance and business banking services to its customers through nine full service branches and seven limited-hour retirement community offices throughout Montgomery, Delaware and Chester counties. The Corporation trades on the NASDAQ Global Market (NASDAQ) under the symbol BMTC.

The goal of the Corporation is to become the preeminent community bank and wealth management organization in the Philadelphia area.

The Corporation competes in a highly competitive market area and 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 Committee (SEC), NASDAQ, Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank of Philadelphia (FRB) and the Pennsylvania Department of Banking.

Acquisition of First Keystone Financial, Inc.

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As a result of the mergers, the Corporation and the Bank expect to be able to more efficiently leverage resources and deliver the highest quality products and services to the marketplace. Increasing the Corporation s presence in Delaware and Chester Counties has been a strategic goal, and this acquisition is an important component of that strategic plan.

For further information on the Agreement, please review the Corporation s Form 8-K filed with the Securities and Exchange Commission on November 3, 2009.

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 its accompanying consolidated financial statements for the Corporation. The Corporation s consolidated financial condition and results of operations consist almost entirely 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. These interim financial statements are unaudited.

Critical Accounting Policies, Judgments and Estimates

The accounting and reporting policies of the Corporation and its subsidiaries conform with accounting principles generally accepted in the United States of America (US GAAP) applicable to the financial services industry. All significant inter-company transactions are eliminated in consolidation and certain reclassifications are made when necessary to conform the previous year s 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 involves a higher degree of judgment and complexity than other significant accounting policies. The allowance for loan and lease losses is calculated with the objective of maintaining a reserve level believed by Management to be sufficient to absorb estimated probable credit losses. Management s determination of the adequacy of the allowance is based on periodic evaluations of the loan and lease portfolio and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, expected loan commitment usage, the amounts and timing of expected future cash flows on impaired loans and leases, value of collateral, estimated losses on consumer loans and residential mortgages and general amounts for historical loss experience. The process also considers economic conditions, international events, 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 Management estimates, additional provisions for loan and lease losses 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 and Note 3 to our financial statements, titled Allowance for Loan and Lease Losses, for additional information.

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

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Other significant accounting policies are presented in Note 1 to the Corporation s audited consolidated financial statements filed as part of the 2008 Annual Report on Form 10-K and in the footnotes to the Corporation s unaudited financial statements filed as part of this Form 10-Q. There have been no material changes in assumptions or estimation techniques utilized as compared to prior periods except for as noted in the previous paragraph.

Executive Overview

Three Months Results

The Corporation reported third quarter 2009 diluted earnings per share of $0.30 and net income of $2.6 million compared to diluted earnings per share of $0.26 and net income of $2.3 million in the same period last year. Return on average equity (ROE) and return on average assets (ROA) for the third quarter ended September 30, 2009 were 10.39% and 0.89%, respectively. ROE was 9.55% and ROA was 0.83% for the same period last year.

The Corporation s third quarter performance was solid given the continued economic stress over the past twenty months. The Corporation is well positioned for continued growth and profitability and continues to exceed regulatory requirements for a well-capitalized financial organization. In July 2009, the Corporation established a Dividend Reinvestment and Stock Purchase Plan (DRIP) to provide additional resources of capital intended to enable the Corporation to take advantage of strategic opportunities to invest and expand.

Net income increased $364 thousand or 16.1% to $2.6 million in the third quarter 2009 from $2.3 million in the same period last year. Factors contributing to the increase include an increase in the gain on sale of residential mortgage loans, a gain on the sale of investments, a gain on trading investments, a decrease in income tax expense, higher earning asset levels and the previously discussed refinement in Note 3, Allowance for Loan and Lease Losses. These factors were partially offset by lower other operating income, specifically in other investment income and cash management fees, increased employee benefit costs, a higher provision for loan and lease losses, increased amortization of mortgage servicing rights, and a lower net interest margin. The net interest margin for the third quarter of 2009 declined to 3.72% compared to 3.90% in the third quarter of 2008.

Total portfolio loans and leases at September 30, 2009 were $886.5 million, a decrease of $13.1 million or 1.5% from 2008 year-end balance of $899.6 million. The decrease in the balance from year end was primarily in construction loans and leases which was by management s design due to current economic conditions. Credit quality on the overall loan and lease portfolio remains stable as total non-performing loans and leases represented 78 basis points or $6.9 million of portfolio loans and leases at September 30, 2009. This compares with 65 basis points or $5.8 million at December 31, 2008. The Corporation s other real estate owned (OREO) balance as of September 30, 2009 was $1.5 million due to the foreclosure of a residential site development loan estimated at its net realizable value. The Corporation had no OREO at December 31, 2008 or September 30, 2008.

The provision for loan and lease losses for the quarter ended September 30, 2009 and 2008 were $2.3 million and $1.1 million, respectively. At September 30, 2009, the allowance for loan and lease losses (allowance) of $10.3 million represents 1.16% of portfolio loans and leases compared with 1.15% at December 31, 2008. Quarterly net charge-offs in the leasing portfolio gradually declined from $1.6 million in the fourth quarter of 2008 to $1.1 million in the quarter ended September 30, 2009 as growth has been intentionally scaled back and underwriting standards significantly tightened.

The Corporation s investment portfolio increased $65.5 million or 60.5% to $173.8 million at September 30, 2009 from $108.3 million at December 31, 2008 due to the Corporation s growth in deposits, strong investment performance and the reduction in the loan portfolio. The Corporation s investment portfolio had gains concentrated in mortgage backed securities, municipal securities and corporate bonds. There are no OTTI charges within the portfolio.

Third quarter 2009 average total interest bearing deposits were up $47.4 million during the third quarter of 2009 or 7.1% from the same period in 2008. Over the past 12 months the Corporation had significant increases in money market and savings accounts. Funding from wholesale sources, which includes wholesale deposits, Insured Network Deposits (IND) and Institutional Deposits Corporation (IDC) deposits, subordinated debt and borrowings, at September 30, 2009 was approximately $288.7 million, which was a $32.2 million decrease from $320.9 million at December 31, 2008. The increase in deposit activity during the third quarter of 2009 reduced the Corporation s dependency on wholesale funding.

The Corporation had in aggregate unused borrowing capacity of approximately $413.6 million at September 30, 2009 at the FHLB-P, the Federal Reserve Bank of Philadelphia (FRB), and fed funds lines at various banks. This compares with $226.6 million at December 31, 2008. The increase in unused borrowing is the result of additional borrowing capacity at the FRB by using commercial and industrial loans and corporate bonds as collateral. Furthermore, borrowing from the FHLB-P decreased $7.5 million from December 31, 2008.

For the quarter ended September 30, 2009, non-interest income was $6.6 million, an increase of $1.3 million or 24.3% over the $5.3 million for the same period last year. This increase was primarily due to the net gain on sale of residential mortgage loans and the net gain on the sale of investments. Mortgage originations for the third quarter of 2009 were $35.0 million compared to $25.8 million in the fourth quarter of 2008 and $24.0 million in the third quarter of 2008, resulting in an increase in the gain on sale of residential mortgage loans. Wealth Management revenues of $3.5 million as of September 30, 2009 remained consistent with the $3.5 million in the third quarter of 2008.

Wealth Management assets under management, administration, supervision and brokerage as of September 30, 2009 were $2.7 billion, up $447 million or 19.7% higher than the $2.3 billion at June 30, 2009 and up $44.6 million or 1.7% from September 30, 2008. Traditional wealth assets increased 10.2% from the second quarter of 2009 or $155 million, and declined $286.6 million or 14.6% from September 30, 2008, and the Bryn Mawr Trust Company of Delaware assets increased 206.3% or $224 million from June 30, 2009 and $0 at September 30, 2008. Success in the Wealth Management area is attributable to new brokerage business, the successful development of The Bryn Mawr Trust Company of Delaware and the improvements in the financial markets.

Non-interest expense for the quarter ended September 30, 2009 was $10.7 million, an increase of $541 thousand or 5.3% over the $10.1 million in the same period last year. This increase is mainly due to increases in employee benefit costs, specifically the Pension and SERP and related support costs associated with the opening of our West Chester Regional Banking Center on January 1, 2009 and The Bryn Mawr Trust Company of Delaware in the Fall of 2008. FDIC insurance also increased $137 thousand or 113.2% from a year ago along with higher variable costs related to the origination of residential mortgage loans which resulted in the large increase in the gain on sale of residential loans.

Nine Months Results

The Corporation reported net income for the nine months ended September 30, 2009 of $7.7 million or $0.88 diluted earnings per share, down from net income of $8.3 million or $0.97 diluted earnings per share for the first nine months of 2008. ROE and ROA for the nine months ended September 30, 2009 were 10.66% and 0.88%, respectively, compared to 11.99% and 1.09%, for the same period in 2008.

Net income for the nine months ended September 30, 2009 of $7.7 million was $618 thousand lower than the same period in 2008. Factors contributing to the decrease include an increase in the cost of salaries and employee benefits, an increase in the amortization of mortgage servicing rights and higher FDIC insurance along with the FDIC special assessment that was accrued in the second quarter of 2009. The net interest margin for the nine months ended September 20, 2009 was 3.64%, a decrease of 30 basis points from the same period in 2008.

Non-interest income in the first nine months of 2009 was $21.9 million, up approximately $5.7 million compared to the first nine months of 2008, mainly due to a $4.2 million increase on the sale of residential mortgages. Fees for wealth management services increased $434 thousand or 4.3% to $10.5 million for the first nine months of 2009 from $10.1 million in the same period in 2008. The gain on sale of investments of $1.3 million was up $1.1 million or 495% from $222 thousand in the same period of 2008. Wealth Management revenue for the nine month period decreased $238 thousand or 6.4% from December 31, 2008. The decrease in revenue over the nine month period is primarily attributable to lower financial market values which decreased assets under management, administration, supervision and brokerage. Revenues include fees from trust administration, investment management, brokerage, custody and estates.

For the nine month period ended September 30, 2009, non-interest expense was $10.7 million, up $541 thousand or 5.3% compared to the nine month period ended September 30, 2008. The increase in non-interest expense is primarily the result of increases in employee benefits, FDIC insurance and the amortization of MSR s.

Key Performance Ratios

Key financial performance ratios for the three and nine months ended September 30, 2009 and 2008 are shown in the table below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2009	2008	2009	2008
ROE	10.39%	9.55%	10.66%	11.99%
ROA	0.89%	0.83%	0.88%	1.09%
Efficiency ratio	63.0%	67.5%	66.5%	64.4%
Tax equivalent net interest margin	3.72%	3.90%	3.64%	3.94%
Diluted earnings per share	$ 0.30	$ 0.26	$ 0.88	$ 0.97

Dividend per share	$ 0.14	$ 0.14	$ 0.42	$ 0.40

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Key period end ratios and balances are shown in the table below:

	September 30, 2009	December 31, 2008	September 30, 2008
Book value per share	$ 11.62	$ 10.76	$ 10.97
Tangible book value per share	$ 10.44	$ 9.55	$ 10.29
Allowance for loan and lease losses as a percentage of loans	1.16%	1.15%	1.03%
Tier I capital to risk weighted assets	9.36%	8.81%	9.35%
Tangible common equity ratio	7.74%	7.13%	7.13%
Loan to deposit ratio	99.1%	103.0%	102.3%
Wealth assets under management, administration, supervision and brokerage	$ 2,710.9	$ 2,146.4	$ 2,666.3
Portfolio loans	886.5	899.6	878.2
Total assets	1,195.5	1,151.3	1,132.4
Shareholders Equity	102.0	92.4	94.1

Components of Net Income

Net income is affected by five major elements: **Net Interest Income** or the difference between interest income earned on loans, leases and investments and interest expense paid on deposit and borrowed funds; the **Provision for Loan and Lease Losses** or the amount added to the allowance for loan and lease losses to provide reserves for inherent losses on loans and leases; **Non-Interest Income** which is made up primarily of certain fees, trust income, residential mortgage activities and gains and losses from the sale of securities; **Non-Interest Expenses** which consist primarily of salaries, employee benefits and other operating expenses; and **Income Taxes**. Each of these major elements are discussed in more detail below.

NET INTEREST INCOME ON A TAX EQUIVALENT BASIS

We present information on a tax equivalent basis for net interest income. Refer to Analyses of Interest Rates and Interest Differential below for further information.

Three Months Ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

The tax equivalent net interest income for the three months ended September 30, 2009 of $10.4 million was $678 thousand or 6.9% higher than the net interest income for the same period in 2008 of $9.8 million. This increase was substantially volume driven as average loan and lease growth of $20.4 million or 2.4% and average investment portfolio growth of $55.6 million or 50.5% were able to offset several prime rate decreases and the impact of a higher level of wholesale funds, which includes wholesale deposits, subordinated debt and borrowings.

Average interest bearing liabilities increased $63.2 million or 7.7% to $884.6 million during the third quarter of 2009 compared to $821.4 million during third quarter of 2008. The decrease in the rate on interest bearing liabilities from 2.47% in the third quarter 2008 to 1.73% in the third quarter of 2009 is largely due to higher rate wholesale deposits maturing, the increase of lower rate money market and savings accounts and aggressive management of deposit pricing. Average total wholesale funding decreased $36.0 million or 1.9% to $266.2 million compared to the same period last year. Average deposit balances for the third quarter of 2009 were $888.7 million, a $74.0 million increase or 9.1% above September 30, 2008.

Despite the increase in tax equivalent net interest income due to decreased interest expense, the tax equivalent net interest margin on interest earning assets decreased by 18 basis points from 3.90% in the third quarter of 2008 to 3.72% at September 30, 2009 due to lower rates on interest earning assets, including low market rates on overnight cash balances.

Nine Months Ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

The tax equivalent net interest income for the nine months ended September 30, 2009 of $30.1 million was $2.3 million or 8.3% higher than the net interest income for the same period in 2008 of $27.8 million. This increase was substantially volume driven as average loan and lease growth of $55.2 million or 6.6% and investment portfolio growth of $43.5 million or 47.5% were able to offset several prime rate decreases and the impact of a slightly higher level of wholesale funds.

Average interest bearing liabilities increased $122.2 million or 16.0% to $885.0 million during the first nine months of 2009 compared to $762.9 million for the same period of 2008. The decrease in the rate on interest bearing liabilities from 2.71% in the first nine months of 2008 to 1.94% in the first nine months of 2009 is due to higher rate wholesale deposits maturing, the increase of lower rate money market and savings accounts and aggressive management of deposit pricing. The interest rate on the $22.5 million of subordinated debt reset during the third quarter of 2009 resulting in a decrease of 15 basis points. The $7.5 million of subordinated debt raised on April 20, 2009 is priced at 90 day LIBOR plus 5.75% and resets on the 15th day of the last month of each quarter. The rate was reset on September 15, 2009. Average total wholesale funding decreased $8.2 million or 3.1% to $271.0 million compared to the same period last year. Average deposit balances for the first nine months of 2009 were $881.2 million, a $99.3 million increase or 12.6% above September 30, 2008.

Despite the increase in tax equivalent net interest income due to decreased interest expense, the tax equivalent net interest margin on interest earning assets decreased by 30 basis points from 3.94% in the first nine months of 2008 to 3.64% at September 30, 2009 due to lower rates on interest earning assets.

The rate volume analysis in the table below analyzes dollar changes in the components of interest income and interest expense as it relates to the change in balances (volume) and the change in interest rates (rate) of tax equivalent net interest income for the quarter and the nine month period ended September 30, 2009 compared to the quarter and nine month period ended September 30, 2008 broken out by rate and volume.

Rate /Volume Analysis on a tax equivalent basis*

(in thousands)	**Three Months Ended September 30, 2009 Compared to 2008**			**Nine Months Ended September 30, 2009 Compared to 2008**		
Increase/(Decrease)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income:						
Interest-bearing deposits with other banks	$ 132	$ (164)	$ (14)	$ 437	$ (477)	$ (40)
Federal funds sold	(57)		(57)	(122)	(12)	(134)
Money market funds	26		26	188		188
Investment securities	620	(606)	14	1,530	(1,006)	524
Loans and leases	327	(868)	(541)	2,611	(3,493)	(882)
Total interest income	1,048	(1,620)	(572)	4,644	(4,988)	(344)
Interest expense:						
Savings, NOW and market rate accounts	$ 286	$ (417)	$ (131)	$ 1,036	$ (1,403)	$ (367)
IND/IDC deposits	37		37	605	(573)	32
Time deposits	(67)	(437)	(504)	(1,467)	(121)	(2,678)
Wholesale deposits	(654)	(222)	(876)	451	(1,554)	(1,103)
Borrowed funds	139	84	223	1,203	258	1,461
Total interest expense	(259)	(992)	1,251	1,828	(4,483)	(2,655)
Interest differential	$ 1,307	$ (628)	$ 679	$ 2,816	$ (505)	$ 2,311

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

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Analyses of Interest Rates and Interest Differential

The tables below present the major asset and liability categories on an average daily basis for the periods presented, along with interest income and expense and key rates and yields.

	For the three months ended September 30,					
	2009			2008		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
Assets:						
Interest-bearing deposits with other banks	$ 33,560	$ 14	0.17%	$ 5,894	$ 28	1.89%
Federal funds sold				11,668	57	1.94%
Money market funds	28,877	26	0.36%			
Investment securities:						
Taxable	144,073	1,079	2.97%	104,877	1,208	4.58%
Tax-exempt	21,481	236	4.36%	7,736	93	4.78%
Total investment securities (3)	165,554	1,315	3.15%	112,613	1,301	4.60%
Loans and leases (1) (2)	886,826	12,943	5.79%	866,454	13,484	6.19%
Total interest earning assets	1,114,817	14,298	5.09%	996,629	14,870	5.94%
Cash and due from banks	11,191			22,418		
Allowance for loan and lease losses	(10,529)			(8,732)		
Other assets	63,984			68,705		
Total assets	$ 1,179,463			$ 1,079,020		
Liabilities:						
Savings, NOW and market rate accounts	$ 416,982	$ 729	0.69%	$ 313,792	$ 860	1.09%
IND/IDC deposits	27,790	37	0.53%			
Wholesale deposits	74,347	428	2.28%	149,508	1,304	3.47%
Time deposits	192,275	1,094	2.26%	200,707	1,598	3.17%
Total interest-bearing deposits	711,394	2,288	1.28%	664,007	3,762	2.25%
Borrowed funds	148,632	1,239	3.31%	148,815	1,194	3.19%
Mortgage payable	2,085	30	5.71%			
Subordinated debt	22,500	299	5.27%	8,607	151	6.98%
Total interest-bearing liabilities	884,611	3,856	1.73%	821,429	5,107	2.47%
Non-interest-bearing demand deposits	172,257			145,686		
Other liabilities	22,602			17,964		
Total non-interest-bearing liabilities	194,859			163,650		
Total liabilities	1,079,470			985,079		
Shareholders equity	99,993			93,941		
Total liabilities and shareholders equity	$ 1,179,463			$ 1,079,020		
Net interest spread			3.36%			3.47%

Effect of non-interest-bearing sources		0.36%		0.43%
Net interest income/margin on earning assets	$ 10,442	3.72%	$ 9,763	3.90%
Tax equivalent adjustment	$ 112	0.02%	$ 68	0.03%

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

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

(3) Investment securities include trading and available for sale.

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	For the Nine Months Ended September 30,					
	2009			2008		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
Assets:						
Interest-bearing deposits with other banks	$ 28,876	$ 43	0.20%	$ 4,601	$ 83	2.41%
Federal funds sold	733	1	0.18%	7,411	135	2.43%
Money market funds	46,860	188	0.54%			
Investment securities:						
Taxable	119,928	3,253	3.63%	83,906	2,946	4.69%
Tax-exempt	15,258	496	4.35%	7,740	279	4.81%
Total investment securities (3)	135,186	3,749	3.71%	91,646	3,225	4.70%
Loans and leases (1) (2)	894,244	38,977	5.83%	839,041	39,859	6.35%
Total interest earning assets	1,105,899	42,958	5.19%	942,699	43,302	6.14%
Cash and due from banks	11,092			21,487		
Allowance for loan and lease losses	(10,375)			(8,455)		
Other assets	65,823			61,675		
Total assets	$ 1,172,439			$ 1,017,406		
Liabilities:						
Savings, NOW and market rate accounts	$ 393,915	$ 2,343	0.80%	$ 308,590	$ 2,710	1.17%
IND/IDC deposits	27,373	89	0.43%			%
Wholesale deposits	92,319	1,805	2.61%	140,856	4,540	4.31%
Time deposits	199,429	3,963	2.66%	188,605	5,066	3.59%
Total interest-bearing deposits	713,036	8,200	1.54%	638,051	12,316	2.58%
Borrowed funds	151,265	3,755	3.32%	121,917	151	6.98%
Mortgage payable	1,241	53	5.71%			%
Subordinated debt	19,505	825	5.66%	2,890	3,022	3.31%
Total interest-bearing liabilities	885,047	12,833	1.94%	762,858	15,489	2.71%
Non-interest-bearing demand deposits	168,201			143,933		
Other liabilities	22,621			17,946		
Total non-interest-bearing liabilities	190,822			161,879		
Total liabilities	1,075,869			924,737		
Shareholders equity	96,570			92,669		
Total liabilities and shareholders equity	$ 1,172,439			$ 1,107,406		
Net interest spread			3.25%			3.43%
Effect of non-interest-bearing sources			0.39%			0.51%
Net interest income/margin on earning assets		$ 30,125	3.64%		$ 27,813	3.94%
Tax equivalent adjustment		$ 257	0.03%		$ 206	0.03%

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

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

(3) Investment securities include trading and available for sale.

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Tax Equivalent Net Interest Margin

The Corporation s net interest margin decreased 18 basis points to 3.72% in the third quarter of 2009 from 3.90% in the same period last year. The interest bearing liability cost decreased in the third quarter of 2009 to 1.73%, a decrease of 74 basis points from 2.47% the third quarter of 2008. This reduction was lower than the earning asset yield decline of 85 basis points during the same comparative period, mainly due to the prime rate declines and competitive pricing by other institutions.

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

	Year	Earning Asset Yield	Interest Bearing Liability Cost	Net Interest Spread	Effect of Non-Interest Bearing Sources	Net Interest Margin
Net Interest Margin Last Five Quarters						
3rd Quarter	2009	5.09%	1.73%	3.36%	0.36%	3.72%
2nd Quarter	2009	5.13%	1.94%	3.19%	0.40%	3.59%
1st Quarter	2009	5.37%	2.15%	3.22%	0.40%	3.62%
4th Quarter	2008	5.63%	2.42%	3.21%	0.42%	3.63%
3rd Quarter	2008	5.94%	2.47%	3.47%	0.43%	3.90%

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 and Liability Committee (ALCO), using policies and procedures approved by the Corporation s Board of Directors, is responsible for managing the interest rate sensitivity position. The Corporation manages interest rate sensitivity by changing the mix, pricing and re-pricing characteristics of its assets and liabilities, through the management of its investment portfolio, its offering of loan and selected deposit terms and through wholesale funding. Wholesale funding consists of several sources including borrowings from the FHLB-P, FRB discount window, certificates of deposit from institutional brokers, Certificate of Deposit Account Registry Service (CDARS), IND, IDC and PLGIT.

The Corporation uses several tools to manage its interest rate risk including interest rate sensitivity analysis (a/k/a GAP Analysis), market value of portfolio equity analysis, interest rate simulations under various rate 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 of established limits.

The following table demonstrates the annualized result of an interest rate simulation and the estimated effect that a parallel interest rate shift 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 the balance sheet over the next twelve months. The changes to net interest income shown below are in compliance with the Corporation s policy guidelines. Actual results may differ significantly from the interest rate simulation due to numerous factors including assumptions, the competitive environment, market reactions and customer behavior.

Summary of Interest Rate Simulation

(dollars in thousands)	September 30, 2009 Change In Net Interest Income Over Next 12 Months		
Change in Interest Rates			
+300 basis points	$	2,012	4.67%
+200 basis points	$	1,013	2.35%
+100 basis points	$	(1,032)	(2.39)%

-100 basis points	$	(665)	(1.54)%
-200 basis points	$		N/A

The interest rate simulation above indicates that the Corporation s balance sheet as of September 30, 2009 is liability sensitive if rates increase 1%. Liability sensitive means that more liabilities than assets are repricing in that time period resulting in a negative impact on the net interest income. However, a 200 basis point and 300 basis point increase in rates will enhance the Bank s net interest income. An increase in rates of 100 basis points would reduce the net interest income since deposit rates would increase, but there would be no corresponding increase in interest income on all loan products. This is due to the Bank s prime rate currently being

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higher than Wall Street Journal Prime and certain interest rate floors that are in place on consumer lines of credit and other loans. The interest rate simulation is an estimate based on assumptions, which are based in part on past behavior of customers, along with expectations of future behavior relative to interest rate changes. In today s uncertain economic times, the reliability of the Corporation s interest rate simulation model is more uncertain. Actual customer behavior may be significantly different than expected behavior, which could cause an unexpected outcome which might translate into lower net interest income.

GAP Report

The interest sensitivity or GAP report identifies interest rate risk by showing repricing gaps in the bank 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 investment preferences for the bank. Non-rate sensitive assets and liabilities are spread over time periods to reflect how the Corporation views the maturity of these funds.

Non-maturity deposits, demand deposits in particular, are recognized by the 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 those deposits is reported as having a shorter life than typical retail demand deposits. Additionally, the regulatory capital agencies have inferred what the appropriate distribution limits are for non-maturity deposits. The Corporation has taken a more conservative approach than these limits would imply by reporting them as having a shorter maturity.

The following table presents the Corporation s interest rate sensitivity position or GAP Analysis as of September 30, 2009:

(dollars in millions)	0 to 90 Days	90 to 365 Days	1-5 Years	Over 5 Years	Non-Rate Sensitive	Total
Assets:						
Interest-bearing deposits with banks	$ 48.4	$	$	$	$	$ 48.4
Money market funds	18.1					18.1
Trading securities	5.1					5.1
Available for sale securities	33.1	58.8	58.4	18.6		169.0
Loans and leases[(1)]	375.1	90.7	365.6	59.2		890.6
Allowance					(10.3)	(10.3)
Cash and due from banks					9.4	9.4
Other assets			0.2	0.6	64.5	65.3
Total assets	$ 479.8	$ 149.5	$ 424.2	$ 78.4	$ 63.6	$ 1,195.5
Liabilities and shareholders equity:						
Non-interest-bearing demand	$ 33.2	$ 21.3	$ 113.5	$	$	$ 168.0
Savings, NOW and market rate	75.6	66.6	235.8	58.3		436.3
Time deposits	78.6	89.3	8.4	0.1		176.4
IND/IDC deposits	54.1					54.1
Wholesale deposits	49.0	5.0	10.7			64.7
Borrowed funds	12.6	7.8	116.1	10.9		147.4
Subordinated debt	22.5					22.5
Mortgage payable	0.1	0.1	1.9			2.1
Other liabilities					22.0	22.0
Shareholders equity	3.6	10.9	58.3	29.2		102.0
Total liabilities and shareholders equity	$ 329.3	$ 201.0	$ 544.7	$ 98.5	$ 22.0	$ 1,195.5
Interest earning assets	$ 474.7	$ 149.5	$ 424.0	$ 77.9	$	$ 1,126.1
Interest bearing liabilities	292.5	168.8	372.9	69.3		903.5

Difference between interest earning assets and interest bearing liabilities	$ 182.2	$ (19.3)	$ 51.1	$ 8.6	$	$ 222.6
Cumulative difference between interest earning assets and interest bearing liabilities	$ 182.2	$ 162.9	$ 214.0	$ 222.6	$	$ 222.6
Cumulative earning assets as a % of cumulative interest bearing liabilities	162%	135%	126%	125%		

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

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The table above indicates that the Corporation is asset sensitive in the immediate to 90 day time frame and should theoretically experience an increase in net interest income during that time period. It should be noted that the GAP analysis is one tool used to measure interest rate sensitivity and must be used in conjunction with other measures such as the interest rate simulation discussed above. The GAP report measures the timing of changes in rate, but not the true weighting of any specific line item. Accordingly, if rates decline, theoretically net interest income will also decline. This position is similar to the Corporation s position at December 31, 2008.

PROVISION FOR LOAN AND LEASE LOSSES

General Discussion of the Allowance for Loan and Lease Losses

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

Increases to the allowance for loan and lease losses are implemented through a corresponding provision (expense) in the Corporation s statement of income. Credit exposures deemed to be uncollectible are charged against the allowance for loan and lease losses. Recoveries of previously charged-off amounts are credited to the allowance for loan and lease losses.

While Management considers the allowance for loan and lease losses to be adequate based on information currently available, future additions to the allowance may be necessary due to changes in economic conditions or Management s assumptions as to future delinquencies, recoveries and losses and Management 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 process, periodically review the Corporation s allowance for loan and lease losses.

The Corporation s allowance for loan and lease losses is the accumulation of four components that are calculated based on various independent methodologies. All components of the allowance for loan and lease losses are estimations. Management discusses these estimates earlier in this document under the heading of Critical Accounting Policies, Judgments and Estimates . The four components are as follows:

Specific Loan Evaluation Component Includes the specific evaluation of larger classified loans and leases.

Historical Charge-Off Component Applies a historical charge-off rate to pools of non-classified loans and leases.

Additional Factors Component The loan portfolio is broken down into multiple homogenous subclassifications upon which multiple factors (such as delinquency trends, economic conditions, loan terms, and regulatory environment) are evaluated resulting in an allowance amount for each of the subclassifications. The sum of these amounts equals the Additional Factors Component.

Unallocated Component This amount represents a general reserve against all loans and leases.

Asset Quality and Analysis of Credit Risk

Credit quality on the overall loan and lease portfolio remains stable at September 30, 2009 as total non-performing loans and leases of $6.9 million were 78 basis points of total loans and leases. This compares to non-performing loans and leases of $5.8 million or 65 basis points at December 31, 2008. The increase in non-performing loans and leases is primarily attributable to one specific commercial loan relationship which experienced financial difficulties. While the level of non-performing loans and leases has increased from December 31, 2008, the majority of these loans are adequately secured by collateral that can substantially liquidate the associated debt. As of September 30, 2009 the Corporation had OREO valued at $1.5 million which is carried at fair value less cost to sell. Non-performing assets at September 30, 2009 totaled $8.5 million or 71 basis points of total assets, an increase of $2.6 million from $5.8 million in non-performing assets at December 31, 2008. The allowance for loan and lease losses as a percentage of total loans was 1.16% at September 30, 2009 compared with 1.15% at December 31, 2008.

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

In the third quarter of 2009, net charge-offs (excluding leases) were $1.3 million and substantially all related to one commercial loan which experienced financial difficulties. This compares with net charge-offs (excluding leases) of $21 thousand in the third quarter of 2008. On a 2009 year to date basis, net charge-offs (excluding leases) were $2.0 million (which includes $1.3 million relating to the specific non-performing commercial loan mentioned above) compared with $51 thousand in the same period last year.

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In the third quarter of 2009, net lease charge-offs totaled $1.1 million compared to $701 thousand in the third quarter of 2008. Management made certain lease underwriting adjustments in 2008 and continued to tighten these standards in 2009 to mitigate potential losses, including the reduction of broker relationships, the curtailment of lease originations in certain geographical regions, reductions in the maximum dollar amount of each lease, and changes to equipment categories, and higher credit quality minimum requirements. These adjustments and others have improved overall lease portfolio performance as net charge-offs have declined each quarter since December 31, 2008. Net charge-offs gradually declined from $1.6 million in the fourth quarter of 2008 to $1.1 million in the third quarter of 2009.

Non Performing Assets and Related Ratios

(dollars in thousands)	September 30, 2009	December 31, 2008	September 30, 2008
Non-accrual loans and leases	$ 5,921	$ 5,303	$ 1,961
Loans and leases 90 days or more past due	1,013	504	116
Total non-performing loans and leases	6,934	5,807	$ 2,077
Other non-performing assets			136
Other real estate owned (OREO)	1,521		
Total non performing assets	$ 8,455	$ 5,807	$ 2,213
Troubled debt restructurings	$ 4,082	$	$
Allowance for loan and lease losses to non-performing assets	121.8%	177.9%	407.3%
Allowance for loan and lease losses to non-performing loans and leases	148.5%	177.9%	434.0%
Non performing loans and leases to total portfolio loans	0.78%	0.65%	0.24%
Allowance for loan losses to portfolio loans	1.16%	1.15%	1.03%
Delinquency rate including nonperforming	1.23%	0.97%	0.35%
Delinquency rate excluding nonperforming	0.45%	0.32%	0.11%
Net loan and lease charge-offs/average quarterly loans and leases	0.55%	0.71%	0.33%
Non-performing assets to total assets	0.71%	0.50%	0.20%
Period end portfolio loans and leases	$ 886,479	$ 899,577	$ 878,194
Average portfolio loans (quarterly average)	$ 881,519	$ 886,793	$ 864,460
Allowance for loan and lease losses	$ 10,299	$ 10,332	$ 9,014

The provision for loan and lease losses for the quarter ended September 30, 2009 was $2.3 million compared with $1.1 million in the same period last year. The increase of $1.2 million is attributable to higher lease charge-offs and the previously mentioned commercial loan charge-off.

On a year to date basis, the provision for loan and lease losses of $5.6 million is $2.9 million higher than the $2.7 million provision in the same period last year. This increase in the provision is primarily attributable to higher lease charge-offs, the $1.3 million commercial loan discussed previously and slightly higher other loan charge-offs, partially offset by lower estimates of loss in certain asset classes.

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Summary of Changes in the Allowance For Loan and Lease Losses

(dollars in thousands)	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Year Ended December 31, 2008
Balance, beginning of period	$ 10,389	$ 8,672	$ 10,332	$ 8,124	$ 8,124
Charge-offs:					
Consumer	(12)	(26)	(133)	(63)	(72)
Commercial and industrial	(1,332)		(1,583)		(4)
Construction			(382)		
Real estate					
Leases	(1,237)	(770)	(3,988)	(1,942)	(3,540)
Total charge-offs	(2,581)	(796)	5,985	(2,005)	(3,616)
Recoveries:					
Consumer	2	5	6	12	28
Commercial and industrial					
Real estate					24
Construction				24	
Leases	184	70	364	161	176
Total recoveries	186	75	370	197	228
Net (charge-offs) / recoveries	(2,395)	(721)	(5,615)	(1,808)	(3,388)
Provision for loan and lease losses	2,305	1,063	5,582	2,698	5,596
Balance, end of period	$ 10,299	$ 9,014	$ 10,299	$ 9,014	$ 10,332

NON-INTEREST INCOME

Three months ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

Non-interest income for the third quarter of 2009 was $6.6 million, an increase of $1.3 million or 24.3% over the $5.3 million in the third quarter of 2008. The major factor contributing to the increase in non-interest income was the gain on sale of residential mortgage loans which increased due to strong mortgage refinancing activity and the gain on the sale of investment securities. Mortgage fee revenues in the third quarter of 2009 increased $473 thousand or 164.8% from the same period in 2008. The gain on the sale of investment securities was $848 thousand. There were no gains on the sale of securities in the third quarter of 2008.

Third quarter 2009 Wealth Management revenue of $3.5 million was consistent with Wealth Management revenues during the same period in 2008. Revenues include fees from trust administration, investment management, brokerage, custody and estates. Traditional wealth management revenues were impacted by the significant declines in the financial markets during the latter part of 2008 and the first quarter of 2009 resulting in a decline in the value of such wealth assets. Traditional Wealth assets recovered from a low of $1.42 billion during the first quarter of 2009 to $1.68 billion at September 30, 2009, an increase of approximately $260 million or 18.0% due to an increase in financial market performance. In addition, The Bryn Mawr Trust Company of Delaware, Bryn Mawr Asset Management and Lau Associates contributed approximately $1 billion in Wealth assets as of September 30, 2009.

Non-interest income from residential mortgage operations related to the increase in residential mortgage loans being serviced, the gain on sale of residential mortgage loans due to increased origination activity, the investment trading account income, the gain on sale of investments, and service charges on deposit accounts, increased during the third quarter of 2009 compared to the third quarter 2008.

Nine Months Ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

Non-interest income for the nine months ended September 30, 2009 was $21.9 million, an increase of $5.7 million or 35.3% over the $16.2 million for the nine months ended September 30, 2008. This increase is primarily concentrated in the gain on sale of residential mortgage loans and gain on sale of investments discussed above.

Strong mortgage refinancing activity during the first nine months of 2009 of $256.6 million was the primary reason for the gain on sale of residential mortgage loans increasing $4.2 million to $5.2 million or 424.7% from the same period in 2008. Mortgage originations for the same period in 2008 were $83.4 million. Wealth Management revenues were $434 thousand higher in the nine months ended September 30, 2009 than in the same period in 2008 mainly due to the acquisition of Lau Associates during the third quarter of 2008. The gain on sale of investments for the nine months ended September 30, 2009 increased $1.1 million or 494.6% from the same period in 2008. The Corporation also had a gain of $240 thousand on a trading account as of September 30, 2009. The Corporation did not have a trading account on September 30, 2008.

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Components of other operating income for the three months ended September 30, 2009 and the nine months end September 30, 2009 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Cash management	$ 55	$ 183	$ 285	$ 533
Other	82	10	347	150
Insurance commissions	104	100	280	274
Commissions and fees	103	83	256	263
Safe deposit rental income	88	82	253	244
Other investment income	11	251	57	336
Rent	57	39	171	121
VISA debit card income	66	57	183	164
Title insurance	(8)	2	355	50
Other operating income	$ 558	$ 807	$ 2,187	$ 2,135

Cash management fees in 2009 are lower than the corresponding periods in 2008 due to lower overall fund yields and reductions in fees the Bank earns on these accounts. Title insurance revenue is negative for the three months ending September 30, 2009 as a result of the additional costs related to the mortgage origination volume in prior months.

NON-INTEREST EXPENSE

Three months ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

Non-interest expense for the third quarter of 2009 was $10.7 million, an increase of $541 thousand or 5.3% from $10.1 million in the third quarter of 2008. Factors contributing to this increase include a FDIC expense increase of $144 thousand or 119.0% to $265 thousand from $121 thousand in the third quarter of 2008, employee benefit costs increased $300 thousand or 20.6% from the same period in 2008 and an increase of $95 thousand or 104.4% in amortization of mortgage servicing rights from the third quarter of 2008. In addition, expenses associated with mortgage originations increased due to the level of originations. These costs include variable incentive compensation for mortgage originations, credit reports, appraisals and loan pair off fees. Expenses associated with Lau Associates and The Bryn Mawr Trust of Delaware also contributed to this increase.

Salaries and wages in the third quarter of 2009 were $5.3 million, an increase of $44 thousand or less than 1% over the $5.3 million in the third quarter of 2008. This increase was kept at less than 1% due to cost cutting measures and prudent management.

Occupancy expense increased to $893 thousand, a $115 thousand or 14.8% increase from $778 thousand in the third quarter of 2008. This increase is primarily due to the opening of the West Chester Regional Banking Center.

Amortization of mortgage servicing rights increased to $186 thousand in the third quarter of 2009, a $95 thousand or 104.4% increase from $91 thousand in the third quarter of 2008. This is primarily due to higher rate mortgages refinancing during the continued low rate environment.

Professional fees decreased to $419 thousand in the third quarter of 2009, a $7 thousand decrease from $426 thousand in the third quarter of 2008. Other operating expenses of $1.5 million in the third quarter of 2009 were down $88 thousand or 5.7% from the same period a year ago.

Nine Months Ended September 30, 2009 Compared to the Same Period Ended September 30, 2008

Non-interest expense for the nine months ended September 30, 2009 was $34.4 million, an increase of $6.2 million or 22.0% compared to $28.2 million for the same period in 2008. The primary reasons for this increase include: a 15.0% or $2.1 million increase in salaries and wages, a 32.7% or $1.1 million increase in employee benefits mainly due to the decline in the fair value of pension assets, expenses associated with the Corporation s SERP plan and the cost of the Corporation s 3% discretionary match to the Corporation s 401-K Plan, which started in the third quarter of 2008 as a replacement for the Corporation s frozen Pension Plan. FDIC insurance increased 182.6% or $610 thousand from the same period in 2008. There was an additional $540 thousand increase in the FDIC insurance due to a special assessment charge. The amortization of mortgage servicing rights increased $351 thousand or

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122.7% in the nine months ended September 30, 2009 over the same period in 2008 due to higher rate mortgages refinancing during the continued low rate environment and increased professional fees of $197 thousand or 17.8% in the nine months ended September 30, 2009 over the same period in 2008 due in part to the increase in legal fees associated with the collection efforts on the lease portfolio.

Components of other operating expense for the three months ended September 30, 2009 and the nine months ended September 30, 2009 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Other	$ 446	$ 372	$ 1,214	$ 928
Temporary help & recruiting	73	67	256	303
Loan processing and closing	173	101	855	411
Computer processing	121	139	368	385
Other taxes	223	(13)	672	389
Travel and entertainment	71	106	209	272
Postage	81	79	266	255
Director fees	66	92	254	288
Telephone	65	90	283	248
Acquisition analysis and related costs	85	116	85	116
BOLI expense		100		100
Contributions	2	244	3	275
Stationary & supplies	61	63	199	194
Other operating expenses	$ 1,467	$ 1,556	$ 4,664	$ 4,164

Loan processing and closing costs have increased in both periods presented due to the strong mortgage refinancing activity in the first nine months of 2009. Other taxes increased from 2008 due to the delay in the passage of the PA state budget. Effected was the Corporation s contribution to the Educational Improvement Tax Credit program. This contribution will be adjusted in the fourth quarter of 2009.

INCOME TAXES

Income taxes for the three months ended September 30, 2009 were $1.4 million compared to $1.6 million for the same period in 2008. This represents an effective tax rate of 34.2% for the three months ended September 30, 2009. The effective tax rate was 41.1% for the same period in 2008. Income taxes for the nine months ended September 30, 2009 were $4.1 million compared to $4.6 million for the same period in 2008. This represents an effective tax rate for the nine months ended September 30, 2009 of 34.6% and an effective tax rate of 35.4% for the same period in 2008. For both the quarter and year to date periods, the decrease in the effective tax rate in 2009 when compared to 2008 is due to an increase in the level of tax free income from municipal investments.

The Corporation s 2007 tax year is being examined in relation to an Internal Revenue Service exam.

BALANCE SHEET ANALYSIS

Total assets were $1.2 billion as of September 30, 2009 an increase of 3.8% or $44.2 million from $1.2 billion at December 31, 2008, as portfolio loans and leases declined $13.1 million or 1.5% while cash and cash equivalents increased $6.9 million. The cash and cash equivalent increase is largely due to growth in core deposits, the receipt of $15.6 million from the BOLI contract surrender and an increase of $10 million in common stock and subordinated debt. In the portfolio of loans and leases there was an increase in commercial mortgages and home equity lines and loans which were offset by management s decision to reduce the leasing portfolio and construction loan balances due to the economic downturn.

The Corporation s investment portfolio increased $65.7 million or 60.7% from $108.3 million as of December 31, 2008 to $174.1 million as of September 30, 2009, primarily due to the inflow of deposits during the same time period. The investment portfolio has a target minimum of approximately 10.0% of total assets. As of September 30, 2009 the investment portfolio was 14.6% of total assets up from 9.4% at December 31, 2008. As of September 30, 2009 liquidity remains strong as the Corporation had approximately $44 million in overnight money markets and other short-term investments. As interest rates remain extremely low, the Corporation continues to look for attractive yielding investments while placing a strong emphasis on liquidity without taking unnecessary risks in this recessionary economic environment.

Average portfolio loans and leases for the third quarter of 2009 decreased $5.3 million or less than 1% to $881.5 million compared to $886.8 million in the fourth quarter of 2008.

The table below compares portfolio loans and leases outstanding at September 30, 2009 and December 31, 2008. The table reflects a decrease in total loans and leases of $13.1 million. Residential mortgage balances are lower due to heavy refinancing activity in which a majority of new mortgage originations are being sold, but servicing is being retained. Construction loans have decreased $21.3 million due to repayment of loan balances, loans converting to permanent status and the slowdown of new construction projects by residential home builders. The Corporation decreased its lease portfolio by $7.5 million through a combination of lower originations and net charge-offs. The decrease in the construction and leasing portfolios were by design due to the current economic conditions. The Corporation continues to focus its business development efforts on building banking relationships with local businesses, not-for-profit business and strong credit quality individuals.

(dollars in millions)	September 30, 2009	December 31, 2009	Change Dollars	Change Percentage
Real estate loans:				
Consumer loans	$ 11.4	$ 8.5	$ 2.9	34.1%
Commercial and industrial loans	237.4	236.5	0.9	0.4%
Commercial mortgage loans	256.3	249.7	9.6	3.8%
Construction loans	37.2	58.5	(21.3)	(36.4)%
Residential mortgage loans	118.1	132.5	(14.4)	(10.9)%
Home equity lines and loans	174.3	154.6	19.7	12.7%
Leases	51.8	59.3	(7.5)	(12.6)%
Total portfolio loans and leases	$ 886.5	$ 899.6	$ (13.1)	(1.5)%
Loans held for sale	4.1	3.0	1.1	36.7%
Quarterly average portfolio loans and leases	$ 882.4	$ 886.8	$ (4.4)	(0.5)%

Total liabilities increased $34.5 million or 3.3% from $1.1 billion as of December 31, 2008 to $1.1 billion as of September 30, 2009. Funding from wholesale sources at September 30, 2009 included $64.7 million in wholesale certificates of deposit, $54.1 million of IND and IDC deposits, $147.4 million in FHLB-P borrowings and $22.5 million of subordinated debt, for a total of $288.7 million at September 30, 2009. This compares with $120.8 million in wholesale certificates, $30.2 million in IND and IDC deposits, $154.9 million in FHLB-P borrowings and $15 million in subordinated debt, for a total of $320.9 million at December 31, 2008. The decrease in total wholesale funding of approximately $32.9 million from December 31, 2008 was primarily due to the maturity of secured wholesale deposits that were not replaced. Average other deposits (total deposits less wholesale deposits) for the third quarter of 2009 increased 13.0% or $89.7 million to $781.5 million compared with $691.8 million at the end of 2008. See the section titled Liquidity for further details on the Corporation s borrowing capacity and availability from various sources.

The Corporation successfully attracted new core deposit balances in savings, NOW and market rate accounts. As of September 30, 2009 these accounts totaled $436.3 million, an increase of 31.2% from December 31, 2008.

Average deposits for the third quarter of 2009 increased $38.6 million or 4.6% to $883.7 million compared to $845.1 million in the fourth quarter of 2008.

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Deposits and borrowings at September 30, 2009 and December 31, 2008 were as follows:

(dollars in millions)	September 30, 2009	December 31, 2008	Change Dollars	Change Percentage
Interest bearing demand	$ 128.5	$ 135.5	$ (7.0)	(5.2)%
Money market	209.6	142.7	66.9	46.9%
Savings	98.2	54.3	43.9	80.8%
IND/IDC deposits	54.1	30.2	23.9	79.1%
Wholesale deposits	64.7	120.8	(56.1)	(46.4)%
Time deposits	176.4	211.5	(35.1)	(16.6)%
Interest-bearing deposits	731.5	695.0	36.5	5.3%
Non-interest bearing deposits	168.0	174.5	(6.5)	(3.7)%
Total deposits	899.5	869.5	30.0	3.5%
FHLB advances	147.4	154.9	(7.5)	(4.8)%
Mortgage payable	2.1		2.1	100.0%
Subordinated debt	22.5	15.0	7.5	50.0%
Borrowed funds	172.0	169.9	2.1	1.2%
Total deposits and borrowings	$ 1,071.5	$ 1,039.4	$ 32.1	3.1%
Quarterly average deposits	$ 883.7	$ 845.1	$ 38.6	4.6%
Quarterly average borrowings and subordinated debt	171.1	171.0	0.1	0.1%
Quarterly average deposits and borrowings	$ 1,054.8	$ 1,016.1	$ 38.7	3.8%

Residential Mortgage Segment Activity

(dollars in millions)	3rd Qtr 2009	2nd Qtr 2009	1st Qtr 2009	4th Qtr 2008	3rd Qtr 2008
Residential loans held in portfolio *	$ 118.1	$ 120.5	$ 124.6	$ 132.5	$ 127.8
Mortgage originations	35.0	125.1	96.5	25.8	24.1
Mortgage loans sold:					
Servicing retained	29.6	112.6	93.1	10.7	6.0
Servicing released	3.5	0.2	1.2	5.8	7.2
Total mortgage loans sold	$ 33.1	$ 112.8	$ 94.3	$ 16.5	$ 13.2
Servicing retained %	90.1%	99.8%	98.7%	64.8%	45.3%
Servicing released %	9.9%	0.2%	1.3%	35.2%	54.7%
Loans serviced for others *	$ 499.5	$ 490.2	$ 411.5	$ 350.2	$ 353.8
Mortgage servicing rights *	3.8	3.6	2.7	2.2	2.9
Gain on sale of loans	0.8	2.5	1.9	0.3	0.3
Loan servicing and late fees	0.4	0.3	0.3	0.3	0.3
Amortization of MSR s	0.2	0.3	0.2	0.1	0.1
Impairment (recovery) of MSR s	0.0	(0.1)	0.2	0.6	0.0
Basis point yield on loans sold (includes MSR income)	230bp	223bp	199bp	178bp	217bp

* *period end balance*

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Capital

Consolidated shareholder s equity of the Corporation was $102.0 million or 8.5% of total assets as of September 30, 2009, compared to $92.4 million or 8.0% of total assets as of December 31, 2008. The following table presents the Corporation s and Bank s capital ratios and the minimum capital requirements to be considered Well Capitalized by regulators as of September 30, 2009 and December 31, 2008:

(dollars in millions)	Actual Amount	Actual Ratio	Minimum to be Well Capitalized Amount	Minimum to be Well Capitalized Ratio
September 30, 2009:				
Total (Tier II) Capital to Risk Weighted Assets				
Consolidated	$ 130.7	12.49%	$ 104.6	10%
Bank	125.6	12.06%	104.2	10%
Tier I Capital to Risk Weighted Assets				
Consolidated	97.9	9.36%	62.8	6%
Bank	92.8	8.91%	62.5	6%
Tier I Leverage Ratio (Tier I Capital to Total Quarterly Average Assets)				
Consolidated	97.8	8.39%	58.3	5%
Bank	92.8	7.98%	58.1	5%
December 31, 2008:				
Total (Tier II) Capital to Risk Weighted Assets				
Consolidated	$ 115.4	11.29%	$ 102.2	10%
Bank	111.7	10.98%	101.7	10%
Tier I Capital to Risk Weighted Assets				
Consolidated	90.0	8.81%	61.3	6%
Bank	86.4	8.49%	61.4	6%
Tier I Leverage Ratio (Tier I Capital to Total Quarterly Average Assets)				
Consolidated	90.0	8.03%	56.1	5%
Bank	86.4	7.70%	56.1	5%

Both the Corporation and the Bank exceed the required capital levels to be considered Well Capitalized by their respective regulators at the end of each period presented. Neither the Corporation nor the Bank are under any agreement with regulatory authorities, nor is Management aware of any current recommendations by the regulatory authorities, which, if such recommendations were implemented, would have a material effect on liquidity, capital resources or operations of the Corporation.

To enhance the Tier II regulatory capital ratios of the Corporation and the Bank, the Bank raised $7.5 million in subordinated debt on April 20, 2009 which qualified as Tier II capital. This subordinated debt bears interest at a rate per annum equal to the ninety day LIBOR rate plus 5.75% and is adjusted quarterly. Interest is payable quarterly and principal is due on June 15, 2019. The rate of interest is capped at 10.0% per annum during the first five years of the term.

On April 20, 2009, in accordance with and reliance on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended (the Securities Act), the Corporation also sold 150,061 shares of its common stock, par value $1.00 per share (Shares), in a private placement of securities to a purchaser which qualifies as an accredited investor under Rule 501(a) of Regulation D under the Securities Act. The purchase price per Share was equal to the average closing price of shares of the Corporation s common stock on NASDAQ Global Markets for the thirty trading days ending on April 16, 2009, which equaled $16.66 per Share. The aggregate purchase price for the Shares sold was $2.5 million. The Corporation did not pay any underwriting discounts or commissions and did not pay any brokerage fees in connection with the sale of the Shares. The Shares sold constituted 1.7% of the outstanding shares of the Corporation s common stock, as determined immediately after the closing of the sale. The Corporation intends to use the proceeds from the sale of the Shares to satisfy its working capital requirements and general corporate purposes, and for any other purpose deemed to be in the Corporation s best interest.

Additionally, on June 17, 2009, the SEC declared effective a shelf registration statement on Form S-3/A (Shelf Registration Statement) filed by the Corporation on June 15, 2009. The Shelf Registration Statement is intended to allow the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, warrants to purchase common stock, stock purchase contracts 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, any amount of such securities in a dollar amount up to $90,000,000, in the aggregate. The Corporation also registered for resale in the Shelf Registration Statement the Shares issued in the private placement of securities discussed in the preceding paragraph.

On July 20, 2009, the Corporation filed with the Securities and Exchange Commission a prospectus supplement pursuant to Section 424(b)(2) of the Securities Act (Prospectus Supplement) in order to take securities down from the Shelf Registration Statement in connection with a newly established Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan allows both existing shareholders and new investors to easily and conveniently increase their investment in the Corporation without incurring many of the fees and commissions normally associated with brokerage transactions. A copy of the Plan as filed in our July 20, 2009 424(b)(2) filing can be found under SEC filings at our website, www.bmtc.com, by clicking on About Us and then Investor Relations .

Liquidity

The Corporation has a strong liquidity position as of September 30, 2009. The Corporation s liquidity position is managed on a daily basis as part of the daily settlement function and continuously as part of the formal asset liability management process. The Bank s liquidity is maintained by managing its core deposits as the primary source, purchasing federal funds, selling loans in the secondary market, borrowing from the FHLB-P and FRB, purchasing and issuing wholesale certificates of deposit as its secondary sources.

Unused availability is detailed on the following table:

(dollars in millions)	9/30/09	% Unused	12/31/08	% Unused	$ Change	% Changed
FHLB-P	$ 263.3	64.1%	$ 142.6	41.3%	$ 120.7	84.6%
Federal Reserve Bank of Philadelphia	74.9	100.0%	9.0	100.0%	65.9	730.2%
Fed Funds Lines (7 banks)	75	100.0%	75.0	100.0%		
Total	$ 413.2	73.7%	$ 226.6	52.8%	$ 186.6	82.3%

Availability at the FHLB-P was $263.3 million at September 30, 2009 compared to $142.6 million at December 31, 2008. The increase in unused availability is due to the maturities of borrowings which were not replaced due to strong deposit growth and a collateral evaluation performed by the FHLB-P.

Availability at the FRB was $75 million as of September 30, 2009 compared to $9 million at December 31, 2008. In the first quarter of 2009, the Bank pledged approximately $110 million of commercial and industrial loans to the FRB s discount window, providing the Bank additional borrowing capacity. The FRB borrowing capacity was reduced by approximately $11 million as of April 27, 2009, as the Federal Reserve reduced the lendable value for collateral purposes of commercial loans from 75% to 65% for all participating banks to reflect economic conditions. Quarterly, the ALCO reviews the Corporation s liquidity needs and reports its findings to the Risk Management Committee of the Bank s Board of Directors.

As of September 30, 2009 the Corporation held approximately $7.9 million of FHLB-P stock which is included in other assets. As of December 31, 2008 the FHLB-P announced it had voluntarily suspended the payment of dividends and the repurchase of excess capital stock until further notice. The dividend suspension reduces 2009 earnings by approximately $200 thousand with additional capital calls possible. The Corporation s use of FHLB-P borrowings as a source of funds is effectively more expensive due to the suspension of FHLB-P dividends and the related capital stock redemption restrictions. Third quarter 2009 results for the FHLB-P show a net loss of $40 million primarily due to OTTI charges. Results for the nine month period ending September 30, 2009 show a net loss of $32 million primarily due to OTTI charges. It should be noted that the FHLB-P capital ratios remained above regulatory guidelines. The suspension of dividends and repurchase of excess capital stock will continue until further notice by the FHLB-P.

The Corporation has an Agreement with Promotory Interfinancial Network, LLC to provide up to $60 million of Insured Network Deposits (IND) from broker dealers priced at the effective Federal Funds rate plus 20 basis points. The Corporation had approximately $44 million in balances at September 30, 2009 under this program which are classified on the balance sheet as savings and NOW accounts.

On July 6, 2009 the Corporation entered into an agreement with IDC to provide up to $60 million of money market deposits at an agreed upon rate currently at 1.00%. The Corporation had approximately $10 million in balances at September 30, 2009 under this program which are classified on the balance sheet as savings and NOW accounts.

Wholesale funding, which is defined as wholesale deposits (primarily certificates of deposit) and borrowed funds (FHLB-P advances, mortgage payable and subordinated debt) of $236.6 million at September 30, 2009 decreased $54.1 million or 18.6% from year end 2008 balances of $290.7 million, primarily due to the Corporation allowing secured wholesale deposits to mature without replacement as cash balances were up, due to strong deposit inflows. Wholesale funding as a percentage of total funding was 26.6% at September 30, 2009 compared to 30.9% at December 31, 2008. The Corporation is constantly evaluating alternative funding sources and different options for increasing core deposits.

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The Corporation s investment portfolio increased $65.7 million or 60.7% to $174.1 million at September 30, 2009 from $108.3 million at December 31, 2008. On September 30, 2009, the fair value of the Corporation s investment securities portfolio was $173.8 million, $3.0 million or 1.8% above the amortized cost. The Corporation s investment portfolio is 14.6% of total assets at September 30, 2009 compared to 9.4% of total assets at December 31, 2008. The Corporation s policy is to keep the investment portfolio at a minimum of approximately 10% of total assets.

Money market fund balances were $27.0 million at September 30, 2009 compared to $5.1 million at December 31, 2008. Most of these funds provide a higher yield than the Federal Reserve and other depository institutions.

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.

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. Total commitments to extend credit at September 30, 2009 were $320.8 million compared to $299.6 million and $307.1 million at December 31, 2008 and September 30, 2008, respectively.

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 Corporation s obligation under standby letters of credit at September 30, 2009 amounted to $19.8 million compared to $20.2 million and $18.2 million at December 31, 2008, and September 30, 2008 respectively.

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. 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.

Contractual Cash Obligations of the Corporation as of September 30, 2009:

(In millions)	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Deposits without a stated maturity	$ 604.3	$ 604.3	$	$	$
Wholesale and time deposits	295.2	276.0	18.8	0.3	0.1
Operating leases	20.8	1.3	2.4	2.0	15.1
Subordinated debt	22.5				22.5
Borrowings	147.4	20.0	92.1	17.1	18.2
Mortgage payable	2.1	0.1	0.1	0.1	1.8
Purchase obligations	4.5	1.5	2.2	0.8	
Non-discretionary pension contributions	0.1	0.1			
Total	$ 1,096.9	$ 903.3	$ 115.6	$ 20.3	$ 57.7

Section 404 of Sarbanes Oxley Act of 2002

The Corporation and its Management completed compliance procedures relating to Section 404 of the Sarbanes Oxley Act of 2002 (SOX 404) for the fiscal year ended December 31, 2008 as documented in the Corporation s Form 10-K. Management continues to devote considerable effort in 2009 to assure continued compliance with all aspects of SOX 404.

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Other Information

Branch Office Expansion

The Corporation successfully opened its West Chester PA Regional Banking Center on January 2, 2009. The West Chester PA Regional Banking Center is a conveniently located, state-of-the-art 4,000 foot facility with a multi-lane drive-up and twenty-four hour ATM banking and had deposits of $18.9 million on September 30, 2009.

Regulatory Matters and Pending Legislation

Management is not aware of any other current specific recommendations by regulatory authorities or proposed legislation which, if they were implemented, would have a material adverse effect upon the liquidity, capital resources, or results of operations, although the general cost of compliance with numerous federal and state laws and regulations does have, and in the future may have, an impact on the Corporation s results of operations.

Risk-based adjustments by the FDIC to the initial base assessment rate was implemented depending on the following factors: unsecured debt, secured liabilities and brokered deposits. The unsecured debt adjustment includes a potential decrease of up to 2 basis points for unsecured debt including senior and subordinated debt, a portion of Tier I capital. The secured liability and brokered deposit adjustments include a potential increase in the secured liability adjustment not to exceed 50% of a bank s assessment rate before the increase for secured liabilities and a potential increase not exceeding 10 basis points for brokered deposits. All basis point adjustments are annualized and were effective April 1, 2009.

On September 29, 2009 the Board of Directors of the FDIC announced it will require insured banks to prepay quarterly risk base assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The FDIC states the prepayment will strengthen the cash position of the Deposit Insurance Fund immediately, while allowing the capital impact of deposit insurance assessments to have an impact over time.

The FDIC Board also voted to adopt a uniform 3 basis point increase in assessment rates effective January 1, 2011 and extend the restoration period from seven to eight years.

The general cost of compliance with numerous federal and state laws and regulations does have, and in the future may have, an impact on the Corporation s results of operations.

See Effects of Government Monetary Policies below for additional 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.

FDIC Temporary Liquidity Program

Announced on October 14, 2008 and amended August 26, 2009, the United States Treasury signed a systematic risk exception to the FDIC Act, to enable the FDIC to temporarily guarantee the non-interest bearing deposit transaction accounts and senior debt of all FDIC-insured institutions and their holding companies. Non-interest bearing deposit transaction accounts under this program will have full insurance coverage guaranteed until June 30, 2010, while all other deposit accounts are covered up to $250,000 through December 31, 2013. In addition, there will be an annualized service charge of 10 basis points on all deposit accounts not covered by the $250,000 limit. The Corporation has decided not to opt out of this coverage. See Part II, Item 1A-Risk Factors, for further details.

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The FDIC s guarantee of newly issued senior debt is for all amounts issued before September 30, 2009 subject to certain limitations. This includes promissory notes, commercial paper, inter-bank funding and any unsecured portion of secured debt. All FDIC insured institutions will be covered immediately under this program for the first thirty days at no charge. Institutions that elect not to opt out of the program will incur an annualized fee of 75 basis points on the amount of debt issued under this program. Coverage will be provided until September 30, 2012. The Corporation decided not to opt out of this program. However, the Corporation had not issued any debt under this program as of September 30, 2009.

Special Cautionary Notice Regarding Forward Looking Statements

Certain of the statements contained in this Report and the documents incorporated by reference herein, may constitute forward-looking statements for the purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and may involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Corporation to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements include statements with respect to the Corporation s financial goals, performance, revenues, growth, profits, operating expenses, business plans, business prospects, credit quality, credit risk, reserve adequacy, liquidity, origination and sale of residential mortgage loans, impairment of goodwill, the effect of changes in accounting standards, and market and pricing trends. The words may , would , should , could , will , likely , expect, anticipate, intend , estimate , target , potentially , probably , outlook , predict , conter forecast , project and believe or other similar words and phrases may identify forward-looking statements. Such statements are only predictions, and the Corporation s actual results may differ materially from the results anticipated by the forward-looking statement due to a variety of factors, including without limitation:

the effect of future economic conditions on the Corporation and its customers, including economic factors which affect consumer confidence in the securities markets, wealth creation, investment and savings patterns, and the Corporation s interest rate risk exposure and credit risk;

changes in the securities markets with respect to the market values of financial assets and the stability of particular securities markets;

governmental monetary and fiscal policies, as well as legislation and regulatory changes;

results of examinations by the Federal Reserve Board, including the possibility that the Federal Reserve Board may, among other things, require us to increase our allowance for loan losses or to write-down assets;

changes in accounting requirements or interpretations;

changes in existing statutes, regulatory guidance, legislation or judicial decisions that adversely affect our business, including changes in income and non-income taxes;

the risks of changes in interest rates on the level and composition of deposits, loan demand, and the value of loan collateral and securities, as well as interest rate risk;

the effects of competition from other commercial banks, thrifts, mortgage companies, finance companies, credit unions, securities brokerage firms, insurance companies, money-market and mutual funds and other institutions operating in the Corporation s trade market area and elsewhere including institutions operating locally, regionally, nationally and internationally together with such competitors offering banking products and services by mail, telephone, computer and the internet;

any extraordinary event (such as the September 11, 2001 events, the war on terrorism and the U.S. Government s response to those events including the war in Iraq);

the Corporation s success in continuing to generate new business in its existing markets, as well as its success in identifying and penetrating targeted markets and generating a profit in those markets in a reasonable time;

the Corporation s ability to continue to generate investment results for customers and the ability to continue to develop investment products in a manner that meets customers needs;

changes in consumer and business spending, borrowing and savings habits and demand for financial services in our market area;

the Corporation s timely development of competitive new products and services in a changing environment and the acceptance of such products and services by customers;

the Corporation s ability to originate and sell residential mortgage loans;

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- the accuracy of assumptions underlying the establishment of reserves for loan and lease losses and estimates in the value of collateral, and various financial assets and liabilities;
- the Corporation s ability to retain key members of senior management team;
- the ability of key third-party providers to perform their obligations to the Corporation and the Bank;
- technological changes being more difficult or expensive than anticipated; and
- the Corporation s success in managing the risks involved in the foregoing.

All written or oral forward-looking statements attributed to the Corporation are expressly qualified in their entirety by use of the foregoing cautionary statements. All forward-looking statements included in this Report are based upon management s beliefs and assumptions as of the date of this Report. The Corporation assumes no obligation to update any forward-looking statement. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this Report or the incorporated documents might not occur, and you should not put undue reliance on any forward-looking statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risks

There has been no material change in the Corporation s assessment of its sensitivity to market risks since its presentation in the 2008 Annual Report on Form 10-K filed with the SEC.

ITEM 4. Controls and Procedures

As of the end of the period covered by the report, 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, Frederick C. Peters II, and Principal Financial Officer, J. Duncan Smith, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon the evaluation, the Chief Executive Officer and Principal Financial Officer concluded that the Corporation s disclosure controls and procedures are effective in timely alerting them to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in the Corporation s periodic SEC filings.

There have not been any changes in the Corporation s internal controls over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II OTHER INFORMATION.

ITEM 1. Legal Proceedings.

None.

ITEM 1A. Risk Factors.

Other than as set forth below, there have been no material changes to the risk factors included in the Corporation s 2008 Annual Report on Form 10-K.

The FDIC Temporary Liquidity Program that authorizes the unlimited guarantee of non-interest bearing deposit transaction accounts was originally scheduled to expire on December 31, 2009, but was extended until June 30, 2010. After the temporary guarantee expires, there could be banking system disruption and deposit movement prior to and on June 30, 2010. If banking system disruption occurs and deposit movement is significant, the Corporation may lose deposits and be required to draw down on its unused borrowing capacity at the FHLB-P, Federal Reserve or correspondent bank fed funds lines. This may result in fewer funds being available to fund earning asset growth, along with the increased costs of any borrowings required as a result of transaction account loss, may cause the Corporation s net interest income and net income to be lower.

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

Share Repurchase

The following tables present the shares repurchased by the Corporation during the third quarter of 2009 [(1)] :

Period	Total Number of Shares Purchased[(2)]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
July 1, 2009 July 31, 2009	33	$ 18.99		195,705
August 1, 2009 August 31, 2009		$		195,705
September 1, 2009 September 30, 2009	33	$		195,705
Total	33	$ 18.99		195,705

Notes to this table:

(1) On February 24, 2006, the Board of Directors of the Corporation adopted a stock repurchase program (the 2006 Program) under which the Corporation may repurchase up to 450,000 shares of the Corporation s common stock, not to exceed $10 million. The 2006 Program was publicly announced in a Press Release dated February 24, 2006. There is no expiration date on the 2006 Program and the Corporation has no plans for an early termination of the 2006 Program. All shares purchased through the 2006 Program were accomplished in open market transactions.

(2) In July, August and September 2009, 33 shares were purchased by the Corporation s Deferred Compensation plans through open market transactions by the Corporation s Wealth Management Division investment personnel.

Use of Proceeds from Registered Securities

On June 17, 2009, the SEC declared effective a shelf registration statement on Form S-3/A Registration No. 333-159588 (Shelf Registration Statement) filed by the Corporation on June 15, 2009. The Shelf Registration Statement is intended to allow the Corporation to raise additional capital through offers and sales of registered securities consisting of common stock, warrants to purchase common stock, stock purchase contracts 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, any amount of such securities in a dollar amount up to $90,000,000, in the aggregate. The Corporation also registered for resale in the Shelf Registration Statement the Shares issued in the private placement of securities discussed in the preceding section.

On July 20, 2009, the Corporation filed with the Securities and Exchange Commission a prospectus supplement pursuant to Section 424(b)(2) of the Securities Act (Prospectus Supplement) in order to take up to 850,000 shares of common stock down from the Shelf Registration Statement in connection with a newly established Dividend Reinvestment and Stock Purchase Plan (the Plan). The Plan is intended to allow both existing shareholders and new investors to increase their investment in the Corporation without incurring many of the fees and commissions normally associated with brokerage transactions.

To date, the Corporation has sold a total of 51 shares of common stock under the Shelf Registration Statement through the Plan for an aggregate offering price of $17.995.

A reasonable estimate of the Corporation s expenses incurred with respect to the Shelf Registration Statement and the Plan from the effective date of the Shelf Registration Statement through September 30, 2009 consists of direct payments to the parties in the amounts indicated below.

		(In thousands)
Expenses:		
Legal Fees	$	63.0
Accounting Fees		19.9
Total	$	82.9

A reasonable estimate of the Corporation s net offering proceeds with respect to the Shelf Registration Statement and the Plan from the effective date of the Shelf Registration Statement through September 30, 2009 is $918, of which 100% has been used for general working capital.

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. Submission of Matters to Vote of Security Holders

None

ITEM 5. Other Information

None

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ITEM 6. Exhibits

Exhibit No.	Description and References
2.1	Membership Interest Purchase Agreement, dated as of June 9, 2008, by and among Bryn Mawr Bank Corporation, Marigot Daze LLC, JNJ Holdings LLC, Lau Associates LLC, Lau Professional Services LLC and Judith W. Lau, incorporated by reference to Exhibit 2.1 to the Corporation s 10-Q filed with SEC on November 10, 2008
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	Shareholders Rights Plan, dated November 18, 2003, incorporated by reference to Exhibit 4 of the Corporation s Form 8-A12G filed with the SEC on November 25, 2003
4.2	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
4.3	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
4.4	Subordinated Note Purchase Agreement dated July 30, 2008, incorporated by reference to Exhibit 4.4 to the Corporation s 10-Q filed with SEC on November 10, 2008
4.5	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
4.6	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
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 to the Corporation s Form 10-K filed with the SEC on March 13, 2008
10.2*	Executive Change-of-Control Severance Agreement, dated October 19, 1995, between the Bryn Mawr Trust Company and Robert J. Ricciardi, incorporated by reference to Exhibit 10.O of the Corporation s Form 10-K filed with the SEC on March 15, 2007
10.3**	The Bryn Mawr Bank Corporation 1998 Stock Option Plan, incorporated by reference to Exhibit B of the Corporation s Proxy Statement dated March 6, 1998 filed with the SEC on March 5, 1998
10.4*	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
10.5*	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
10.6*	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
10.7*	Employment Agreement, dated January 11, 2001, between the Bryn Mawr Bank Corporation and Frederick C. Peters II, incorporated by reference to Exhibit 10.N of the Corporation s Form 10-K filed with the SEC on March 29, 2001
10.8*	Executive Change-of-Control Severance Agreement, dated January 22, 2001, between the Bryn Mawr Trust Company and Frederick C. Peters II, incorporated by reference to Exhibit 10.K of the Corporation s Form 10-K filed with the SEC on March 15, 2007
10.9**	The Bryn Mawr Bank Corporation 2001 Stock Option Plan, incorporated by reference to Appendix B of the Corporation s Proxy Statement dated March 8, 2001 filed with the SEC on March 6, 2001
10.10**	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

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Exhibit No.	Description and References
10.11*	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
10.12*	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
10.13*	Executive Severance and Change of Control Agreement, dated April 4, 2005, between the Bryn Mawr Trust Company and J. Duncan Smith, incorporated by reference to Exhibit 10.1 to the Corporation s Form 8-K filed with the SEC on April 6, 2005
10.14**	Form of Key Employee Non-Qualified Stock Option Agreement, incorporated by reference to Exhibit 10.3 to the Corporation s Form 10-Q filed with the SEC on May 10, 2005
10.15**	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
10.16*	Letter Employment Agreement, dated January 3, 2007, from the Bryn Mawr Trust Company to Matthew G. Waschull, incorporated by reference to Exhibit 10.2 of the Corporation s Form 10-Q filed with the SEC on August 7, 2007
10.17*	Executive Change-of-Control Amended and Restated Severance Agreement, dated March 15, 2007, between the Bryn Mawr Trust Company and Matthew G. Waschull, incorporated by reference to Exhibit 10.P of the Corporation s Form 10-K filed with the SEC on March 15, 2007
10.18*	Non-Disclosure and Nonsolicitation Agreement, dated March 9, 2007, between the Bryn Mawr Trust Company and Matthew G. Waschull, incorporated by reference to Exhibit 10.18 to the Corporation s 10-K filed with SEC on March 13, 2008
10.19**	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
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 Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Principal 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

* Management contract or compensatory plan arrangement.

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

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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, thereunto duly authorized.

	Bryn Mawr Bank Corporation	
Date: November 9, 2009	By:	/s/ FREDERICK C. PETERS II **Frederick C. Peters II** **President & Chief Executive Officer**
Date: November 9, 2009	By:	/s/ J. DUNCAN SMITH **J. Duncan Smith** **Treasurer & Principal Financial Officer**

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Form 10-Q

Index to Exhibits Furnished Herewith

Exhibit 31.1	Certification of the Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a).
Exhibit 31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a) or Rule 15d-14(a).
Exhibit 32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Certification of the Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.