BRYN MAWR BANK CORP
Form 10-K
March 15, 2012
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from ________ to ________

Commission file number 0-15261.

BRYN MAWR BANK CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-2434506**
(State of other jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

801 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010

(Address of principal executive offices) (Zip Code)

(610) 525-1700

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($1 par value)	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period than 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (& 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, 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 by Rule 126-2 of the Exchange Act): Yes ¨ No x

The aggregate market value of shares of common stock held by non-affiliates of Registrant (including fiduciary accounts administered by affiliates*) was $254,360,562 on June 30, 2011.

As of March 8, 2012, there were 13,241,663 shares of common stock outstanding.

<u>Documents Incorporated by Reference</u>: Portions of Registrant s Annual Report to Shareholders for the year ended December 31, 2011 (2011 Annual Report), as indicated, are incorporated by reference in Parts I, II and IV hereof. Portions of the Definitive Proxy Statement of Registrant

filed with respect to the Registrant s Annual Meeting of Shareholders to be held on May 2, 2012 to be filed with the Commission pursuant to Regulation 14A (2012 Proxy Statement), as indicated, are incorporated by reference in Parts II and III hereof.

* Registrant does not admit by virtue of the foregoing that its officers and directors are affiliates as defined in Rule 405 and does not admit that it controls the shares of Registrant s voting stock held by the Trust Department of its bank subsidiary.

Table of Contents

Form 10-K

Bryn Mawr Bank Corporation

Index

UNLESS OTHERWISE INDICATED, ALL INFORMATION IS AS OF MARCH 1, 2012.

Table of Contents

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 Bryn Mawr Bank Corporation (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, business plans, business prospects, credit quality, credit risk, reserve adequacy, liquidity, origination and sale of residential mortgage loans, mortgage servicing rights, the effect of changes in accounting standards, and market and pricing trends loss. The words The words may , would , could , will , likely , expect, anticipate, intend , estimate , plan , forecast , project and believe and similar expressions are intended to identify such forward-looking statements. The Corporation s actual results may differ materially from the results anticipated by the forward-looking statements 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, the real estate market, 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 federal income tax or other tax regulations;

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, consumer 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 and such competitors offering banking products and services by mail, telephone, computer and the Internet;

any extraordinary events (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 need for capital;

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 investment products in a manner that meets customers needs;

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, sell and service residential mortgage loans;

the accuracy of assumptions underlying the establishment of reserves for loan losses and estimates in the value of collateral, the market value of mortgage servicing rights and various financial assets and liabilities;

the Corporation s ability to retain key members of the 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;

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 and the documents incorporated by reference herein are based upon the Corporation 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 incorporated documents might not occur and you should not put undue reliance on any forward-looking statements.

Table of Contents

PART I

ITEM 1. BUSINESS

GENERAL

The Bryn Mawr Trust Company (the Bank) received its Pennsylvania banking charter in 1889 and is a member of the Federal Reserve System. In 1986, Bryn Mawr Bank Corporation (the Corporation) was formed and on January 2, 1987, the Bank became a wholly-owned subsidiary of the Corporation. The Bank and Corporation are headquartered in Bryn Mawr, Pennsylvania, a western suburb of Philadelphia. The Corporation and its subsidiaries offer a full range of personal and business banking services, consumer and commercial loans, equipment leasing, mortgages, insurance and wealth management services, including investment management, trust and estate administration, retirement planning, custody services, and tax planning and preparation from 17 full-service branches and seven Life Care Community offices throughout Montgomery, Delaware and Chester counties of Pennsylvania. The Corporation s common stock 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 operates in a highly competitive market area that includes local, national and regional banks as competitors along with savings banks, credit unions, insurance companies, trust companies, registered investment advisors and mutual fund families. The Corporation and its subsidiaries are regulated by many agencies, including the Securities and Exchange Commission (SEC), Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and the Pennsylvania Department of Banking.

WEBSITE DISCLOSURES

The Corporation makes available, free of charge, through its website, its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after the reports are electronically filed with the SEC. These reports can be obtained on the Corporation s website at *www.bmtc.com* by following the link, About Us, followed by Investor Relations. Further copies of these reports are located at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings, at www.sec.gov.

OPERATIONS

Bryn Mawr Bank Corporation

The Corporation has no active staff as of December 31, 2011. The Corporation holds the stock of the Bank. Additionally, the Corporation performs several functions including shareholder communications, shareholder recordkeeping, the distribution of dividends and the periodic filing of reports and payment of fees to NASDAQ, the SEC and other regulatory agencies.

A complete list of directors and executive officers of the Corporation and the Bank, as of March 1, 2012 is incorporated by reference to the last page of the Corporation s 2011 Annual Report to Shareholders attached as Exhibit 13.1 to this Form 10-K (the 2011 Annual Report).

The Corporation and its subsidiaries engaged in numerous transactions in 2011 including the May 27, 2011 acquisition of the Private Wealth Management Group of the Hershey Trust Company (PWMG) by the Corporation. The consideration paid by the Corporation was $18.4 million, of which $8.1 million cash and 322,101 unregistered shares of the BMBC common stock, valued at $6.7 million, were paid at closing, and $3.6 million cash was placed in escrow to be paid in three equal installments on the 6-, 12- and 18-month anniversaries of February 17, 2010, the date preceding the date of the definitive stock purchase agreement, subject to certain post-closing contingencies relating to the assets under management. The first two payments of $1.2 million each have been issued. The assets acquired in the acquisition of PWMG were subsequently transferred to the Bank.

The acquisition of PWMG initially increased the Corporation s Wealth Management Division assets under management, administration, supervision and brokerage by $1.1 billion.

At December 31, 2011, the Corporation and its subsidiaries had 358 full time and 33 part time employees, totaling 374.5 full time equivalent staff.

Table of Contents

ACTIVE SUBSIDIARIES OF THE CORPORATION

The Corporation has three active subsidiaries which provide various services as described below:

Lau Associates

Lau Associates LLC, acquired in July of 2008, is a nationally recognized independent, family office serving high net worth individuals and families, with special expertise in planning intergenerational inherited wealth. Lau Associates employees numbered 13 as of December 31, 2011, and are included in the Corporation s employment numbers. Lau Associates LLC is a wholly-owned subsidiary of the Corporation.

The Bryn Mawr Trust Company of Delaware

The Bryn Mawr Trust Company of Delaware (BMTC-DE) began operations as a limited purpose trust company in the fourth quarter of 2008. BMTC-DE is located in Greenville, DE and has the ability to be named and serve as a corporate fiduciary under Delaware law. BMTC-DE employed two full-time employees as of December 31, 2011. BMTC-DE employees are included in the Corporation s employment numbers. Being able to serve as a corporate fiduciary under Delaware law is advantageous as Delaware statutes are widely recognized as being favorable with respect to the creation of tax-advantaged trust structures, LLCs and related wealth transfer vehicles for families and individuals throughout the United States. BMTC-DE is a wholly-owned subsidiary of the Corporation.

The Bryn Mawr Trust Company

The Bank is engaged in commercial and retail banking business, providing basic banking services, including the acceptance of demand, time and savings deposits and the origination of commercial, real estate and consumer loans and other extensions of credit including leases. The Bank also provides a full range of wealth management services including trust administration and other related fiduciary services, custody services, investment management and advisory services, employee benefit account and IRA administration, estate settlement, tax services, financial planning and brokerage services. As of December 31, 2011, the market value of assets under management, administration, supervision and brokerage by the Bank s Wealth Management Division was $4.832 billion.

The Bank presently has 17 full-service branch offices and seven Life Care Community locations. See the section titled COMPETITION later in this item for additional information.

ACTIVE SUBSIDIARIES OF THE BANK

The Bank has four active subsidiaries providing various services as described below:

Insurance Counsellors of Bryn Mawr, Inc.

Insurance Counsellors of Bryn Mawr, Inc. (ICBM) began operations in February 1998 as a wholly-owned subsidiary of the Bank. ICBM is a full-service insurance agency, through which the Bank offers insurance and related products and services to its customer base. This includes casualty, property and allied insurance lines, as well as life insurance, annuities, medical insurance and accident and health insurance for groups and individuals.

ICBM utilizes six licensed insurance agents and ICBM employees are included in the Corporation s employment numbers above.

BMT Settlement Services, Inc.

BMT Settlement Services, Inc. (BMTS) began operations in February 2002. BMTS is a limited partner in Bryn Mawr Settlement Services, LP (the Limited Partnership), with Commonwealth Land Transfer Company, to provide title search and abstract services to Bank customers. Under the terms of the Limited Partnership s partnership agreement, BMTS receives seventy percent of the profits of the Limited Partnership, after expenses. BMTS is a wholly-owned subsidiary of the Bank.

BMTS s primary market area is located in southeastern Pennsylvania. BMTS is housed in the main office of the Bank, located at 801 Lancaster Avenue, Bryn Mawr, PA 19010. BMTS had no employees as of December 31, 2011.

BMT Mortgage Services, Inc.

BMT Mortgage Services, Inc. (BMTM) began operations in February, 2006. BMTM is a member in BMT Mortgage Company, LLC, which was established in 2006 to provide mortgage services to customers of the Keller Williams Bryn Mawr, PA office. Under the terms of the operating agreement, BMTM has a 40% interest in the entity, will perform certain accounting and administrative functions, and will process certain mortgage applications for a fee. BMTM is a wholly-owned subsidiary of the Bank.

Table of Contents

BMT Leasing, Inc.

BMT Leasing, Inc. (BMTL) began operations in September 2006. BMTL is a Delaware corporation registered to do business in Pennsylvania. BMTL is an equipment financing company servicing customers nationwide from its Bryn Mawr location with an original average equipment cost of approximately $18 thousand per lease. BMTL is a wholly-owned subsidiary of the Bank and had eight employees as of December 31, 2011. BMTL employees are included in the Corporation s employment numbers above. BMTL is currently in the process of changing its name to Bryn Mawr Equipment Finance, Inc.

SOURCES OF THE CORPORATION S REVENUE

Continuing Operations

See Note 28, Segment Information, in the Notes to the Consolidated Financial Statements located in the 2011 Annual Report for additional information. The Corporation had no discontinued operations in 2009, 2010 or 2011.

STATISTICAL INFORMATION

The statistical information required in this Part I Item I is incorporated by reference to the information appearing in the 2011 Annual Report in the sections captioned Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Financial Statements and related notes.

Financial Information About Segments

The financial information concerning the Corporation s business segments is incorporated by reference to the MD&A of the 2011 Annual Report and Note 28 Segment Information to the financial statements accompanying such Annual Report.

COMPETITION

The Corporation and its subsidiaries, including the Bank, compete for deposits, loans and wealth management services in Delaware, Montgomery, Chester and Philadelphia counties in southeastern Pennsylvania. The Corporation has a significant presence in the affluent Philadelphia suburbs along the Route 30 corridor, also known as the Main Line . The Corporation has 17 full-service branches and seven Life Care Community offices.

The markets in which the Corporation competes are highly competitive. The Corporation s direct competition in attracting deposits, loans and wealth management services come from commercial banks, investment management companies, savings and loan associations, and trust companies. The Corporation also competes with credit unions, on-line banking enterprises, consumer finance companies, mortgage companies, insurance companies, stock brokerage companies, investment advisory companies and other entities providing one or more of the services and products offered by the Corporation.

The Corporation is able to compete with the other firms because of its consistent level of customer service, excellent reputation, professional expertise, full product line, and its competitive rates and fees. However, there are several negative factors relative to the Corporation s ability to compete with large institutions such as its limited number of locations, smaller advertising budget, lower technology budget, ability to spread out fixed costs and other lack-of-scale type disadvantages.

With the acquisition of FKF in July 2010, the Corporation has expanded its footprint significantly into Delaware County, Pennsylvania. The acquisition of Lau Associates in July 2008, and the formation of BMTC-DE, allowed the Corporation to establish a presence in the State of Delaware, where it competes for wealth management business. On May 27, 2011, the acquisition of PWMG was completed. The acquisition of PWMG increased the Corporation s Wealth Management Division assets under management by $1.1 billion. In addition, the acquisition of PWMG enabled the Wealth Management Division to extend into central Pennsylvania by continuing to operate the former PWMG offices located in Hershey, Pennsylvania. Additionally, BMTL competes on a national level for its leasing customers.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

The geographic information required by Item 101(d) of Regulation S-K under the Securities Exchange Act of 1934, as amended, is impracticable for the Corporation to calculate; however, the Corporation does not believe that a material amount of revenues in any of the last three years was attributable to customers outside of the United States, nor does it believe that a material amount of its long-lived assets, in any of the past three years, was located outside of the United States.

SUPERVISION AND REGULATION

The Corporation and its subsidiaries, including the Bank, are subject to extensive regulation under both federal and state law. To the extent that the following information describes statutory provisions and regulations which apply to the Corporation and its subsidiaries, it is qualified in its entirety by reference to those statutory provisions and regulations:

Table of Contents

Bank Holding Company Regulation

The Corporation, as a bank holding company, is regulated under the Bank Holding Company Act of 1956, as amended (the Act). The Act limits the business of bank holding companies to banking, managing or controlling banks, performing certain servicing activities for subsidiaries and engaging in such other activities as the Federal Reserve Board may determine to be closely related to banking. The Corporation and its non-bank subsidiaries are subject to the supervision of the Federal Reserve Board and the Corporation is required to file, with the Federal Reserve Board, an annual report and such additional information as the Federal Reserve Board may require pursuant to the Act and the regulations which implement the Act. The Federal Reserve Board also conducts inspections of the Corporation and each of its non-banking subsidiaries.

The Act requires each bank holding company to obtain prior approval by the Federal Reserve Board before it may acquire (i) direct or indirect ownership or control of more than 5% of the voting shares of any company, including another bank holding company or a bank, unless it already owns a majority of such voting shares, or (ii) all, or substantially all, of the assets of any company.

The Act also prohibits a bank holding company from engaging in, or from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company engaged in non-banking activities unless the Federal Reserve Board, by order or regulation, has found such activities to be so closely related to banking or to managing or controlling banks as to be appropriate. The Federal Reserve Board has, by regulation, determined that certain activities are so closely related to banking or to managing or controlling banks, so as to permit bank holding companies, such as the Corporation, and its subsidiaries formed for such purposes, to engage in such activities, subject to obtaining the Federal Reserve Board s approval in certain cases.

Under the Act, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension or provision of credit, lease or sale of property or furnishing any service to a customer on the condition that the customer provide additional credit or service to the bank, to its bank holding company or any other subsidiaries of its bank holding company or on the condition that the customer refrain from obtaining credit or service from a competitor of its bank holding company. Further, the Bank, as a subsidiary bank of a bank holding company, such as the Corporation, is subject to certain restrictions on any extensions of credit it provides to the Corporation or any of its non-bank subsidiaries, investments in the stock or securities thereof, and on the taking of such stock or securities as collateral for loans to any borrower.

In addition, the Federal Reserve Board may issue cease and desist orders against bank holding companies and non-bank subsidiaries to stop actions believed to present a serious threat to a subsidiary bank. The Federal Reserve Board also regulates certain debt obligations and changes in control of bank holding companies.

Under Federal Reserve Board policy, a bank holding company is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources, including capital funds during periods of financial stress, to support each such bank. Consistent with its source of strength policy for subsidiary banks, the Federal Reserve Board has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fund fully the dividends, and the prospective rate of earnings retention appears to be consistent with the company s capital needs, asset quality and overall financial condition.

Federal law also grants to federal banking agencies the power to issue cease and desist orders when a depository institution or a bank holding company or an officer or director thereof is engaged in or is about to engage in unsafe and unsound practices. The Federal Reserve Board may require a bank holding company, such as the Corporation, to discontinue certain of its activities or activities of its other subsidiaries, other than the Bank, or divest itself of such subsidiaries if such activities cause serious risk to the Bank and are inconsistent with the Bank Holding Company Act or other applicable federal banking laws.

Federal Reserve Board and Pennsylvania Department of Banking Regulations

The Corporation s Pennsylvania state chartered bank, The Bryn Mawr Trust Company, is regulated and supervised by the Pennsylvania Department of Banking (the Department of Banking) and subject to regulation by The Federal Reserve Board and the FDIC. The Department of Banking and the Federal Reserve Board regularly examine the Bank s reserves, loans, investments, management practices and other aspects of its operations and the Bank must furnish periodic reports to these agencies. The Bank is a member of the Federal Reserve System.

The Bank s operations are subject to certain requirements and restrictions under federal and state laws, including requirements to maintain reserves against deposits, limitations on the interest rates that may be paid on certain types of deposits, restrictions on the types and amounts of loans that may be granted and the interest that may be charged thereon, limitations on the types of investments that may be made and the types of services which may be offered. Various consumer laws and regulations also affect the operations of the Bank. These regulations and laws are intended primarily for the protection of the Bank s depositors and customers rather than holders of the Corporation s stock.

The regulations of the Pennsylvania Department of Banking restrict the amount of dividends that can be paid to the Corporation by the Bank. Payment of dividends is restricted to the amount of the Bank s 2012 net income plus its net retained earnings for the previous two years. As of December 31, 2011, this amount was approximately $14.8 million plus net income earned in 2012. However, the amount of dividends paid by the Bank cannot reduce capital levels below levels that would cause the Bank to be less than adequately capitalized. The payment of dividends by the Bank to the Corporation is the source on which the Corporation currently depends to pay dividends to its shareholders.

As a bank incorporated under and subject to Pennsylvania banking laws and insured by the FDIC, the Bank must obtain the prior approval of the Department of Banking and the Federal Reserve Board before establishing a new branch banking office. Depending on the type of bank or financial institution, a merger of the Bank with another institution is subject to the prior approval of one or more of the following: the Department of Banking, the FDIC, the Federal Reserve Board and the Office of the Comptroller of the Currency and any other regulatory agencies having primary supervisory authority over any other party to the merger. An approval of a merger by the appropriate bank regulatory agency would depend upon several factors, including whether the merged institution is a federally insured state bank, a member of the Federal Reserve System, or a national bank. Additionally, any new branch expansion or merger must comply with branching restrictions provided by state law. The Pennsylvania Banking Code permits Pennsylvania banks to establish branches anywhere in the state.

Deposit Insurance Assessments

The deposits of the Bank are insured by the FDIC up to the limits set forth under applicable law and are subject to deposit insurance premium assessments. The FDIC imposes a risk based deposit premium assessment system, under which the amount of FDIC assessments paid by an individual insured depository institution, such as the Bank, is based on the level of risk incurred in its activities.

On February 7, 2011, the FDIC Board of Directors adopted new regulations regarding assessments. The final rule, as adopted redefines the deposit insurance assessment base as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank); makes changes to assessment rates; implements Dodd-Frank s Deposit Insurance Fund (DIF) dividend provisions; and revises the risk-based assessment system for all large insured depository institutions (IDI s), generally, those institutions with at least $10 billion in total assets. Nearly all of the 7,600-plus institutions with assets less than $10 billion will pay smaller assessments as a result of this final rule.

The final rule:

- Redefines the deposit insurance assessment base as average consolidated total assets minus average tangible equity;
- Makes generally conforming changes to the unsecured debt and brokered deposit adjustments to assessment rates;
- Creates a depository institution debt adjustment;
- Eliminates the secured liability adjustment; and
- Adopts a new assessment rate schedule effective April 1, 2011, and, in lieu of dividends, other rate schedules when the reserve ratio reaches certain levels.

Changes to the assessment calculation are as follows:

- The base for deposit insurance assessment purposes is defined as average consolidated total assets during the assessment period less average tangible equity capital during the assessment period.

Average consolidated total assets are defined in the schedule of quarterly averages in the Consolidated Reports of Condition and Income (Call Reports), using a daily averaging method.

Banks with less than $1 billion in assets (other than newly insured banks) may report average weekly assets; these banks may opt to report daily averages on a permanent basis.

Tangible equity capital is defined as Tier 1 capital and will be calculated monthly or, if the IDI has less than $1 billion in assets, on an end-of-quarter basis.

Institutions that are parents of other insured institutions will report separately from subsidiary depository institutions.

Banker s banks and custodial banks may deduct low risk, liquid assets from their assessment base.

A banker s bank for purposes of calculating deposit insurance assessments is defined as that term is used in 12 U.S.C. 24.

Funds resulting from government capital infusion programs, FDIC stock ownership, or employee compensation plan stock ownership do not disqualify a bank from being a banker s bank.

An institution that meets the definition of banker s bank is required to certify to that effect each quarter on its Call Report or Thrift Financial Report (TFR), or any successor report.

The assessment base for a banker s bank excludes the average amount of reserve balances passed through to the Federal Reserve, the average reserve balances held at the Federal Reserve for its own account (including balances due from the Federal Reserve), and the average amount of the institution s federal funds sold, but in no case can the amount excluded exceed the sum of the bank s average amount of total

Table of Contents

deposits of commercial banks and other depository institutions in the United States and the average amount of its federal funds purchased.

A custodial bank for purposes of calculating deposit insurance assessments is defined in terms of total fiduciary and custody and safekeeping assets and revenues.

The assessment base for a custodial bank excludes all 0 percent Basel risk-weighted assets and 50 percent of 20 percent risk-weighted assets not to exceed the total transaction account deposits linked to custody and safekeeping and fiduciary assets.

The following are adjustments to the assessment rate:

Unsecured debt adjustment. All institutions, except new institutions and insured branches of foreign banks, are potentially subject to a reduction in assessment rates for unsecured debt.

The unsecured debt adjustment equals 40 basis points plus the initial base assessment rate.

The unsecured debt adjustment is capped at the lesser of 5 basis points or 50 percent of the IDI s initial base assessment rate.

Unsecured debt no longer includes Tier 1 capital.

Brokered deposit adjustment. All small IDIs in Risk Categories II, III, and IV, and all large IDIs and highly complex IDIs that are less than well capitalized or have a CAMELS composite rating of 3, 4, or 5, are potentially subject to an increase in assessment rates for brokered deposits. For purposes of the brokered deposit adjustment, brokered deposits include all brokered deposits.

The brokered deposit adjustment is limited to those IDIs in which the ratio of brokered deposits to domestic deposits is greater than 10 percent.

The brokered deposit adjustment is calculated by multiplying 25 basis points by the ratio of the difference between an IDI s brokered deposits and 10 percent of its deposits to its assessment base.

The maximum brokered deposit adjustment is 10 basis points.

Depository institution debt adjustment. All IDIs are potentially subject to an increase in assessment rates for unsecured debt held that is issued by another IDI.

The depository institution debt adjustment equals 50 basis points of each dollar of long-term, unsecured debt held as an asset by an IDI when that debt was issued by another IDI, to the extent that all such debt exceeds 3 percent of the IDI s Tier 1 capital.

The FDIC suspended dividends indefinitely; however, in lieu of dividends, and pursuant to its authority to set risk-based assessments, the FDIC adopted progressively lower assessment rate schedules that will take effect when the reserve ratio exceeds 1.15 percent, 2 percent, and 2.5

percent. The following new rate schedule became effective April 1, 2011:

	Initial and Total Base Assessment Rates (basis points)*				
	Risk Category I	**Risk Category II**	**Risk Category III**	**Risk Category IV**	**Large and Highly Complex Institutions**
Initial base assessment rate	5 - 9	14	23	35	5 - 35
Unsecured debt adjustment**	(4.5) - 0	(5) - 0	(5) - 0	(5) - 0	(5) - 0
Brokered deposit adjustment		0 - 10	0 - 10	0 - 10	0 - 10
Total base assessment rate	2.5 - 9	9 - 24	18 - 33	30 - 45	2.5 - 45

* Total base assessment rates do not include the depository institution debt adjustment.

** The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an insured depository institution s initial base assessment rate; thus for example, an insured depository institution with an initial base assessment rate of 5 basis points will have a maximum unsecured debt adjustment of 2.5 basis points and cannot have a total base assessment rate lower than 2.5 basis points.

Table of Contents

The following rate schedules become effective once the reserve ratio exceeds certain levels:

Initial and Total Base Assessment Rates (basis points)* Once the Reserve Ratio Reaches 1.15 Percent and the Reserve Ratio for the Immediately Prior Assessment Period Is Less Than 2 Percent

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	3 - 7	12	19	30	3 - 30
Unsecured debt adjustment**	(3.5) - 0	(5) - 0	(5) - 0	(5) - 0	(5) - 0
Brokered deposit adjustment		0 - 10	0 - 10	0 - 10	0 - 10
Total base assessment rate	1.5 - 7	7 - 22	14 - 29	25 - 40	1.5 - 40

* Total base assessment rates do not include the depository institution debt adjustment.

** The unsecured debt adjustment cannot exceed the lesser of 5 basis points or 50 percent of an insured depository institution s initial base assessment rate; thus, for example, an insured depository institution with an initial base assessment rate of 3 basis points will have a maximum unsecured debt adjustment of 1.5 basis points and cannot have a total base assessment rate lower than 1.5 basis points.

Initial and Total Base Assessment Rates* If the Reserve Ratio for Prior Assessment Period Is Equal To Or Greater Than 2 Percent and Less Than 2.5 Percent

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	2 - 6	10	17	28	2 - 28
Unsecured debt adjustment**	(3) - 0	(5) - 0	(5) - 0	(5) - 0	(5) - 0
Brokered deposit adjustment		0 - 10	0 - 10	0 - 10	0 - 10
Total base assessment rate	1 - 6	5 - 20	12 - 27	23 - 38	1 - 38

*Total base assessment rates do not include the depository institution debt adjustment.

**The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an insured depository institution s initial base assessment rate; thus, for example, an insured depository institution with an initial assessment rate of 2 basis points will have a maximum unsecured debt adjustment of 1 basis point and could not have a total base assessment rate lower than 1 basis point.

Initial and Total Base Assessment Rates* If the Reserve Ratio For the Prior Assessment Period is Equal to or Greater than 2.5 Percent

	Risk Category I	Risk Category II	Risk Category III	Risk Category IV	Large and Highly Complex Institutions
Initial base assessment rate	1 - 5	9	15	25	1 - 25
Unsecured debt adjustment**	(2.5) - 0	(4.5) - 0	(5) - 0	(5) - 0	(5) - 0
Brokered deposit adjustment		0 - 10	0 - 10	0 - 10	0 - 10
Total base assessment rate	0.5 - 5	4.5 - 19	10 - 25	20 - 35	0.5 - 35

* Total base assessment rates do not include the depository institution debt adjustment.

** The unsecured debt adjustment could not exceed the lesser of 5 basis points or 50 percent of an insured depository institution s initial base assessment rate; thus, for example, an insured depository institution with an initial assessment rate of 1 basis point will have a maximum unsecured debt adjustment of 0.5 basis points and could not have a total base assessment rate lower than 0.5 basis points.

In addition to deposit insurance assessments, banks are subject to assessments to pay the interest on Financing Corporation bonds. The Financing Corporation was created by Congress to issue bonds to finance the resolution of failed thrift institutions. The FDIC sets the Financing Corporation assessment rate every quarter. The Financing Corporation assessment for the fourth quarter of 2011 was an annual rate of 1 basis point, which resulted in approximately $120 thousand FICO assessment payment by the Bank in 2011.

Table of Contents

Government Monetary Policies

The monetary and fiscal policies of the Federal Reserve Board and the other regulatory agencies have had, and will probably continue to have, an important impact on the operating results of the Bank through their power to implement national monetary policy in order to, among other things, curb inflation or combat a recession. The monetary policies of the Federal Reserve Board may have a major effect upon the levels of the Bank s loans, investments and deposits through the Federal Reserve Board s open market operations in United States government securities, through its regulation of, among other things, the discount rate on borrowing of depository institutions, and the reserve requirements against depository institution deposits. It is not possible to predict the nature and impact of future changes in monetary and fiscal policies.

The earnings of the Bank and, therefore, of the Corporation are affected by domestic economic conditions, particularly those conditions in the trade area as well as the monetary and fiscal policies of the United States government and its agencies.

Safety and Soundness

The Federal Reserve Board also has authority to prohibit a bank holding company from engaging in any activity or transaction deemed by the Federal Reserve Board to be an unsafe or unsound practice. The payment of dividends could, depending upon the financial condition of the Bank or Corporation, be such an unsafe or unsound practice and the regulatory agencies have indicated their view that it generally would be an unsafe and unsound practice to pay dividends except out of current operating earnings. The ability of the Bank to pay dividends in the future is presently and could be further influenced, among other things, by applicable capital guidelines discussed below or by bank regulatory and supervisory policies. The ability of the Bank to make funds available to the Corporation is also subject to restrictions imposed by federal law. The amount of other payments by the Bank to the Corporation is subject to review by regulatory authorities having appropriate authority over the Bank or Corporation and to certain legal limitations.

Capital Adequacy

Federal and state banking laws impose on banks certain minimum requirements for capital adequacy. Federal banking agencies have issued certain risk-based capital guidelines, and certain leverage requirements on member banks such as the Bank. By policy statement, the Banking Department also imposes those requirements on the Bank. Banking regulators have authority to require higher minimum capital ratios for an individual bank or bank holding company in view of its circumstances.

Minimum Capital Ratios. The risk-based guidelines require all banks to maintain two risk-weighted assets ratios. The first is a minimum ratio of total capital (Tier 1 and Tier 2 capital) to risk-weighted assets equal to 8.00%; the second is a minimum ratio of Tier 1 capital to risk-weighted assets equal to 4.00%. Assets are assigned to five risk categories, with higher levels of capital being required for the categories perceived as representing greater risk. In making the calculation, certain intangible assets must be deducted from the capital base. The risk-based capital rules are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies and to minimize disincentives for holding liquid assets.

The risk-based capital rules also account for interest rate risk. Institutions with interest rate risk exposure above a normal level would be required to hold extra capital in proportion to that risk. A bank s exposure to declines in the economic value of its capital due to changes in interest rates is a factor that the banking agencies will consider in evaluating a bank s capital adequacy. The rule does not codify an explicit minimum capital charge for interest rate risk. The Corporation currently monitors and manages its assets and liabilities for interest rate risk, and believes its interest rate risk practices are prudent and are in-line with industry standards. The Corporation is not aware of any new or proposed rules or standards relating to interest rate risk that would materially adversely affect our operations.

The leverage ratio rules require banks which are rated the highest in the composite areas of capital, asset quality, management, earnings, liquidity and sensitivity to market risk to maintain a ratio of Tier 1 capital to adjusted total assets (equal to the bank s average total assets as stated in its most recent quarterly Call Report filed with its primary federal banking regulator, minus end-of-quarter intangible assets that are deducted from Tier 1 capital) of not less than 3.00%. For banks which are not the most highly rated, the minimum leverage ratio will range from 4.00% to 5.00%, or higher at the discretion of the bank s primary federal regulator, and is required to be at a level commensurate with the nature of the level of risk of the bank s condition and activities.

For purposes of the capital requirements, Tier 1 or core capital is defined to include common stockholders equity and certain noncumulative perpetual preferred stock and related surplus. Tier 2 or qualifying supplementary capital is defined to include a bank s allowance for loan and lease losses up to 1.25% of risk-weighted assets, plus certain types of preferred stock and related surplus, certain hybrid capital instruments and certain term subordinated debt instruments.

The Basel Committee on Banking Supervision (the Basel Committee) released a comprehensive list of proposals for changes to capital, leverage, and liquidity requirements for banks in December 2009 (commonly referred to as Basel III). In July 2010, the Basel Committee announced the design for its capital and liquidity reform proposals.

Table of Contents

In September 2010, the oversight body of the Basel Committee announced minimum capital ratios and transition periods providing: (i) the minimum requirement for the Tier 1 common equity ratio will be increased from the current 2.0% level to 4.5% (to be phased in by January 1, 2015); (ii) the minimum requirement for the Tier 1 capital ratio will be increased from the current 4.0% to 6.0% (to be phased in by January 1, 2015); (iii) an additional 2.5% of Tier 1 common equity to total risk-weighted assets (to be phased in between January 1, 2016 and January 1, 2019; and (iv) a minimum leverage ratio of 3.0% (to be tested starting January 1, 2013). The revised capital requirements also narrow the definition of capital, excluding instruments that no longer qualify as Tier 1 common equity as of January 1, 2013, and phasing out other instruments over several years. It is unclear how U.S. banking regulators will define well-capitalized in their implementation of Basel III.

The liquidity proposals under Basel III include: (i) a liquidity coverage ratio (to become effective January 1, 2015); (ii) a net stable funding ratio (to become effective January 1, 2018); and (iii) a set of monitoring tools for banks to report minimum types of information to their regulatory supervisors. Many of the details of the new framework related to minimum capital levels and minimum liquidity requirements in the Basel Committee s proposals will remain uncertain until the final release is issued later this year. Implementation of the final provisions of Basel III will require implementing regulations and guidelines by U.S. banking regulators. Implementation of these new capital and liquidity requirements has created significant uncertainty with respect to the future liquidity and capital requirements for financial institutions. Therefore, we are not able to predict at this time the content of liquidity and capital guidelines or regulations that may be adopted by regulatory agencies or the impact that any changes in regulation may have on the Corporation and the Bank.

Prompt Corrective Action

Federal banking law mandates certain prompt corrective actions, which Federal banking agencies are required to take, and certain actions which they have discretion to take, based upon the capital category into which a Federally regulated depository institution falls. Regulations have been adopted by the Federal bank regulatory agencies setting forth detailed procedures and criteria for implementing prompt corrective action in the case of any institution that is not adequately capitalized. Under the rules, an institution will be deemed to be adequately capitalized or better if it exceeds the minimum Federal regulatory capital requirements. However, it will be deemed undercapitalized if it fails to meet the minimum capital requirements, significantly undercapitalized if it has a total risk-based capital ratio that is less than 6.0%, a Tier 1 risk-based capital ratio that is less than 3.0%, or a leverage ratio that is less than 3.0%, and critically undercapitalized if the institution has a ratio of tangible equity to total assets that is equal to or less than 2.0%. The rules require an undercapitalized institution to file a written capital restoration plan, along with a performance guaranty by its holding company or a third party. In addition, an undercapitalized institution becomes subject to certain automatic restrictions including a prohibition on the payment of dividends, a limitation on asset growth and expansion, and in certain cases, a limitation on the payment of bonuses or raises to senior executive officers, and a prohibition on the payment of certain management fees to any controlling person . Institutions that are classified as undercapitalized are also subject to certain additional supervisory actions, including increased reporting burdens and regulatory monitoring, a limitation on the institution s ability to make acquisitions, open new branch offices, or engage in new lines of business, obligations to raise additional capital, restrictions on transactions with affiliates, and restrictions on interest rates paid by the institution on deposits. In certain cases, bank regulatory agencies may require replacement of senior executive officers or directors, or sale of the institution to a willing purchaser. If an institution is deemed to be critically undercapitalized and continues in that category for four quarters, the statute requires, with certain narrowly limited exceptions, that the institution be placed in receivership. The Bank is currently regarded as well capitalized for regulatory capital purposes. See Note 25 in the Notes to Consolidated Financial Statements in the 2011 Annual Report for more information regarding the Bank s and Corporation s regulatory capital ratios.

Gramm-Leach Bliley Act

The Gramm-Leach-Bliley Act (GLB Act) repealed provisions of the Glass-Steagall Act, which prohibited commercial banks and securities firms from affiliating with each other and engaging in each other s businesses. Thus, many of the barriers prohibiting affiliations between commercial banks and securities firms have been eliminated.

The GLB Act amended the Glass-Steagall Act to allow new financial holding companies (FHC) to offer banking, insurance, securities and other financial products to consumers. Specifically, the GLB Act amends section 4 of the Act in order to provide for a framework for the engagement in new financial activities. A bank holding company may elect to become a financial holding company if all its subsidiary depository institutions are well-capitalized and well-managed. If these requirements are met, a bank holding company may file a certification to that effect with the Federal Reserve Board and declare that it elects to become a FHC. After the certification and declaration is filed, the FHC may engage either de novo or through an acquisition in any activity that has been determined by the Federal Reserve Board to be financial in nature or incidental to such financial activity. Bank holding companies may engage in financial activities without prior notice to the Federal Reserve Board if those activities qualify under the new list in section 4(k) of the Act. However, notice must be given to the Federal Reserve Board within 30 days after the FHC has commenced one or more of the financial activities. The Corporation has not elected to become an FHC at this time.

Under the GLB Act, a bank subject to various requirements is permitted to engage through "financial subsidiaries" in certain financial activities permissible for affiliates of FHCs. However, to be able to engage in such activities a bank must continue to be "well-capitalized" and well-managed and receive at least a "satisfactory" rating in its most recent Community Reinvestment Act examination.

Community Reinvestment Act

The Community Reinvestment Act requires banks to help serve the credit needs of their communities, including providing credit to low and moderate income individuals and areas. Should the Bank fail to serve adequately the communities it serves, potential penalties may include regulatory denials to expand branches, relocate, add subsidiaries and affiliates, expand into new financial activities and merge with or purchase other financial institutions.

Privacy of Consumer Financial Information

The GLB Act also contains a provision designed to protect the privacy of each consumer s financial information in a financial institution. Pursuant to the requirements of the GLB Act, the financial institution regulators have promulgated final regulations intended to better protect the privacy of a consumer s financial information maintained in financial institutions. The regulations are designed to prevent financial institutions, such as the Bank, from disclosing a consumer s nonpublic personal information to third parties that are not affiliated with the financial institution.

However, financial institutions can share a customer s personal information or information about business and corporations with their affiliated companies. The regulations also provide that financial institutions can disclose nonpublic personal information to nonaffiliated third parties for marketing purposes but the financial institution must provide a description of its privacy policies to the consumers and give the consumers an opportunity to opt-out of such disclosure and, thus, prevent disclosure by the financial institution of the consumer s nonpublic personal information to nonaffiliated third parties.

These privacy regulations will affect how consumer s information is transmitted through diversified financial companies and conveyed to outside vendors. The Bank does not believe the privacy regulations will have a material adverse impact on its operations in the near term.

Consumer Protection Rules Sale of Insurance Products

In addition, as mandated by the GLB Act, the regulators have published consumer protection rules which apply to the retail sales practices, solicitation, advertising or offers of insurance products, including annuities, by depository institutions such as banks and their subsidiaries.

The rules provide that before the sale of insurance or annuity products can be completed, disclosures must be made that state (i) such insurance products are not deposits or other obligations of or guaranteed by the FDIC or any other agency of the United States, the Bank or its affiliates; and (ii) in the case of an insurance product that involves an investment risk, including an annuity, that there is an investment risk involved with the product, including a possible loss of value.

The rules also provide that the Bank may not condition an extension of credit on the consumer s purchase of an insurance product or annuity from the Bank or its affiliates or on the consumer s agreement not to obtain or a prohibition on the consumer obtaining an insurance product or annuity from an unaffiliated entity.

The rules also require formal acknowledgement from the consumer that such disclosures have been received. In addition, to the extent practical, the Bank must keep insurance and annuity sales activities physically separate from the areas where retail banking transactions are routinely accepted from the general public.

Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act) addresses, among other matters, increased disclosures; audit committees; certification of financial statements by the principal executive officer and the principal financial officer; evaluation by management of our disclosure controls and procedures and our internal control over financial reporting; auditor reports on our internal control over financial reporting; forfeiture of bonuses and profits made by directors and senior officers in the twelve (12) month period covered by restated financial statements; a prohibition on insider trading during Corporation stock blackout periods; disclosure of off-balance sheet transactions; a prohibition applicable to companies, other than federally insured financial institutions, on personal loans to their directors and officers; expedited filing of reports concerning stock transactions by a company s directors and executive officers; the formation of a public accounting oversight board; auditor independence; and increased criminal penalties for violation of certain securities laws.

Patriot Act of 2001

The Patriot Act of 2001, which was enacted in the wake of the September 11, 2001 attacks, includes provisions designed to combat international money laundering and advance the U.S. government s war against terrorism. The Patriot Act and the regulations which implement it contain many obligations which must be satisfied by financial institutions, including the Bank. Those regulations impose obligations on financial institutions, such as the Bank, to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. The failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing could have serious legal and reputational consequences for the financial institution.

Table of Contents

Government Policies and Future Legislation

As the enactment of the GLB Act and the Sarbanes-Oxley Act confirm, from time to time various laws are passed in the United States Congress as well as the Pennsylvania legislature and by various bank regulatory authorities which would alter the powers of, and place restrictions on, different types of banks and financial organizations. It is impossible to predict whether any potential legislation or regulations will be adopted and the impact, if any, of such adoption on the business of the Corporation or its subsidiaries, especially the Bank.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The federal government is considering a variety of reforms related to banking and the financial industry. Among those reforms is the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), that was enacted by Congress on July 15, 2010, and was signed into law by President Obama on July 21, 2010. The Dodd-Frank Act is intended to promote financial stability in the U.S., reduce the risk of bailouts and protect against abusive financial services practices by improving accountability and transparency in the financial system and ending the concept of too big to fail institutions by giving regulators the ability to liquidate large financial institutions. It is the broadest overhaul of the U.S. financial system since the Great Depression and the overall impact on the Corporation and its subsidiaries is unknown at this time.

The Dodd-Frank Act has significantly changed the current bank regulatory structure and will affect into the immediate future the lending and investment activities and general operations of depository institutions and their holding companies.

The Dodd-Frank Act requires the FRB to establish minimum consolidated capital requirements for bank holding companies that are as stringent as those required for insured depository institutions; the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. In addition, the proceeds of trust preferred securities are excluded from Tier 1 capital unless (i) such securities are issued by bank holding companies with assets of less than $500 million or (ii) such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than $15 billion of assets.

The Dodd-Frank Act also created a new Consumer Financial Protection Bureau with extensive powers to implement and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rulemaking authority for a wide range of consumer protection laws that apply to all banks, among other things, including the authority to prohibit unfair, deceptive or abusive acts and practices. However, institutions of less than $10 billion in assets, such as the Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the enforcement authority of, their prudential regulators.

The Dodd-Frank Act made many other changes in banking regulation. Those include allowing depository institutions, for the first time, to pay interest on business checking accounts, requiring originators of securitized loans to retain a percentage of the risk for transferred loans, establishing regulatory rate-setting for certain debit card interchange fees and establishing a number of reforms for mortgage originations. Effective October 1, 2011, the debit-card interchange fee was capped at $0.21 per transaction, plus an additional 5 basis point charge to cover fraud losses. These fees are much lower than the current market rates. Although the regulation only impacts banks with assets above $10.0 billion, we believe that the provisions could result in a reduction in interchange revenue in the future.

The Dodd-Frank Act also broadened the base for FDIC insurance assessments. The FDIC was required to promulgate rules revising its assessment system so that it is based on the average consolidated total assets less tangible equity capital of an insured institution instead of deposits. That rule took effect April 1, 2011. The Dodd-Frank Act also permanently increased the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2008, and provided for noninterest bearing transaction accounts with unlimited deposit insurance through December 31, 2012.

Many of the provisions of the Dodd-Frank Act are not yet effective, and the Dodd-Frank Act requires various federal agencies to promulgate numerous and extensive implementing regulations over the next several years. It is therefore difficult to predict at this time what impact the Dodd-Frank Act and implementing regulations will have on the Corporation and the Bank. The changes resulting from the Dodd-Frank Act could limit our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise materially and adversely affect us. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements could also materially and adversely affect us.

Table of Contents

ITEM 1A. RISK FACTORS

Investment in the Corporation s common shares involves risk. The market price of the Corporation s common shares may fluctuate significantly in response to a number of factors including those that follow. The following list contains certain risks that may be unique to the Corporation and to the banking industry. The following list of risks should not be viewed as an all inclusive list or in any particular order.

FDIC assessments may negatively impact earnings

The FDIC has authority to increase regular deposit insurance assessments or impose additional special or emergency assessments if necessary to maintain public confidence in federal deposit insurance or as a result of deterioration in the deposit insurance fund reserve ratio. The Corporation cannot predict what insurance assessment rates will be in the future.

Increases in FDIC insurance premiums may adversely affect the Corporation s earnings

In response to the impact of economic conditions since 2008 on banks generally and on the FDIC deposit insurance fund, the FDIC changed its risk-based assessment system and increased base assessment rates. On November 12, 2009, the FDIC adopted a rule requiring banks to prepay three years worth of premiums to replenish the depleted insurance fund. In February 2011, as required under the Dodd-Frank Act, the FDIC issued a ruling pursuant to which the assessment base against which FDIC assessments for deposit insurance are made will change. Instead of FDIC insurance assessments being based upon an insured bank s deposits, FDIC insurance assessments will generally be based on an insured bank s total average assets minus average tangible equity. With this change, the Corporation expects that its overall FDIC insurance cost will decline. However, a change in the risk categories applicable to the Corporation s bank subsidiaries, further adjustments to base assessment rates and any special assessments could have a material adverse effect on the Corporation.

The Dodd-Frank Act also requires that the FDIC take steps necessary to increase the level of the Deposit Insurance Fund to 1.35% of total insured deposits by September 30, 2020. In October 2010, the FDIC adopted a Restoration Plan to achieve that goal. Certain elements of the Restoration Plan are left to future FDIC rulemaking, as are the potential for increases to the assessment rates, which may become necessary to achieve the targeted level of the DIF. Future FDIC rulemaking in this regard may have a material adverse effect on the Corporation.

Federal Home Loan Bank of Pittsburgh continues to monitor its financial performance

On December 23, 2008, the FHLB announced that it would voluntarily suspend the payment of dividends and the repurchase of excess capital stock until further notice. The FHLB expected its ability to pay dividends and add to retained earnings to be significantly curtailed due to low short-term interest rates, an increased cost of maintaining liquidity, other-than-temporary impairment charges, and constrained access to debt markets at attractive rates. Capital stock repurchases from member banks are reviewed on a quarterly basis by the FHLB, and only limited repurchases are expected to occur until further notice. On February 22, 2012, the FHLB declared a dividend equal to 0.10% annualized as well as the repurchase of excess capital stock from member banks. The FHLB will continue to monitor its financial performance, retained earnings and other relevant information as a basis for determining future dividends and excess capital repurchases. As of December 31, 2011, the Corporation held $11.6 million of FHLB capital stock.

The steadiness of other financial institutions could have detrimental effects

Routine funding transactions may be adversely affected by the actions and soundness of other financial institutions. Financial service institutions are interrelated as a result of trading, clearing, lending, borrowing or other relationships. Transactions are executed on a daily basis with different industries and counterparties, and routinely executed with counterparties in the financial services industry. As a result, a rumor, default or failures within the financial services industry could lead to market-wide liquidity problems which in turn could materially impact the financial condition of the Corporation.

Financial turmoil may increase other-than-temporary-impairment (OTTI) charges

Over the last several years, there has been a rise in OTTI charges taken by institutions, as the fair market values of many investment securities have fallen below their amortized cost basis. The increasing duration of unrealized losses on these securities brought about heightened scrutiny by banks, auditors, and outside examiners on whether write-downs were necessary. If the Corporation s OTTI charges result in it falling below the well capitalized regulatory requirement, the Corporation may need to raise additional capital.

The Corporation may need to raise additional capital in the future and such capital may not be available when needed or at all

We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations and may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments

12

Table of Contents

and business needs. In the absence of wholesale funding sources, the Corporation may turn to additional subordinated debt and/or other transactions that might be available. We cannot assure you that such capital will be available to us on acceptable terms or at all. If the Corporation is unable to generate sufficient additional capital though its earnings, or other sources, it would be necessary to slow earning asset growth and or pass up possible acquisition opportunities, which may result in a reduction of future net income growth. Further, an inability to raise additional capital on acceptable terms when needed could have a material adverse effect on our business, financial condition and results of operations.

Sufficient funding to support earning asset growth

The Corporation recognizes the need to grow both wholesale and non-wholesale funding sources to support earning asset growth and to provide appropriate liquidity. The Corporation s asset growth over the past few years has been funded with various forms of wholesale funding which is defined as wholesale deposits (primarily certificates of deposit) and borrowed funds (FHLB advances, Federal advances and Federal fund line borrowings). Wholesale funding at December 31, 2011 represents approximately 15.4% of total funding compared with approximately 18.3% at December 31, 2010 and 21.5% at December 31, 2009. Wholesale funding generally costs more than deposits generated from the Corporation s traditional branch system and is subject to certain practical limits such as the FHLB s Maximum Borrowing Capacity and the Corporation s liquidity targets. Additionally, regulators might consider wholesale funding beyond certain points to be imprudent and might suggest that future asset growth be reduced or halted.

In the absence of wholesale funding sources, the Corporation might need to reduce earning asset growth through the reduction of current production, sale of assets, and/or the participating out of future and current loans or leases. This in turn might reduce future net income of the Corporation.

The amount loaned to us is generally dependant on the value of the collateral pledged and the Corporation s financial condition. These lenders could reduce the percentages loaned against various collateral categories, eliminate certain types of collateral and otherwise modify or even terminate their loan programs, particularly to the extent they are required to do so because of capital adequacy or other balance sheet concerns, or if further disruptions in the capital markets occur. Any change or termination of our borrowings from the FHLB, the Federal Reserve or correspondent banks would have an adverse affect on our liquidity and profitability.

On February 27, 2009 the FDIC finalized its risk based assessment rules for ongoing assessments. These new rules include certain upward adjustments in the base assessment rate for rapid growth and use of wholesale funding. These new ongoing assessment rules effectively increase the cost of wholesale funding above certain levels in the form of increased FDIC assessments.

The capital and credit markets remain volatile

The capital and credit markets have been experiencing volatility for the past few years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers seemingly without regard to those issuers underlying financial strength. If the level of market volatility worsens, we could experience a material adverse effect on our business, financial condition and results of operations and/or our ability to access capital. Several factors could cause the market price for our common shares to fluctuate substantially in the future, including without limitation:

- announcements of developments related to our business;
- fluctuations in our results of operations;
- sales of substantial amounts of our securities into the marketplace;
- general conditions in our markets or the worldwide economy;

- a shortfall in revenues or earnings compared to securities analysts expectations;
- changes in analysts recommendations or projections;
- our announcement of new acquisitions or other projects; and
- Regulatory changes we are required to comply with;

Market conditions have adversely affected the financial services industry

Declines in the housing market over the past few years, with depressed home prices and a backlog of bank foreclosures, coupled with a high unemployment rate, continue to create concern about the stability of the financial markets and the strength of many financial institutions. This prolonged market turmoil could lead to elevated levels of commercial and consumer delinquencies, the abundance of merger and acquisition activity, failures of financial institutions and a reduction of general business activity and related revenues.

Table of Contents

Political gridlock at state and federal levels

The inability of our federal and state governments to control spending and borrowing, and the resulting record deficits, does not bode well for the future economic growth of our country and the Commonwealth of Pennsylvania. The U.S. reached its debt ceiling, a cap set by Congress on the amount of debt the federal government can legally accumulate, on May 16, 2011. With the near shutdown of the U.S. Government and the lack of a true long-term plan to reduce spending, the most turbulent week in the financial markets around the world, since 2008, was triggered. Unless the escalating costs of governmental entitlement programs, unfunded spending and growing deficits are brought under control, we may experience large tax increases, higher interest rates, reduced government services and much slower growth in the coming years, resulting in lower net income to the Corporation.

Previously enacted and potential future legislation, including legislation to reform the U.S. financial regulatory system, could adversely affect our business

Market conditions have resulted in creation of various programs by the United States Congress, the Treasury, the Federal Reserve and the FDIC that were designed to enhance market liquidity and bank capital. As these programs expire, are withdrawn or reduced, the impact on the financial markets, banks in general and their customers is unknown. This could have the effect of, among other things, reducing liquidity, raising interest rates, reducing fee revenue, limiting the ability to raise capital, all of which could have an adverse impact on the financial condition of the Bank and the Corporation.

Additionally, the federal government has passed a variety of other reforms related to banking and the financial industry including, without limitation, the Dodd-Frank Act. The Dodd-Frank Act imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on our business are:

- changes to regulatory capital requirements;
- exclusion of hybrid securities, including trust preferred securities, issued on or after May 19, 2010 from tier 1 capital;
- creation of new government regulatory agencies (such as the Financial Stability Oversight Council, which will oversee systemic risk, and the Consumer Financial Protection Bureau, which will develop and enforce rules for bank and non-bank providers of consumer financial products);
- potential limitations on federal preemption;
- changes to deposit insurance assessments;
- regulation of debit interchange fees we earn;
- changes in retail banking regulations, including potential limitations on certain fees we may charge; and
- changes in regulation of consumer mortgage loan origination and risk retention.

In addition, the Dodd-Frank Act restricts the ability of banks to engage in certain proprietary trading or to sponsor or invest in private equity or hedge funds. The Dodd-Frank Act also contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments.

Some provisions of the Dodd-Frank Act became effective immediately upon its enactment. Many provisions, however, will require regulations to be promulgated by various federal agencies in order to be implemented, some of which have been proposed by the applicable federal agencies. The provisions of the Dodd-Frank Act may have unintended effects, which will not be clear until implementation. The changes resulting from the Dodd-Frank Act could limit our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise materially and adversely affect us. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements could also materially and adversely affect us.

The new Bureau of Consumer Financial Protection (BCFP) may reshape the consumer financial laws through rulemaking and enforcement of unfair, deceptive or abusive practices, which may directly impact the business operations of depository institutions offering consumer financial products or services including the Bank.

Table of Contents

The BCFP has broad rulemaking authority to administer and carry out the purposes and objectives of the Federal consumer financial laws, and to prevent evasions thereof, with respect to all financial institutions that offer financial products and services to consumers. The BCFP is also authorized to prescribe rules applicable to any covered person or service provider identifying and prohibiting acts or practices that are unfair, deceptive, or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service (UDAP authority). The potential reach of the BCFP s broad new rulemaking powers and UDAP authority on the operations of financial institutions offering consumer financial products or services including the Bank is currently unknown.

Potential losses incurred in connection with possible repurchases and indemnification payments related to mortgages that we have sold into the secondary market may require us to increase our financial statement reserves in the future.

We engage in the origination and sale of residential mortgages into the secondary market. In connection with such sales, we make certain representations and warranties, which, if breached, may require us to repurchase such loans or indemnify the purchasers of such loans for actual losses incurred in respect of such loans. These representations and warranties vary based on the nature of the transaction and the purchaser s or insurer s requirements but generally pertain to the ownership of the mortgage loan, the real property securing the loan and compliance with applicable laws and applicable lender and government-sponsored entity underwriting guidelines in connection with the origination of the loan. While we believe our mortgage lending practices and standards to be adequate, we may receive requests in the future, which could be material in volume. If that were to happen, we could incur losses in connection with loan repurchases and indemnification claims, and any such losses might exceed our financial statement reserves, requiring us to increase such reserves. In that event, any losses we might have to recognize and any increases we might have to make to our reserves could have a material adverse effect on our business, financial position, results of operations or cash flows.

Accounting standards periodically change and the application of our accounting policies and methods may require the Corporation to make estimates about matters that are uncertain

The regulatory bodies that establish accounting standards, including, among others, the Financial Accounting Standards Board and the SEC, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. The effect of such revised or new standards on our financial statements can be difficult to predict and can materially impact how we record and report our financial condition and results of operations.

In addition, the Corporation must exercise judgment in appropriately applying many of our accounting policies and methods so they comply with generally accepted accounting principles. In some cases, the Corporation may have to select a particular accounting policy or method from two or more alternatives. In some cases, the accounting policy or method chosen might be reasonable under the circumstances and yet might result in our reporting materially different amounts than would have been reported if we had selected a different policy or method. Accounting policies are critical to fairly presenting our financial condition and results of operations and may require the Corporation to make difficult, subjective or complex judgments about matters that are uncertain.

Rapidly changing interest rate environment could reduce the Corporation s net interest margin, net interest income, fee income and net income

Interest and fees on loans and securities, net of interest paid on deposits and borrowings, are a large part of the Corporation s net income. Interest rates are key drivers of the Corporation s net interest margin and subject to many factors beyond the control of the Corporation. As interest rates change, net interest income is affected. Rapidly changing interest rates in the future could result in interest expense increasing faster than interest income because of divergence in financial instrument maturities and/or competitive pressures. Further, substantially higher interest rates generally reduce loan demand and may result in slower loan growth. Decreases or increases in interest rates could have a negative effect on the spreads between the interest rates earned on assets and the rates of interest paid on liabilities, and therefore decrease net interest income. Also, changes in interest rates might also impact the values of equity and debt securities under management and administration by the Wealth Management Division which may have a negative impact on fee income. See the section captioned Net Interest Income in the MD&A of the 2011 Annual Report for additional details regarding interest rate risk.

Provision for loan and lease losses and level of non-performing loans

All borrowers carry the potential to default and our remedies to recover may not fully satisfy money previously loaned. We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, which represents the Corporation s best estimate of probable credit losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of the Corporation, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The level of the allowance for loan losses reflects the Corporation s continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic conditions; and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different than those of the Corporation. An increase in the allowance for loan losses results in a decrease in net income, and possibly risk-based capital, and may have a material adverse effect on our financial condition and results of operations.

The design of the allowance for loan loss methodology is a dynamic process that must be responsive to changes in environmental factors. Accordingly, at times the allowance methodology may be modified in order to incorporate changes in various factors including, but not limited to, levels and trends of delinquencies and charge-offs, trends in volume and types of loans, national and economic trends and industry conditions.

The Corporation s controls and procedures may fail or be circumvented

The Corporation diligently reviews and updates the its internal controls over financial reporting, disclosure controls and procedures, and corporate governance policies and procedures. Any failure or undetected circumvention of these controls could have a material adverse impact on our financial condition and results of operations.

Decreased residential mortgage origination, volume and pricing decisions of competitors

The Corporation originates, sells and services residential mortgage loans. Changes in interest rates and pricing decisions by our loan competitors affect demand for the Corporation s residential mortgage loan products, the revenue realized on the sale of loans and revenues received from servicing such loans for others, ultimately reducing the Corporation s net income. New regulations, increased regulatory reviews, and/or changes in the structure of the secondary mortgage markets which the Corporation utilizes to sell mortgage loans may be introduced and may increase costs and make it more difficult to operate a residential mortgage origination business.

The Corporation s performance and financial condition may be adversely affected by regional economic conditions and real estate values

The Bank s loan and deposit activities are largely based in eastern Pennsylvania. As a result, the Corporation s consolidated financial performance depends largely upon economic conditions in this eastern Pennsylvania region. This region experienced deteriorating local economic conditions during 2008 through 2011, and a continued downturn in the regional real estate market could harm our financial condition and results of operations because of the geographic concentration of loans within this regional area and because a large percentage of our loans are secured by real property. If there is further decline in real estate values, the collateral for the Corporation s loans will provide less security. As a result, the Corporation s ability to recover on defaulted loans by selling the underlying real estate will be diminished, and the Bank will be more likely to suffer losses on defaulted loans.

Additionally, a significant portion of the Corporation s loan portfolio is invested in commercial real estate loans. Often in a commercial real estate transaction, repayment of the loan is dependent on rental income. Economic conditions may affect the tenant s ability to make rental payments on a timely basis, and may cause some tenants not to renew their leases, each of which may impact the debtor s ability to make loan payments. Further, if expenses associated with commercial properties increase dramatically, the tenant s ability to repay, and therefore the debtor s ability to make timely loan payments, could be adversely affected.

All of these factors could increase the amount of the Corporation s non-performing loans, increase its provision for loan and lease losses and reduce the Corporation s net income.

Leasing business transactions may result in additional risks not previously experienced by the Corporation

The Corporation s leasing business which began operations in September 2006, consists of nation-wide leasing various types of equipment to businesses with an average original equipment cost of $18 thousand per lease. Continued economic sluggishness may result in higher credit losses than we would experience in our traditional lending business, as well as potential increases in state regulatory burdens such as state income taxes, personal property taxes and sales and use taxes.

A general economic slowdown could further impact Wealth Management Division revenues

A general economic slowdown could decrease the value of Wealth Management Division assets under management and administration resulting in lower fee income, and clients potentially seeking alternative investment opportunities with other providers, which resulting in lower fee income to the Corporation.

Our ability to realize our deferred tax asset may be reduced, which may adversely impact results of operations

Realization of a deferred tax asset requires us to exercise significant judgment and is inherently uncertain because it requires the prediction of future occurrences. The deferred tax asset may be reduced in the future if estimates of future income or our tax planning strategies do not support the amount of the deferred tax asset. If it is determined that a valuation allowance of its deferred tax asset is necessary, the Corporation may incur a charge to earnings.

Table of Contents

The Corporation is subject to environmental liability risk associated with lending activities

A significant portion of our loan portfolio is secured by real property. In the course of our business, we may own or foreclose and take title to real estate and could become subject to environmental liabilities with respect to these properties. We may become responsible to a governmental agency or third parties for property damage, personal injury, investigation and clean-up costs incurred by those parties in connection with environmental contamination, or may be required to investigate or clean-up hazardous or toxic substances, or chemical releases at a property. The costs associated with environmental investigation or remediation activities could be substantial. If we were to become subject to significant environmental liabilities, it could have a material adverse effect on our results of operations and financial condition.

The Corporation is subject to certain risks in connection with its use of technology

Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger, our deposits, and our loans. While we have established policies and procedures to prevent or limit the impact of systems failures, interruptions, and security breaches, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, any compromise of our security systems could deter customers from using our web site and our online banking service, which involve the transmission of confidential information. Although we rely on commonly used security and processing systems to provide the security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource certain of our data processing to third-party providers. If our third-party providers encounter difficulties, or if we have difficulty in communicating with them, our ability to adequately process and account for customer transactions could be affected, and our business operations could be adversely impacted. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any systems failure, interruption, or breach of security could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to civil litigation and possible financial liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations.

Additionally, financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on our ability to keep pace with technological advances and to invest in new technology as it becomes available. Many of our competitors have greater resources to invest in technology than we do and may be better equipped to market new technology-driven products and services. The ability to keep pace with technological change is important, and the failure to do so on our part could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Table of Contents

The Corporation is subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors

Employee errors and misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence.

We maintain a system of internal controls and insurance coverage to mitigate operational risks, including data processing system failures and errors and customer or employee fraud. Should our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, results of operations and financial condition.

Potential acquisitions, including the pending acquisition of the Davidson Trust Company (DTC) may disrupt the Corporation s business and dilute shareholder value

We regularly evaluate opportunities to strengthen our current market position by acquiring and investing in banks and in other complementary businesses, or opening new branches. As a result, we may engage in negotiations or discussions that, if they were to result in a transaction, could have a material effect on our operating results and financial condition, including short and long-term liquidity. Our acquisition activities could be material to us. For example, we could issue additional shares of common stock in a purchase transaction, which could dilute current shareholders ownership interest. These activities could require us to use a substantial amount of cash, other liquid assets, and/or incur debt. In addition, if goodwill recorded in connection with our prior or potential future acquisitions were determined to be impaired, then we would be required to recognize a charge against our earnings, which could materially and adversely affect our results of operations during the period in which the impairment was recognized. Any potential charges for impairment related to goodwill would not impact cash flow, tangible capital or liquidity.

Our acquisition activities, including the pending acquisition of DTC, could involve a number of additional risks, including the risks of:

- incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, resulting in the Corporation s attention being diverted from the operation of our existing business;

- using inaccurate estimates and judgments to evaluate credit, operations, management, and market risks with respect to the target institution or assets;

- potential exposure to unknown or contingent liabilities of banks and businesses we acquire;

- the time and expense required to integrate the operations and personnel of the combined businesses;

- experiencing higher operating expenses relative to operating income from the new operations;

- creating an adverse short-term effect on our results of operations;

- losing key employees and customers as a result of an acquisition that is poorly received; and

- risk of significant problems relating to the conversion of the financial and customer data of the entity being acquired into the Corporation s financial and customer product systems.

We cannot assure you that we will be successful in overcoming these risks or any other problems encountered in connection with pending or potential acquisitions. Our inability to overcome these risks could have an adverse effect on our levels of reported net income, ROE and ROA, and our ability to achieve our business strategy and maintain our market value.

Table of Contents

Attractive acquisition opportunities may not be available to us in the future

We may not be able to sustain a positive rate of growth or be able to expand our business. We expect that other banking and financial service companies, many of which have significantly greater resources than us, will compete with us in acquiring other financial institutions if we pursue such acquisitions. This competition could increase prices for potential acquisitions that we believe are attractive. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals for a transaction, including the acquisition of DTC, we will not be able to consummate such transaction which we believe to be in our best interests. Among other things, our regulators consider our capital, liquidity, profitability, regulatory compliance and levels of goodwill and intangibles when considering acquisition and expansion proposals. Other factors, such as economic conditions and legislative considerations, may also impede or prohibit our ability to expand our market presence. If we are not able to successfully grow our business, our financial condition and results of operations could be adversely affected.

The financial services industry is very competitive

The Corporation faces competition in attracting and retaining deposits, making loans, and providing other financial services such as trust and investment management services throughout the Corporation s market area. The Corporation s competitors include other community banks, larger banking institutions, trust companies and a wide range of other financial institutions such as credit unions, registered investment advisors, financial planning firms, leasing companies, government-sponsored enterprises, on-line banking enterprises, mutual fund companies, insurance companies and other non-bank businesses. Many of these competitors have substantially greater resources than the Corporation. This is especially evident in regards to advertising and public relations spending. For a more complete discussion of our competitive environment, see Business Competition in Item 1 above. If the Corporation is unable to compete effectively, the Corporation may lose market share and income from deposits, loans, and other products may be reduced.

Additionally, increased competition among financial services companies due to consolidation of certain competing financial institutions and the conversion of certain investment banks to bank holding companies may adversely affect our ability to market our products and services.

The Corporation s common stock is subordinate to all of our existing and future indebtedness; regulatory and contractual restrictions may limit or prevent us from paying dividends on our common stock; and we are not limited on the amount of indebtedness we and our subsidiaries may incur in the future

Our common stock ranks junior to all indebtedness, including our outstanding subordinated debentures, and other non-equity claims on the Corporation with respect to assets available to satisfy claims on the Corporation, including in a liquidation of the Corporation. Additionally, unlike indebtedness, where principal and interest would customarily be payable on specified due dates, in the case of our common stock, dividends are payable only when, as and if authorized and declared by our Board of Directors and depend on, among other things, our results of operations, financial condition, debt service requirements, other cash needs and any other factors our Board of Directors deems relevant. Under Pennsylvania law we are subject to restrictions on payments of dividends out of lawfully available funds. Also, the Corporation s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors.

In addition, we are not limited by our common stock in the amount of debt or other obligations we or our subsidiaries may incur in the future. Accordingly, we and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to our common stock or to which our common stock will be structurally subordinated.

There may be future sales of additional common stock or other dilution of our equity, which may adversely affect the market price of our common stock

We are not restricted from issuing additional common stock or other securities. Additionally, our shareholders may in the future approve the authorization of additional classes or series of stock which may have distribution or other rights senior to the rights of our common stock, or may be convertible into or exchangeable for, or may represent the right to receive, common stock or substantially similar securities. The future issuance of shares of our common stock or any other such future equity classes or series could have a dilutive effect on the holders of our common stock. Additionally, the market value of our common stock could decline as a result of sales by us of a large number of shares of common stock or any future class or series of stock in the market or the perception that such sales could occur.

Downgrades in U.S. Government and federal agency securities could adversely affect the Corporation

The full impact of the recent downgrade of the U.S. Government and federal agencies from an AAA to an AA+ credit rating is currently unknown. However, in addition to causing economic and financial market disruptions, the recent downgrade, and any future downgrades and/or failures to raise the U.S. debt limit if necessary in the future, could, among other things, materially adversely affect the market value of the U.S. and other government and governmental agency securities that we hold, the availability of those securities as collateral for borrowing, and our ability to access capital markets on favorable terms, as well as have other material adverse effects

Table of Contents

on the operation of our business and our financial results and condition. In particular, it could increase interest rates and disrupt payment systems, money markets, and long-term or short-term fixed income markets, adversely affecting the cost and availability of funding, which could negatively affect profitability. Also, the adverse consequences as a result of the downgrade could extend to the borrowers of the loans the bank makes and, as a result, could adversely affect its borrowers ability to repay their loans.

Additional risk factors also include the following all of which may reduce revenues and/or increase expenses and/or pull the Corporation s attention away from core banking operations which may ultimately reduce the Corporation s net income:

- Inability to hire or retain key professionals, management and staff;
- Changes in securities analysts estimates of financial performance;
- Volatility of stock market prices and volumes;
- Rumors or erroneous information;
- Changes in market values of similar companies;
- New developments in the banking industry;
- Variations in quarterly or annual operating results;
- New litigation or changes in existing litigation;
- Regulatory actions;
- Changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or other regulatory agencies.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2011, the Corporation owns or leases 17 full-service branch locations, seven limited-service Life Care Community branches and eight other office properties which serve as administrative offices.

The total minimum cash lease payments for office, branch office (including ground leases) and life care community locations amounts to $141 thousand per month.

The following table details the Corporation s properties as of December 31, 2011:

Property Address	Owned/Leased	Net Book Value as of December 31, 2011 (dollars in thousands)	Total Deposits as of December 31, 2011 (dollars in thousands)
Full Service Branches:			
801 Lancaster Ave., Bryn Mawr, PA 19010*	Owned	$ 5,283	$ 566,200
50 W. Lancaster Ave., Ardmore, PA 19003	Leased	2,392	82,958
5000 Pennell Rd., Aston, PA 19014	Leased	443	16,880
3218 Edgemont Ave., Brookhaven, PA 19015	Owned	747	54,911
US Rts. 1 and 100, Chadds Ford, PA 19317	Leased	78	25,978
23 E. Fifth St., Chester, PA 19013	Leased	87	28,414
31 Baltimore Pk., Chester Heights, PA 19017	Leased	488	46,688
One Tower Bridge, West Conshohocken, PA 19428	Leased	4	21,094
237 N. Pottstown Pk., Exton, PA 19341	Leased	831	54,434
18 W. Eagle Rd., Havertown, PA 19083	Owned	1,275	73,974
106 E. Street Rd., Kennett Square, PA 19348	Leased	563	20,476
22 W. State St., Media, PA 19063	Owned	3,706	66,324
3601 West Chester Pk., Newtown Square, PA 19073	Leased	1,176	44,263
39 W. Lancaster Ave., Paoli, PA 19301	Owned	1,593	54,583

Table of Contents

Property Address	Owned/Leased	Net Book Value as of December 31, 2011	Total Deposits as of December 31, 2011
330 Dartmouth Ave., Swarthmore, PA 19081	Owned	736	48,156
849 Paoli Pk., West Chester, PA 19380	Leased	1,425	32,648
330 E. Lancaster Ave., Wayne, PA 19087	Owned	2,499	110,876
Life Care Community Offices:			
601 N. Ithan Ave., Bryn Mawr, PA 19010	Leased		5,733
1400 Waverly Rd, Gladwyne, PA 19035	Leased		3,161
3300 Darby Rd., Haverford, PA 19041	Leased		6,283
11 Martins Run, Media, PA 19063	Leased		4,019
535 Gradyville Rd., Newtown Square, PA 19073	Leased		9,461
404 Cheswick Pl., Rosemont, PA 19010	Leased		3,511
1615 E. Boot Rd., West Chester, PA 19380	Leased		1,344
Other Administrative Offices:			
2, 6 S. Bryn Mawr Ave., Bryn Mawr, PA 19010	Leased	597	Not applicable
10 S. Bryn Mawr Ave., Bryn Mawr, PA 19010	Owned	841	Not applicable
4093 W. Lincoln Hwy., Exton, PA 19341**	Leased		Not applicable
16 Campus Blvd., Newtown Square, PA 19073**	Leased		Not applicable
322 E. Lancaster Ave., Wayne, PA 19087	Owned	1,323	Not applicable
1 West Chocolate Avenue, Hershey, PA 17033***	Leased	13	Not applicable
Subsidiary Offices:			
Lau Associates 20 Montchanin Rd, Greenville, DE 19087	Leased	239	Not applicable
BMTC-DE 20 Montchanin Rd, Greenville, DE 19807	Leased	45	Not applicable
Total:		$ 26,384	$ 1,382,369

* *Corporate headquarters and executive offices*
** *Lending office*
*** *Former PWMG office*

ITEM 3. LEGAL PROCEEDINGS

Neither the Corporation nor any of its subsidiaries is a party to, nor is any of their property the subject of, any material legal proceedings other than ordinary routine litigation incident to their businesses.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

Table of Contents

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Corporation s common stock is traded on the NASDAQ Stock Market under the symbol BMTC. As of December 31, 2011, there were 584 holders of record of the Corporation s common stock.

Price Range of Shares

The information required by this Item 5 is incorporated by reference to the information appearing under the caption Price Range of Shares in the 2011 Annual Report.

Comparison of Cumulative Total Return Chart

The information required by this Item 5 is incorporated by reference to the information appearing under the caption Total Return Performance in the 2011 Annual Report.

Equity Compensation Plan Information

The information required by this Item 5 relating to common stock that may be issued upon the exercise of options under the Corporation s Stock Option Plans as of December 31, 2011 is incorporated by reference to the information appearing under the caption Equity Based Compensation in the 2012 Proxy Statement. Equity compensation plan information is incorporated by reference to Item 12 of this Form 10-K. Additional information regarding the Corporation s stock option plans can be found at Note 18 Stock Based Compensation in the accompanying Notes to Consolidated Financial Statements found in the 2011 Annual Report and such information is incorporated herein by reference thereto.

We have agreed to pay, and our non-employee independent directors have agreed to accept, payment of their annual $12,500 retainer compensation in the form of our common stock, payable in April of each year at the market value of the stock on the day prior to the day of payment. If all of the Corporation s non-employee independent directors, including the directors elected at the Annual Meeting, continue this compensation arrangement for their 2012-2013 terms as directors, it is estimated, based on the $19.49 per share market price of the common stock on December 31, 2011, as listed on NASDAQ, that such directors, as a group, will receive a total of 5,130 shares of our common stock as retainer compensation.

Issuer Purchases of Equity Securities

The following tables present the repurchasing activity of the Corporation during the fourth quarter of 2011:

Shares Repurchased in the 4th Quarter of 2011 (1) (2)

Period:	Total Number of Shares Purchased	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
Oct. 1, 2011 Oct. 31,2011				195,705
Nov. 1, 2011 Nov. 30, 2011				195,705

Dec. 1, 2011	Dec. 31, 2011	195,705

Total

Notes to these tables:

(1) On February 24, 2006, the Board of Directors of the Corporation adopted a new 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. All shares purchased through the 2006 Program were accomplished in open market transactions.

(2) In October, November and December 2011, no shares were purchased by the Corporation s Deferred Compensation Plans through open market transactions by the Corporation s Wealth Management Division investment personnel.

Sales of Unregistered Securities

The information required by this Item 5 is incorporated by reference to the information appearing in Note 25.C. Regulatory Capital Requirements Private Transactions in Securities in the accompanying Notes to Consolidated Financial Statements found in the 2011 Annual Report.

Table of Contents

Dividends Declared

The following table indicates the frequency and amount of all cash dividends declared on the Corporation s common stock for the past two fiscal years.

Quarter ended	Dividend Declared	
December 31, 2011	$	0.15
September 30, 2011	$	0.15
June 30, 2011	$	0.15
March 31, 2011	$	0.15
December 31, 2010	$	0.14
September 30, 2010	$	0.14
June 30, 2010	$	0.14
March 31, 2010	$	0.14

The information regarding dividend restrictions set forth in Note 24 Dividend Restrictions in the accompanying Notes to Consolidated Financial Statements found in the 2011 Annual Report and is incorporated into this item by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is incorporated by reference to the information appearing under the caption Selected Financial Data in the financial section of the 2011 Annual Report as well as information related to accounting changes found under the caption New Accounting Pronouncements at Note 1-W in the accompanying Notes to Consolidated Financial Statements found in the 2011 Annual Report.

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

The information required by this Item 7 is incorporated by reference to the information appearing under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations in the financial section of the 2011 Annual Report.

ITEM 7A. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required by this Item 7A is incorporated by reference to information appearing in the MD&A Section of the 2011 Annual Report, more specifically in the sections entitled Net Interest Income Analysis of Interest Rates and Interest Differential, Tax-Equivalent Net Interest Income and Margin 2011 Compared to 2010, and -2010 Compared to 2009, Tax-Equivalent Net Interest Margin Quarterly and Annual Comparison, Interest Rate Sensitivity, Summary of Interest Rate Simulation, and Gap Report; Provision for Loan and Lease Losses Loans Acquired in the FKF Merger, General Discussion of Allowance for Loan and Lease Losses, Asset Quality and Analysis of Credit Risk, Non-Performing Assets, TDRs and Related Ratios, Summary of Changes in the Allowance of Loan and Lease Losses, Allocation of Allowance for Loan and Lease Losses; Non- Interest Income; Non-Interest Expense ; Income Taxes ; Balance Sheet Analysis ; Discussion of Segments ; Capital and Regulatory Capital Ratios ; Liquidity ; Off Balance Sheet Risk ; Contractual Cash Obligation of the Corporation as of December 31, 2010 ; and Other Information. .

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and the auditor s report thereon and supplementary data required by this Item 8 are incorporated by reference to the financial section of the 2011 Annual Report.

ITEM 9.

CHANGE IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Corporation carried out an evaluation, under the supervision and with the participation of the Corporation s management, including the Corporation s Chief Executive Officer, Frederick C. Peters II, and Chief Financial Officer, J. Duncan Smith, CPA, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2011 pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation s disclosure controls and procedures as of December 31, 2011, 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.

Changes in Internal Control over Financial Reporting

As of the date of this Report, there have been no changes in the Corporation s internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Corporation s internal control over financial reporting.

Design and Evaluation of Internal Control Over Financial Reporting

Pursuant to Section 404 of Sarbanes-Oxley, we have incorporated a report of management s assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Our independent registered public accounting firm, KPMG LLP (KPMG), also attested to, and reported on, the effectiveness of internal control over financial reporting. Management s report and KPMG s attestation report are incorporated herein by reference to our 2011 Annual Report under the captions entitled Management s Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm .

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information with respect to Directors of the Corporation and Committees of the Corporation s Board of Directors is incorporated by reference to the 2012 Proxy Statement under the captions Corporate Governance and Our Board of Directors .

Each member of the Audit Committee is independent and financially literate as defined by NASDAQ. The Board of Directors of the Corporation has determined that Scott M. Jenkins and Britton H. Murdoch are financial experts as defined by SEC regulations.

The Boards of Directors of the Corporation and the Bank have each determined that all of their members are independent and meet the independence requirements of the NASDAQ, except for Frederick C. Peters, II, Francis J. Leto and Donald S. Guthrie.

Executive Officers of the Corporation and the Bank

Below is certain information with respect to the executive officers of the Corporation and Bank as of March 1, 2012:

NAME	AGE AS OF MARCH 1, 2012	OFFICE WITH THE CORPORATION AND/OR BANK
Frederick C. Peters II	62	President and Chief Executive Officer and Chairman of Corporation and Bank
J. Duncan Smith, CPA	53	

		Treasurer and Chief Financial Officer of Corporation and Executive Vice President, Treasurer & Chief Financial Officer of Bank
Alison E. Gers	54	Executive Vice President of Bank Community Banking Division, Marketing, Technology and Information, Services and Operations
Joseph G. Keefer	53	Executive Vice President of Bank - Chief Lending Officer
Geoffrey L. Halberstadt	55	Secretary of Corporation and Executive Vice President, Secretary and Chief Credit Policy Officer of the Bank
Francis J. Leto	52	Executive Vice President of Bank Wealth Management Division

Table of Contents

Mr. Peters was elected President and Chief Executive Officer and a Director of the Corporation and the Bank on January 22, 2001. Mr. Peters was elected the Chairman of each of the Boards of the Bank and Corporation effective August 5, 2002. Prior to that, Mr. Peters was founder, President and Chief Executive Officer of the 1st Main Line Bank, a division of National Penn Bank, from May 1995 to January 2001.

Mr. Smith has been employed by the Corporation since April 2005 as Treasurer and Chief Financial Officer of the Corporation and as Executive Vice President, Treasurer and Chief Financial Officer of the Bank. Mr. Smith is a Certified Public Accountant, licensed in the Commonwealth of Pennsylvania.

Ms. Gers was employed by the Bank in 1998 as Senior Vice President of Marketing. Ms. Gers was appointed Executive Vice President of the Bank in 2001. Since joining the Bank, Ms. Gers has held various positions. As of September 2005, Ms. Gers became responsible for the Community Banking Division, marketing, technology and information services and operations.

Mr. Keefer was employed by the Bank in 1991 as Vice President and Commercial Lending manager. Mr. Keefer was made the Bank s Chief Lending Officer in December 1997. In February 2001, Mr. Keefer was designated Executive Vice President and Chief Lending Officer of the Bank. In December 2002, Mr. Keefer assumed responsibility for the Bank s Credit Division.

Mr. Halberstadt was employed by the Bank in 1991 as Vice President in the Construction Loan department. Mr. Halberstadt was made Senior Vice President and Risk Management Officer of the Bank and Vice President of the Corporation in January 2001. In April 2010, Mr. Halberstadt was appointed Executive Vice President and Chief Credit Policy Officer of the Bank and Secretary of the Corporation and Bank.

Mr. Leto has been Executive Vice President and head of the Bank s Wealth Management Division, since January 20, 2009, and has served as a member of the Corporation s and the Bank s Boards of Directors since 2002. Mr. Leto was also appointed as General Counsel of the Corporation and the Bank in 2011. Previously, Mr. Leto served as General Counsel for Lifestyle Development, LP from October 2007 to January 2009; of Counsel for Brett Senior & Associates from April 2006 to January 2009; a partner in the law firm of Celli and Leto, LLP from January 1995 to March 2006; and President, Brandywine Abstract Company, L.P. from May 1988 to January 2009.

The Corporation has adopted a Code of Business Conduct and Ethics (the Code) which amended, restated and combined into one code its Code of Ethics for Officers and Directors and its Employee Code of Ethics. The Code is available on the Corporation s website at *www.bmtc.com* by clicking About Us followed by Investor Relations and Governance Documents, and printed copies are available to any shareholder upon request. The Code meets the requirements for a code of ethics for the Corporation s Chief Executive Officer, Chief Financial Officer and Comptroller or persons performing similar functions under Item 406 of Regulation S-K of the SEC. Any amendments to the Code, or any waivers of the Code for directors or executive officers will be disclosed promptly on a Form 8-K filed with the SEC or by any other means approved by the SEC.

The information with respect to compliance with Section 16 of SEC Exchange Act of 1934 is incorporated by reference to the 2012 Proxy Statement under the caption Section 16(a) Beneficial Ownership Reporting Compliance.

ITEM 11. EXECUTIVE COMPENSATION

The information required for Item 11 is incorporated by reference to section titled Executive Compensation in the 2012 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required for Item 12 found below is incorporated by reference to Item 5, of this 2011 Form 10-K and to the section titled Security Ownership of Certain Beneficial Owners and Management of the 2012 Proxy Statement.

Table of Contents

Equity Compensation Plan Information

Plan Category	A. Number of securities to be issued upon exercise of outstanding options	B. Weighted-average exercise price of outstanding options	C. Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)
Equity compensation plans approved by shareholders	864,196	$ 20.24	378,355
Equity compensation plans not approved by shareholders			
Total	864,196	$ 20.24	378,355

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required for Item 13 is incorporated by reference to sections titled Transactions With Related Persons and Corporate Governance Director Independence in the 2012 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required for Item 14 is incorporated by reference to the section titled Audit and Non-Audit Fees in the 2012 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Item 15(a)(1) The following items are incorporated by reference to the 2011 Annual Report, attached hereto as Exhibit 13.1:

Report of Independent Registered Public Accounting Firm, KPMG LLP

Consolidated Financial Statements and related Notes

Quarterly Results of Operations

Item 15(a)(2) Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the information called for is included in the Consolidated Financial Statements or Notes thereto.

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Item15(a)(3) Exhibits

Exhibit No.	Description and References
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2.2	Agreement and Plan of Merger, dated as of November 3, 2009, by and between Bryn Mawr Bank Corporation and First Keystone Financial, Inc., incorporated by reference to Exhibit 2.1 to the Corporation s 8-K filed with SEC on November 4, 2009
2.3	Stock Purchase Agreement, dated as of February 18, 2011, by and between Bryn Mawr Bank Corporation and Hershey Trust Company, incorporated by reference to Exhibit 2.1 to the Corporation s 8-K filed with SEC on February 18, 2011
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**	Form of Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.3 of the Corporation s Form 10-K filed with the SEC on March 16, 2010
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
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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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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
10.20**	Bryn Mawr Bank Corporation Supplemental Employee Retirement Plan for Select Executives, executed December 8, 2008, incorporated by reference to Exhibit 10.20 of the Corporation s Form 10-K filed with the SEC on March 16, 2009
10.21*	Restricted Covenant Agreement, dated as of November 2, 2009, between the Bryn Mawr Trust Company and Francis J. Leto, incorporated by reference to Exhibit 10.2 of the Corporation s 8-K filed with the SEC on November 6, 2009
10.22*	Executive Change-of-Control Amended and Restated Severance Agreement, dated November 2, 2009, between the Bryn Mawr Trust Company and Francis J. Leto, incorporated by reference to Exhibit 10.1 of the Corporation s 8-K filed with the SEC on November 6, 2009
10.23	Bryn Mawr Bank Corporation Dividend Reinvestment and Stock Purchase Plan with Request for Waiver Program, effective July 20, 2009, incorporated by reference to the prospectus supplement filed with the SEC on July 20, 2009 pursuant to Rule 424(b)(2) of the Securities Act
10.24**	Bryn Mawr Bank Corporation 2010 Long-Term Incentive Plan, effective April 28, 2010, incorporated by reference to Exhibit 10.24 of the Corporation s Form 10-Q filed with the SEC on May 10, 2010
10.25	Placement Agency Agreement dated as of May 13, 2010, among Bryn Mawr Bank Corporation, Stifel Nicolaus & Company, Incorporation, Keefe, Bruyette & Woods, Inc., and Boenning & Scattergood, Inc., incorporated by reference to Exhibit 1.1 to the Corporation s Form 8-K filed with the SEC on May 14, 2010
10.26	Form of Purchase Agreement relating to May 2010 Registered Direct Offering, incorporated by reference to Exhibit 10.1 of the Corporation s Form 8-K filed with the SEC on May 14, 2010
10.27	Amended and Restated Transition, Consulting, Noncompetition and Retirement Agreement, dated November 25, 2008, by and among First Keystone Financial, Inc., First Keystone Bank and Donald S. Guthrie, as assumed by Bryn Mawr Bank Corporation and The Bryn Mawr Trust Company as of July 1, 2010, incorporated by reference to Exhibit 10.1 to the Corporation s Form 8-K filed with the SEC on July 1, 2010
10.28	First Keystone Financial, Inc. Amended and Restated 1998 Stock Option Plan, as assumed by Bryn Mawr Bank Corporation, incorporated by reference to Exhibit 10.1 to the Corporation s Post-Effective Amendment No.1 to Form S-4 on Form S-3, filed with the SEC on July 9, 2010

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Exhibit No.	Description and References
10.29*	Executive Change-of-Control Amended and Restated Severance Agreement, dated September 27, 2010, between the Bryn Mawr Trust Company and Geoffrey L. Halberstadt, incorporated by reference to Exhibit 10.29 to the Corporation s Form 10-K filed with the SEC on March 16, 2011.
10.30*	Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, dated as of January 10, 2011, for Francis J. Leto, incorporated by reference to Exhibit 10.30 to the Corporation s Form 10-K filed with the SEC on March 16, 2011.
10.31	Amendment No. 2 to Stock Purchase Agreement by and between PWMG Bank Holding Company Trust and Bryn Mawr Bank Corporation dated September 29, 2011, filed with the SEC on Form 8-K on October 4, 2011.
10.32	Form of Restricted Stock Agreement for Employees (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.32 to the Corporation s Form 10-Q with the SEC on November 9, 2011.
10.33	Form of Restricted Stock Agreement for Directors (Service/Performance Based) Subject to the 2010 Long Term Incentive Plan, incorporated by reference to Exhibit 10.33 to the Corporation s Form 10-Q with the SEC on November 9, 2011.
13.1	Corporation s Annual Report to Shareholders for the year ended December 31, 2011, filed herewith
21.1	List of Subsidiaries, filed herewith
23.1	Consent of KPMG LLP, filed herewith
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
99.1	Corporation s Proxy Statement for 2012 Annual Meeting to be held on May 2, 2012, expected to be filed with the SEC on or around March 30, 2012, and incorporated herein by reference
101	The following materials from the Annual Report on Form 10-K for the period ended December 31, 2011, formatted in XBRL: (i) the Consolidated Balance Sheets at December 31, 2011 and December 31, 2010, (ii) the Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (iii) the Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009, (iv) the Consolidated Statements of Shareholders Equity for the years ended December 31, 2011, 2010 and 2009, (v) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009 and (vi) the Notes to Consolidated Financial Statements tagged as blocks of text. (These interactive data files shall not be deemed filed for purposes of Section 11 or Section 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liabilities under these Sections.)

* 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.

29

Table of Contents

Item 15(b) The Exhibits described above in Item 15(a)(3) are attached hereto or incorporated by reference herein, as noted

Item 15(c) Not Applicable

SIGNATURES

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

(Registrant) Bryn Mawr Bank Corporation

By (Signature and Title) /s/ J. Duncan Smith, Treasurer and Chief Financial Officer

Date March 15, 2012

30

Table of Contents

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

NAME	TITLE	DATE
/s/ Frederick C. Peters II	Chairman, President and Chief Executive Officer	March 15, 2012
Frederick C. Peters II	(Principal Executive Officer) and Director	
/s/ J. Duncan Smith	Treasurer and Chief Financial Officer	March 15, 2012
J. Duncan Smith	(Principal Financial Officer)	
/s/ David E. Lees	Director	March 15, 2012
David E. Lees		
/s/ Andrea F. Gilbert	Director	March 15, 2012
Andrea F. Gilbert		
/s/ Wendell F. Holland	Director	March 15, 2012
Wendell F. Holland		
/s/ Francis J. Leto	Director	March 15, 2012
Francis J. Leto		
/s/ B. Loyall Taylor, Jr.	Director	March 15, 2012
B. Loyall Taylor, Jr.		
/s/ Jerry L. Johnson	Director	March 15, 2012
Jerry L. Johnson		
/s/ Britton H. Murdoch	Director	March 15, 2012
Britton H. Murdoch		
/s/ Scott M. Jenkins	Director	March 15, 2012
Scott M. Jenkins		
/s/ Donald S. Guthrie	Director	March 15, 2012
Donald S. Guthrie		

Table of Contents

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* 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.