Bryn Mawr Bank Corporation

Ratings

Bryn Mawr Bank Corporation	
Action: **Affirmed**	7/2/19
Senior Unsecured Debt	A-
Subordinated Debt	BBB+
Short-Term Debt	K2

The Bryn Mawr Trust Company	
Action: **Affirmed**	7/2/19
Deposit	A
Senior Unsecured Debt	A
Subordinated Debt	A-
Short-Term Deposit	K1
Short-Term Debt	K1

KBRA Global Bank & Bank Holding Company Methodology dated February 19, 2016.

Outlook/Watch

Bryn Mawr Bank Corporation	
Long-Term Ratings	Stable

The Bryn Mawr Trust Company	
Long-Term Ratings	Stable

Financial Snapshot

BMTC (%)	2Q19	YE18
Total Assets ($B)	4.7	4.7
ROAA	1.36	1.54
NIM	3.55	3.79
NCO Ratio	0.12	0.19
NPA Ratio	0.35	0.39
TCE Ratio	8.5	8.1
CET1 Ratio	10.4	10.3
Loans/Core Dep	NR	110

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Company Profile

- Bryn Mawr Bank Corporation (NASDAQ: BMTC) ("Byrn Mawr" or "the company") was established in 1987 and conducts its operations primarily through its lead subsidiary bank, The Bryn Mawr Trust Company ("the bank"). Founded in 1889, the bank is one of the largest remaining Philadelphia-based community banks. Bryn Mawr offers traditional banking, capital markets, insurance, and wealth management services within its primary operating footprint in the greater Delaware Valley and reported approximately $4.7 billion in assets, $3.6 billion in deposits, and $3.5 billion in loans, complemented by $14.8 billion in trust and investment AUM/AUA/AUS as of June 30, 2019.
- BMTC primarily serves small and middle market businesses and high net worth clients with a high-touch private banking delivery model, supported by 52 offices throughout its operating footprint.
- Bryn Mawr has a comparatively favorable revenue mix, deriving a significant portion of revenues from stable noninterest fee income from its wealth management and insurance business lines.

Ratings Rationale

- The ratings are supported by the company's seasoned management team, which, in KBRA's view, continues to strengthen with the addition of, and influence by, seasoned banking professionals with larger banking experience. Additionally, the company has well diversified revenue sources, particularly those derived from its wealth management business, which is of sufficient scale and more representative of larger financial institutions in terms of proportional revenue generation. Due in part to the above-mentioned influence of stable fee generating businesses, BMTC continues to produce stable core earnings metrics. Additionally, BMTC has historically exhibited sound credit quality, though recent idiosyncratic issues have brought the company's credit metrics more in line with peer averages as opposed to its traditional position of strength. KBRA, however, views these as isolated events and expects successful resolution in the near to medium term.
- These factors are counterbalanced by the company's limited geographic footprint and lack of breadth within the banking franchise as compared to larger regional competitors, coupled with a high correlation to real estate in the loan portfolio, although BMTC has a favorable loss history in real estate loans. Also constraining the ratings is BMTC's suboptimal liquidity position, with the bank's balance sheet effectively fully loaned up, which has put meaningful pressure on funding costs, though this is consistent with observations of many other community banks; this is largely offset by the bank's considerable access to wholesale funding as well as its recent strategic initiatives around deposit gathering.
- The Stable Outlook reflects KBRA's expectation of continued consistency in core earnings performance supported by BMTC's favorable revenue mix, along with stabilized asset quality metrics going forward.

Drivers of Rating Change

Drivers of Rating Change	
Given BMTC's current positioning in an above-average rating category, no upgrade is anticipated through the medium term. To see positive ratings momentum, KBRA would need to observe a significant increase in the size and diversity of the company's franchise businesses.	+
The ratings for BMTC incorporate a certain degree of resilience based upon KBRA stress testing. However, further degradation in asset quality, particularly evidence of systemic credit issues, would put downward pressure on ratings. Additionally, any indication of significant outflow of AUM or deterioration of capital levels could have negative rating implications.	–

2Q19 Performance and Highlights

Key Financial Ratios (%)	2Q19	1Q19	2Q18
ROAA	1.36	0.95	1.36
NIM	3.55	3.75	3.81
Efficiency	60.2	60.3	55.6
Net Charge-offs / Average Loans	0.12	0.30	0.17
NPAs / Total Loans + OREO	0.35	0.55	0.29
Common Equity Tier 1 (CET1) Ratio	10.4	10.1	9.9
Tier 1 / Risk Weighted Assets (RWA)	11.0	10.7	10.5

- BMTC's performance rebounded in 2Q19 and continues to demonstrate strong fundamentals, led by its diverse revenue mix, above-peer earnings, and improved asset quality metrics (after an uptick in NPAs/NCOs in 1Q19).
- Reported performance rebounded in 2Q, led by sequentially higher fee revenue derived from wealth management services, sequentially lower operating expenses (which were inflated the prior quarter due to BMTC's ~$3.5 million succession planning incentive program), and lower provisioning costs during the quarter.
- BMTC's NIM saw moderate contraction on a core basis (3.43% vs. 3.54%), which, when coupled with continued declining contribution of accretion (12 bps vs. 21 bps), led to a 20-bp decline in reported NIM. BMTC continues to experience pressure on funding costs, particularly deposit funding, as the competitive dynamics in the company's operating markets have yet to abate despite signaling from the Fed of interest rate easement. That said, growth in the deposit base of ~$33 million included the silver lining of a favorable (and appropriate, given the current outlook for rates) turn in deposit funding mix, as increases in non-maturity deposits (MMDA and interest-bearing demand) more than offset declining time deposit balances (both retail and wholesale). BMTC continues to run close to fully loaned up, with a loan-to-deposit ratio of ~97%.
- Revenues continued to reflect considerable contribution (~36%) from noninterest sources, principally wealth management and, to a lesser degree, capital markets, insurance commissions, and noninterest loan-related fees, including gain on sale and servicing.
- Wealth assets (AUM/AUA/AUS) ended 2Q19 at approximately $14.8 billion (up ~10% since YE 2018), led sequentially higher on a rebound in market valuations. The fee pull through rate has remained relatively stable at ~31 bps.
- Loan balances were sequentially flat, though up ~4.5% year-on-year, with growth primarily driven by CRE.
- Asset quality moderately improved during the quarter after both NPAs and NCOs increased from a low basis in 1Q19. The previous quarter's increase was driven by several idiosyncratic events that appear to have been resolved during 2Q, as both NPAs and NCOs decreased markedly, primarily in CRE NCOs ($3 thousand recovery 2Q vs. $1.4 million charge-off 1Q).
- Strong internal capital generation buoyed TCE by 16 bps, to 8.51%. Of note, BMTC announced a dividend increase (+$0.01 to $0.26), which pushes the dividend payout to ~33%, in line with previously stated targets.

KBRA KROLL BOND RATING AGENCY

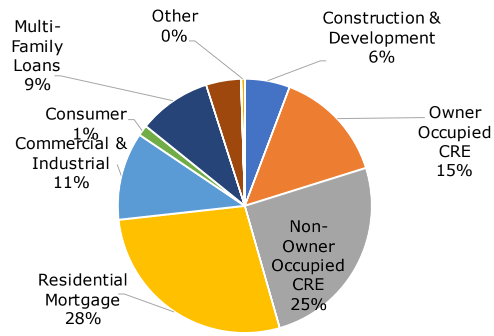
Financial Metrics

SUMMARY FINANCIAL HIGHLIGHTS BRYN MAWR BANK CORPORATION	1Q19	4Q18	3Q18	2Q18	1Q18	2018	2017	2016	2015	2014
Balance Sheet ($ millions)										
Loans (HFI)	3,524	3,427	3,381	3,390	3,306	3,427	3,286	2,535	2,269	1,652
Average Earning Assets	4,130	4,050	4,018	3,993	3,911	3,993	3,209	2,889	2,727	1,989
Total Assets	4,632	4,652	4,388	4,394	4,300	4,652	4,450	3,422	3,031	2,247
Core Deposits	3,218	3,131	2,981	3,087	3,006	3,131	3,060	2,319	2,090	1,566
Total Deposits	3,638	3,600	3,358	3,360	3,316	3,600	3,374	2,580	2,253	1,688
Total Equity	576	565	552	543	534	565	529	381	366	245
Tangible Common (TCE)	369	358	344	335	326	358	323	256	237	188
Income Statement ($ millions)										
Net Interest Income	38.2	38.4	37.2	38.0	38.0	151.5	116.4	107.6	101.8	77.7
Noninterest Income	18.6	17.4	17.6	17.8	18.8	71.6	56.8	51.7	53.2	46.8
Noninterest Expense	39.6	34.6	33.4	34.2	35.8	138.0	113.5	100.7	125.6	81.3
Provision for Loan Losses	3.7	2.4	0.7	3.1	1.0	7.2	2.6	4.3	4.4	0.9
Net Income	10.7	17.1	16.7	14.7	15.3	63.8	23.0	36.0	16.8	27.8
Performance Measures (%)										
Return on Average Assets	0.94%	1.55%	1.52%	1.35%	1.44%	1.46%	0.67%	1.16%	0.57%	1.32%
Return on Average Equity	7.5%	12.3%	12.2%	11.0%	11.6%	11.8%	5.8%	9.9%	4.5%	11.6%
Net Interest Margin (TE)	3.71%	3.80%	3.72%	3.81%	3.89%	3.81%	3.65%	3.75%	3.75%	3.93%
Efficiency Ratio	69.7%	61.9%	60.9%	61.3%	63.1%	61.8%	65.5%	63.2%	81.0%	65.3%
Noninterest Income / Op. Revenue	32.8%	31.2%	32.1%	31.9%	33.1%	32.1%	32.8%	32.5%	34.3%	37.6%
Loans / Earning Assets	84%	84%	84%	84%	84%	84%	84%	84%	79%	81%
Cost of Interest-Bearing Deposits	0.95%	0.84%	0.69%	0.56%	0.45%	0.64%	0.35%	0.26%	0.21%	0.19%
Average Loan Yield	5.17%	5.21%	5.00%	4.99%	4.96%	5.04%	4.50%	4.56%	4.75%	4.90%
Asset Quality (%)										
NPA / Loans + OREO	0.55%	0.39%	0.28%	0.29%	0.24%	0.39%	0.27%	0.37%	0.56%	0.66%
LLR / Loans (HFI)	0.59%	0.57%	0.55%	0.57%	0.53%	0.57%	0.53%	0.69%	0.70%	0.88%
LLR / NPL	107%	152%	208%	205%	234%	152%	204%	208%	155%	150%
NCO / Average Loans	0.29%	0.19%	0.16%	0.17%	0.11%	0.16%	0.10%	0.11%	0.14%	0.11%
Provision / NCO (x)	1.5	1.5	0.5	2.2	1.2	1.4	1.0	1.6	1.4	0.5
NPA Change Rate	46%	39%	(5%)	27%	(12%)	49%	(6%)	(27%)	19%	(5%)
Capital (%)										
TCE Ratio	8.3%	8.1%	8.2%	8.0%	8.0%	8.1%	7.6%	7.8%	8.2%	8.6%
Leverage Ratio	9.0%	9.1%	8.9%	8.7%	8.7%	9.1%	10.1%	8.7%	9.0%	9.5%
CET 1 ratio	10.1%	10.3%	10.3%	9.9%	9.8%	10.3%	9.9%	10.5%	10.7%	#N/A
Tier 1 Ratio	10.7%	10.9%	10.9%	10.5%	10.5%	10.9%	10.4%	10.5%	10.7%	12.0%
Total Capital Ratio	14.0%	14.3%	14.3%	13.9%	13.9%	14.3%	13.9%	12.3%	12.6%	12.9%
Leverage & Funding (%)										
Loans / Deposits	97%	95%	101%	101%	100%	95%	98%	99%	101%	98%
Loans / Core Deposits	110%	110%	114%	110%	110%	110%	108%	110%	109%	106%
Double Leverage (Incl TRuPS)	104%	103%	105%	107%	106%	103%	105%	101%	97%	96%

Data Source: FR Y-9C and FR Y-9LP

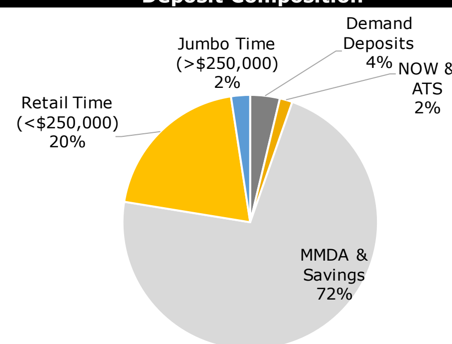
Loan Composition					
($ millions)	2019	2018	2017	2016	2015
Construction & Development	203	230	227	153	97
Owner Occupied CRE	509	488	458	357	301
Non-Owner Occupied CRE	895	861	870	614	547
Residential Mortgage	976	976	959	831	806
Commercial & Industrial	395	370	352	286	267
Consumer	48	47	38	27	24
Multi-Family Loans	327	295	255	190	163
Leases	156	145	115	55	50
Agriculture	2	2	2	1	-
Other	15	14	14	30	21
Total Loans	3,526	3,429	3,290	2,545	2,278
Loans Held for Sale (HFS)	3	2	4	10	9
Loans Held for Investment (HFI)	3,524	3,427	3,286	2,535	2,269
Annual Loan Growth	3%	4%	29%	12%	38%
Investor CRE / Total Loans	41%	41%	42%	38%	35%
C&D / Risk-Based Capital (RBC)	40%	46%	49%	48%	32%
Non-Owner Occupied CRE / RBC	284%	281%	296%	301%	267%

Loan Composition



Deposit Composition					
($ millions)	2019	2018	2017	2016	2015
Domestic Deposits					
Demand Deposits	136	164	300	201	125
NOW & ATS	58	43	89	31	29
MMDA & Savings	2,628	2,524	2,281	1,952	1,817
Time Deposits					
Retail Time (<$250,000)	728	780	625	211	170
Jumbo Time (>$250,000)	88	88	79	185	112
Foreign Deposits	-	-	-	-	-
Total Deposits	3,638	3,600	3,374	2,580	2,253
Total Core Deposits	3,218	3,131	3,060	2,319	2,090
Total Non-interest Bearing	136	164	300	201	125
Annual Core Deposit Growth Rate	3%	2%	32%	11%	33%

Deposit Composition



Comparative Statistics

Rated BHC Peer Comparison as of March 31, 2019*

	Bryn Mawr Bank Corporation	WSFS Financial Corporation	Univest Corporation of Pennsylvania	German American Bancorp, Inc.	Sandy Spring Bancorp, Inc.	Peapack-Gladstone Financial Corporation	Average A- Rated BHC	Average BBB+ Rated BHC
Total Assets (000s)	$4,631,993	$12,184,417	$5,035,527	$3,896,766	$8,327,900	$4,662,306	$34,042,458	$12,416,721
Total Equity (000s)	$575,793	$1,789,752	$637,606	$479,187	$1,095,848	$481,472	$3,887,632	$1,679,899
Market Capitalization (000s)	$751,892	$2,205,710	$769,090	$752,766	$1,241,828	$546,832		
Price / Tangible Book Value	2.04	1.81	1.69	2.06	1.68	1.22		
P/E	9.18	10.00	14.27	13.62	11.33	12.17		
5-year Average ROE	8.71%	11.40%	7.40%	12.16%	9.47%	8.78%		
Weighted Average Cost of Capital	6.55%	7.46%	6.41%	6.79%	5.79%	6.99%		
Dividend Payout Ratio	28.23%	9.47%	46.07%	28.12%	38.48%	8.40%		
FY 2019 Mean Analyst Est ROA	1.34%	1.50%	1.23%	1.45%	1.36%	1.01%		
FY 2020 Mean Analyst Est ROA	1.36%	1.66%	1.23%	1.43%	1.33%	1.05%		
Performance Measures								
Return on Average Assets	0.94%	0.57%	1.28%	1.55%	1.47%	0.98%	1.18%	1.27%
Core ROAA	1.27%	1.59%	1.31%	1.58%	1.46%	1.00%	N/A	N/A
Return on Equity	7.42%	2.91%	10.09%	12.58%	11.07%	9.49%	9.76%	10.01%
Net Interest Margin	3.70%	4.24%	3.66%	3.76%	3.50%	2.66%	3.92%	3.69%
Average Loan Yield	5.17%	5.56%	4.82%	5.18%	4.90%	4.16%	5.58%	5.29%
Average Cost of Interest Bearing Deposits	0.95%	0.88%	0.84%	0.91%	1.36%	1.31%	1.07%	1.10%
Noninterest Income / Total Revenue	32.8%	29.5%	28.2%	25.5%	20.1%	28.0%	27.5%	18.6%
Wealth Segment								
Wealth Assets - AUM/AUA/AUS (Billions)	$14.7	$19.0	$3.6	$1.6	$3.1	$6.3	N/A	N/A
Wealth Revenues / Wealth Assets	0.30%	0.21%	0.60%	0.37%	0.68%	0.58%	N/A	N/A
Wealth Asset / FTE Employee (Millions)	$22,511	$10,144	$4,787	$2,171	$3,407	$14,720	N/A	N/A
Efficiency Measures								
Efficiency Ratio	69.7%	80.5%	61.5%	59.3%	52.7%	61.7%	64.4%	57.4%
Personnel Expense / Total Assets	2.17%	1.71%	1.71%	1.54%	1.11%	1.47%	2.04%	1.20%
Occupancy Expense / Total Assets	0.49%	0.41%	0.29%	0.33%	0.24%	0.29%	0.36%	0.24%
Other Expense / Total Assets	0.79%	1.00%	0.83%	0.87%	0.66%	0.44%	1.10%	0.73%
Operating Expense / Total Assets	3.42%	3.12%	2.82%	2.75%	2.11%	2.21%	3.50%	2.16%
Operating Exp less Noninterest Income	1.81%	1.98%	1.53%	1.57%	1.31%	1.20%	1.72%	1.37%
Total FTE Employees	676	1,903	840	737	910	428	4,653	1,360
Personnel Expense / FTE Employee (000s)	$148.83	$109.53	$102.69	$81.64	$114.18	$160.34	$127	$104
Assets / FTE Employee (Millions)	$6,852	$6,403	$5,995	$5,287	$9,152	$10,893	$8,449	$8,411
Loans / FTE Employee (Millions)	$5,217	$4,591	$4,844	$3,687	$7,247	$9,115	$5,977	$6,259
Deposits / FTE (Millions)	$5,382	$5,083	$4,766	$4,160	$6,834	$9,157	$6,568	$6,499
Total Domestic Branches	44	125	47	64	56	20	239	89
Loans / Domestic Branch (Millions)	$80,145	$69,887	$86,570	$42,460	$117,768	$195,067	$157,840	$259,260
Deposits / Domestic Branch (Millions)	$82,686	$77,390	$85,173	$47,899	$111,051	$195,960	$172,199	$262,162
FTE Employees / Domestic Branch	15	15	18	12	16	21	30	29
Asset Quality								
Nonperforming Assets / Loans + OREO	0.55%	0.43%	0.67%	0.48%	0.83%	0.64%	0.64%	0.62%
Reserves / Nonperforming Assets	106.45%	123.99%	115.97%	124.95%	97.43%	155.28%	152.18%	138.44%
Net Charge-Offs / Average Loans	0.29%	0.06%	0.04%	0.04%	0.02%	-0.01%	0.09%	0.12%
Provisions / Net Charge-Offs	147%	878%	601%	265%	-48%	-204%	233%	180%
Capital								
TCE/RWA	10.14%	11.84%	10.29%	11.91%	11.04%	12.14%	11.62%	9.82%
TCE/Tangible Assets	8.34%	10.45%	9.47%	9.68%	8.41%	9.69%	9.62%	8.03%
CET1	10.14%	12.02%	10.93%	11.90%	11.19%	12.19%	11.31%	11.11%
Tier 1 Leverage	10.72%	12.66%	10.93%	12.27%	11.35%	9.97%	10.83%	8.58%
Funding & Leverage								
Total Loans / Total Deposits	96.9%	90.3%	101.6%	88.6%	106.0%	99.5%	92.3%	93.5%
Total Loans / Core Deposits	109.6%	96.1%	110.7%	96.8%	121.8%	111.0%	102.7%	107.1%
Noninterest Deposits / Total Deposits	3.7%	22.7%	3.1%	23.6%	29.2%	12.1%	23.5%	22.8%
Non-Deposit Liabilities / Total Liabilities	10.3%	6.9%	9.0%	14.3%	14.0%	6.3%	13.5%	9.5%
Total Loans / Total Assets	76.1%	71.7%	80.8%	69.7%	79.2%	83.7%	69.9%	72.6%
RWA Density	78.6%	84.1%	88.9%	78.9%	80.4%	79.2%	81.3%	70.0%
Double Leverage	107.9%	98.2%	102.0%	103.5%	99.9%	114.2%	101.1%	107.2%
Ratings and Outlook								
KBRA Long-Term Rating (BHC)	A-	A-	BBB+	BBB+	BBB+	BBB		
Outlook	Stable	Stable	Stable	Stable	Stable	Stable		

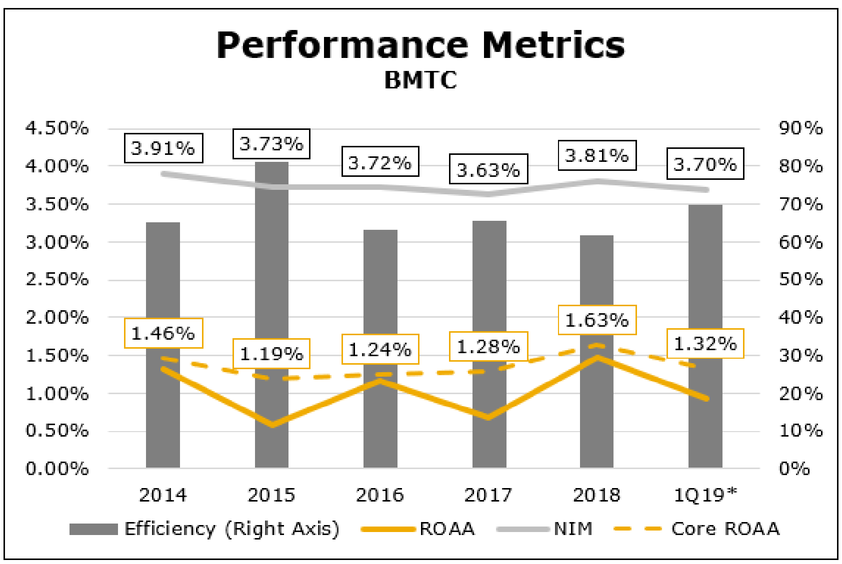
Data sources: FR Y-9C and FR Y-9LP, Market data from Bloomberg   *Annualized

Key Quantitative Rating Determinants

The quantitative financial fundamentals of The Bryn Mawr Trust Company are reflected in the Primary Credit Rating of A, which is derived from the analysis of the bank's intrinsic financial strength and potential adjustments due to KBRA's stress testing as well as an analysis of current and historical financial metrics.

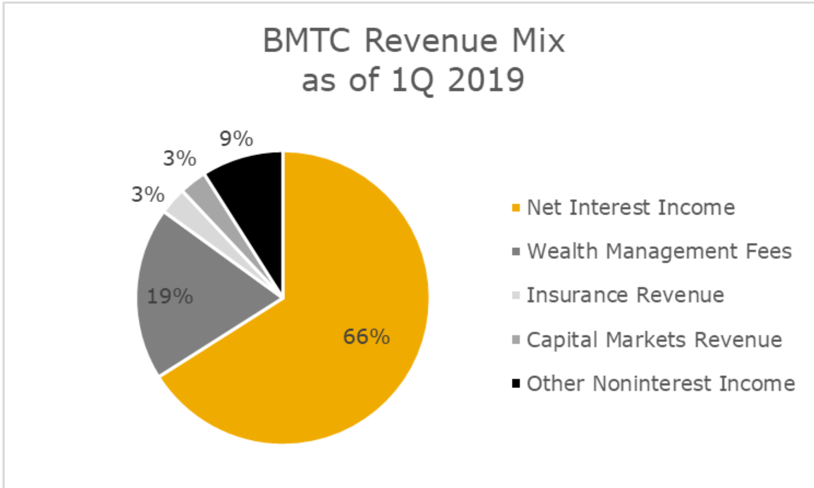
Performance

Core earnings performance has historically been strong for BMTC, with core ROAA trending +1.20% since 2015 and a notable 1.63% for full year 2018, well above similarly situated peers and largely reflective of the contributions of BMTC's stable fee revenue base. In this context, KBRA views the quality and efficiency of the company's earnings, indicative of a relatively of lower risk profile, as depicted by BMTC's 2018 RORWA of 1.82% (core RORWA 2.03%) vs. A- peer average 1.69%. Reported results for the most recent quarter included costs associated with strategically realigning the talent base, as BMTC looks to upgrade in key areas across the company. This, in addition to other key strategic initiatives that are underway in technology and operations, is expected to dampen reported returns throughout the remainder of the year, though this is largely offset by savings gained through the tax reform. Put more simply, 2019 is anticipated to be an investment year for BMTC with the fruits of those investments bearing out in 2020 and beyond through cost saves and improved efficiency/effectiveness. As such, efficiency measures are likely to be marginally elevated through the remainder of 2019.



*Annualized

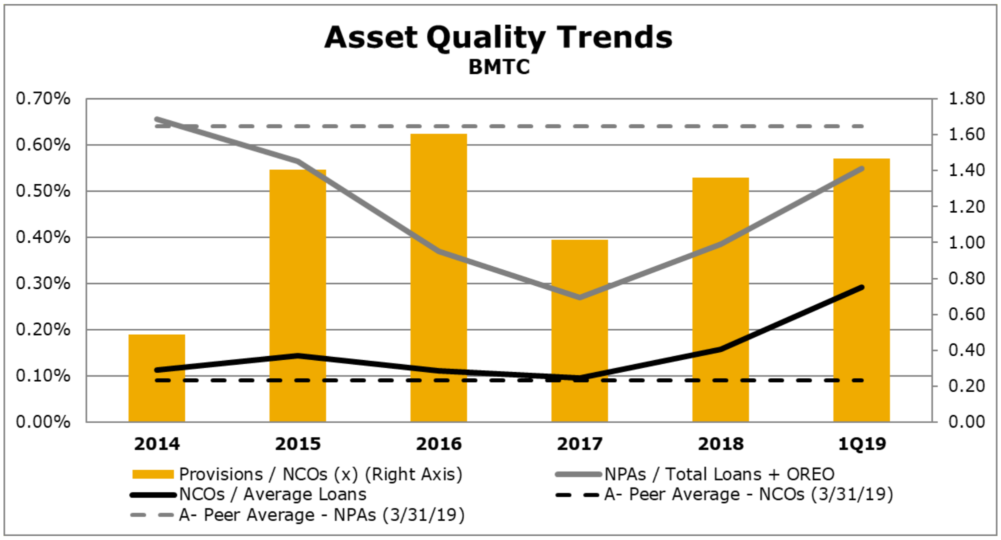
One of the strongest attributes of Bryn Mawr Bank Corporation is the significant diversity in its revenue streams. The bank derives approximately one-third of its revenues from noninterest income sources such as fee income from wealth management services, insurance commissions, capital markets revenues, and fee income from the servicing and sales of residential mortgage loans. Wealth management revenue composition has remained relatively stable with market value fee (AUM) revenue comprising approximately 78% of total wealth management fees. The insurance and growing capital markets businesses are expected to remain stable to positive, as improvements in both areas (product diversification/services expansion) take hold. Overall, KBRA expects noninterest revenue sources to continue to be differentiating source of credit strength for Bryn Mawr.



After a bump in 2018 led by purchase accounting accretion related to the December 2017 acquisition of Royal Bancshares of Pennsylvania, Bryn Mawr experienced moderate NIM compression in 1Q19, reflective of both higher funding costs and diminishing accretion contribution. Funding increases were led primarily by rising deposit costs, which stood at 91 bps (inclusive of noninterest-bearing deposits), roughly double (+49 bps) over 1Q18. However, this is partially attributable to the increased use of wholesale deposits (+48% YoY) given the preferential pricing over FHLB and other borrowing sources (-20% YoY). Stripping out the wholesale deposit funding, the rise in deposit funding cost is a bit more palatable at 39 bps YoY. Also contributing to overall NIM compression is the competitive loan pricing environment, which has held yields to only a 21 bp increase YoY. Given the current uncertainty in the interest rate environment, and with a pivot likely toward a more accommodative interest rate policy, BMTC could experience additional moderate NIM compression, as downward pressure on asset yields (both competitive and otherwise) comingles with their elevated loan-to-deposit position and continued need for deposit growth.

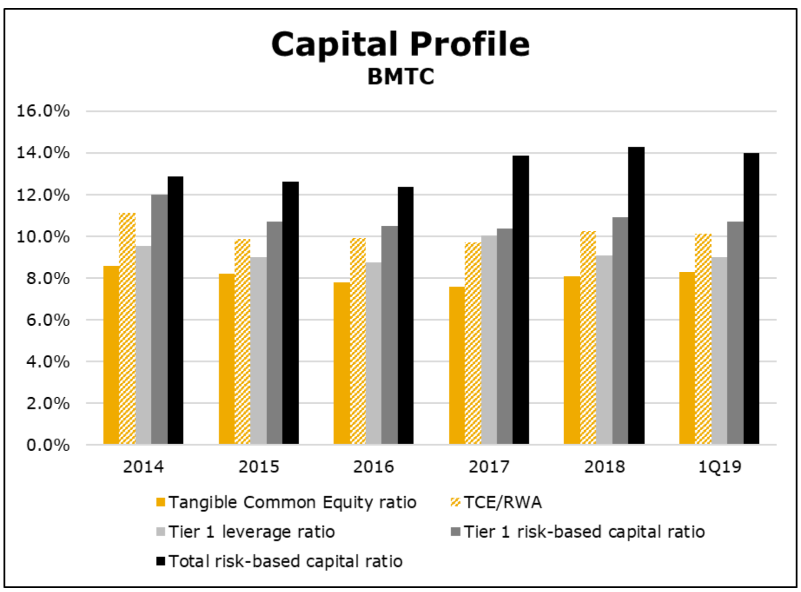
Asset Quality

Recent results notwithstanding, BMTC's historical trend in asset quality has been better than similarly situated peers, as demonstrated by the company's peak net loss rates of 85 bps post crisis. Over the preceding five years, recent trends, with loss rates hovering in the low to mid-teens (bps), have largely remained in line with peer averages and reflective of the benign credit environment as well as the company's commitment to conservative lending practices. The uptick in both NPAs and credit loss in 1Q19 is largely (~60%) due to two credit relationships in which the obligor is deceased (one of which is a sizable residential mortgage), resulting in the downgrade of the credit to nonaccrual and the reversal and charge off of interest. Both are well covered and going through necessary resolution process, with the bank anticipating to be made whole out of the sale of the underlying collateral. Discounting these, NPA's would have been ~44 bps, while NCOs would have been ~11 bps for 1Q19, in line with both recent historical trends and peer averages.



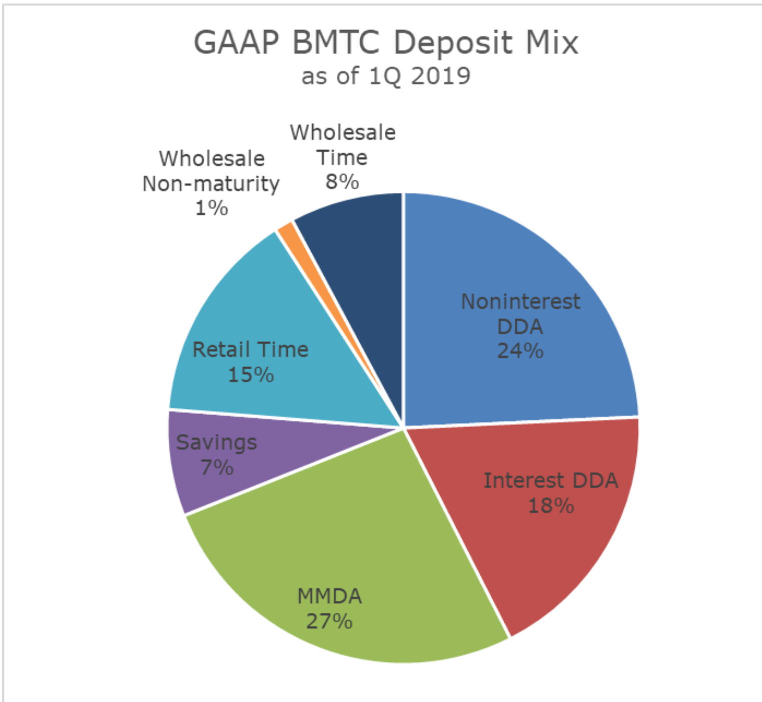
Capital

Capital has historically been managed well above internal guideline thresholds to levels viewed as appropriate (albeit on the low end) for the rating category. For the benefit of analytically evaluating the appropriate level of capital, we included a risk-weighted TCE calculation so as to incorporate the risk-based lens with which to view capital levels, which indicate that the company's core capital is moderately below the peer group, through trending favorably. This trend, which KBRA noted in the previous report, is a result of BMTC's shift in its approach to capital management from "just in time/as needed" to a concerted effort to appreciably build capital at the holding company so as to serve as a source of strength for the bank. KBRA appreciates this counter-cyclical, forward-looking approach as the parent will be that much better equipped with dry powder should the bank's internal capital stress testing indicate potential weakness. Based upon BMTC's capital projections, continued build in TCE is expected through the remainder of 2019 at a rate of ~20-25 bps in TCE per quarter. It should not be discounted that the company has also successfully tapped equity markets in the past and carries a comparatively strong tangible book value of ~2x, coupled a reasonbly strong buy sentiment from covering analysts.

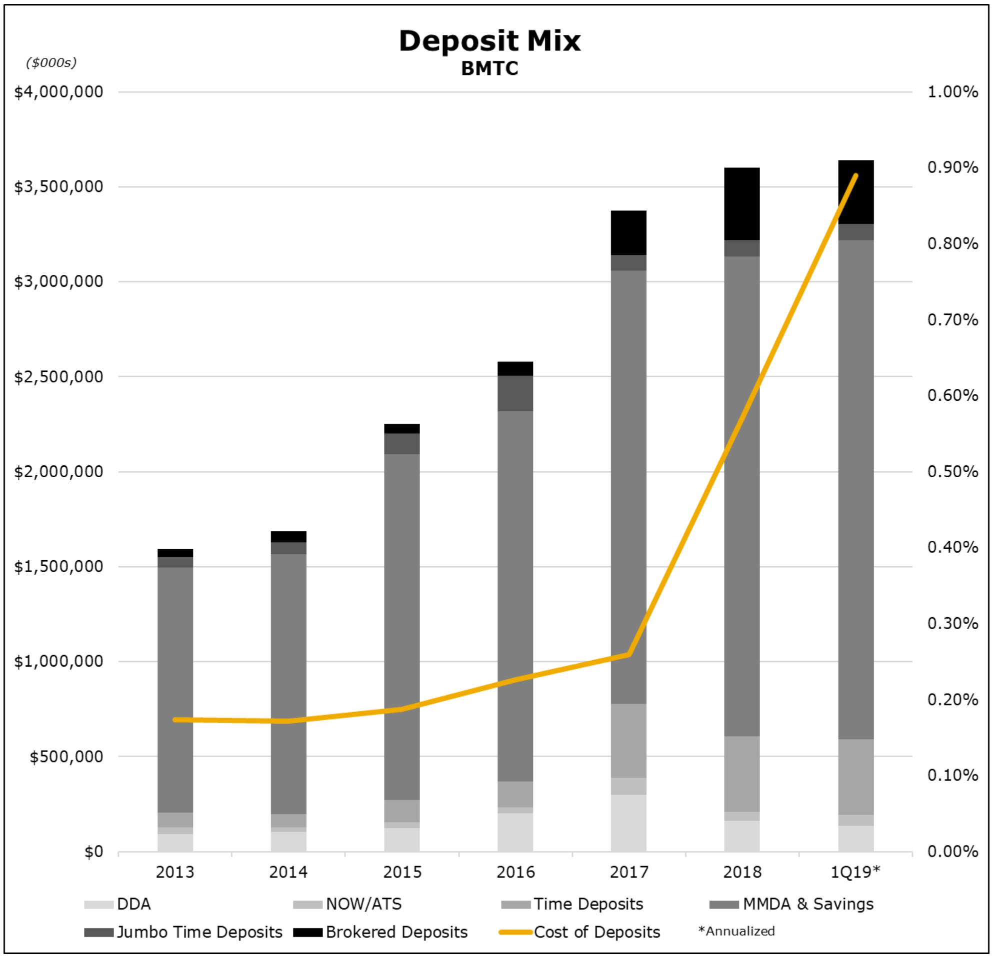


Funding & Liquidity

As with the vast majority of community banks, BMTC is primarily core deposit funded, with the vast majority of those core deposits in transaction and money market accounts. As indicated previously, 1Q19 saw continued increases in the cost of deposits, through partially offset by the dynamics previously discussed. Given the comparatively high loan-to-deposit ratio, BMTC has noted that deposit gathering will continue to be a primary focus, with specific opportunities in middle market C&I (the result of recently added talent), private schools, and municipal deposits. The latter, which is traditionally viewed as more price sensitive and therefore less dependable, is currently modestly size at ~1% of deposits. An analysis of the granularity of the deposit book reveals that the top 20 depositors comprise less than 8% of total deposits. It should also be noted that, due to differences in report guidelines between FFIEC and GAAP, the noninterest bearing segment of the deposit base is underreported in regulatory data, which is relied upon for consistency and comparative purposes.

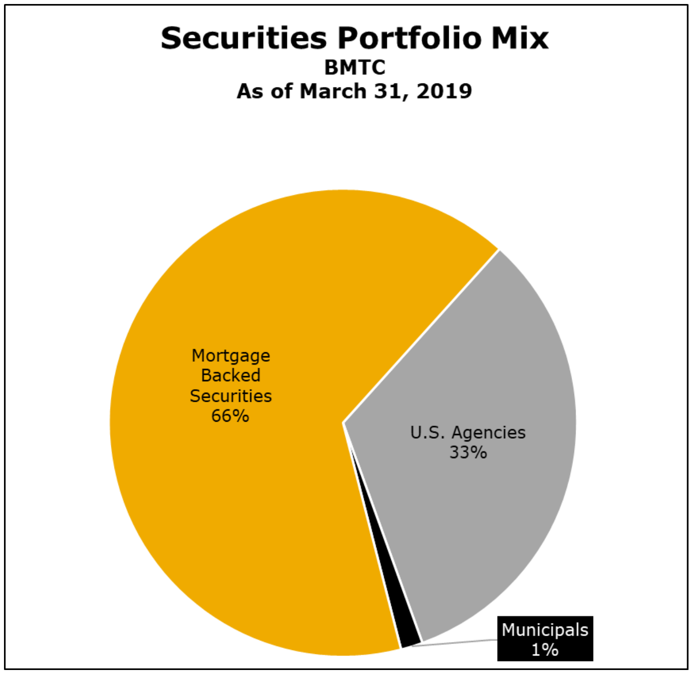


KBRA believes that BMTC operates in highly competitive markets, which may provide headwinds to deposit gathering efforts. With that said, KBRA expects the company to remain successful in its deposit efforts given that it has a clearly defined value proposition as well as the ability to capitalize on recent disruption in the Philadelphia market arising from acquisition activity, leveraging its status as "the last community bank left in the Philadelphia MSA".



Wholesale funding consists primarily of FHLB borrowings with lesser amounts of jumbo and brokered time deposits. The company retains ample reserve capacity (~$1.6 billion) in wholesale borrowings. It should be noted the available capacity represents ~34% of on balance sheet assets and covers the bank's off-balance sheet loan commitments at ~1.7x. Also of note, the availability excludes the bank's access to wholesale deposits.

BMTC also maintains a relatively plain-vanilla, largely AFS securities portfolio that is primarily used to further support liquidity. The portfolio has a weighted average duration of approximately 3.2 years and carries a yield of ~2.5%. Extension/option risk within the portfolio appears to be well contained. As of 1Q19, the portfolio was approximately 21% pledged supporting the current public funds deposits and fed funds lines.

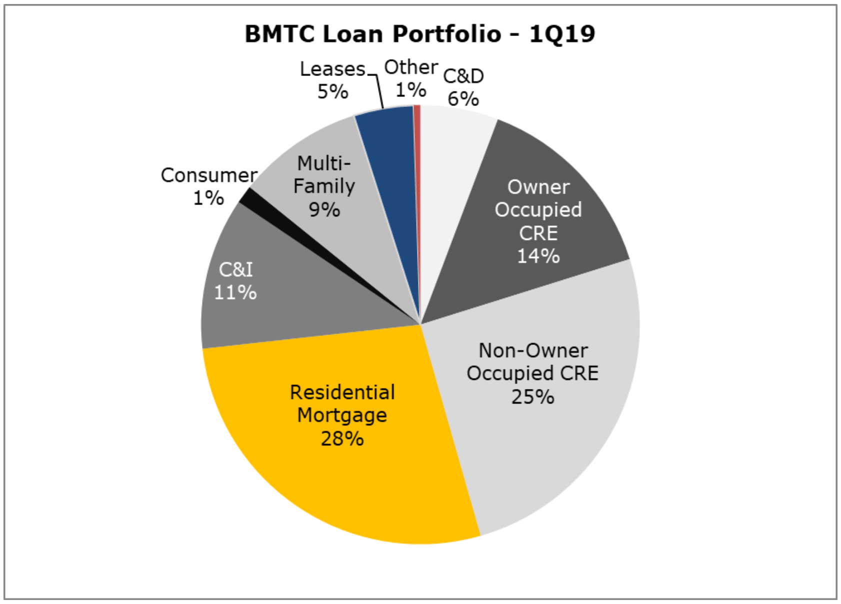


Key Qualitative Rating Determinants

The qualitative aspects of Bryn Mawr Bank Corporation were assessed using a scoring model that focuses on four key factors: market strategy, risk management, liquidity management, and the economic and regulatory framework. For the most part, the Bank scored above average for qualitative factors. For qualitative aspects, KBRA relies principally on discussions with management supplemented by publicly available data, regulatory filings, and KBRA's view of the economic and regulatory environment. The following describes KBRA's qualitative assessment for BMTC:

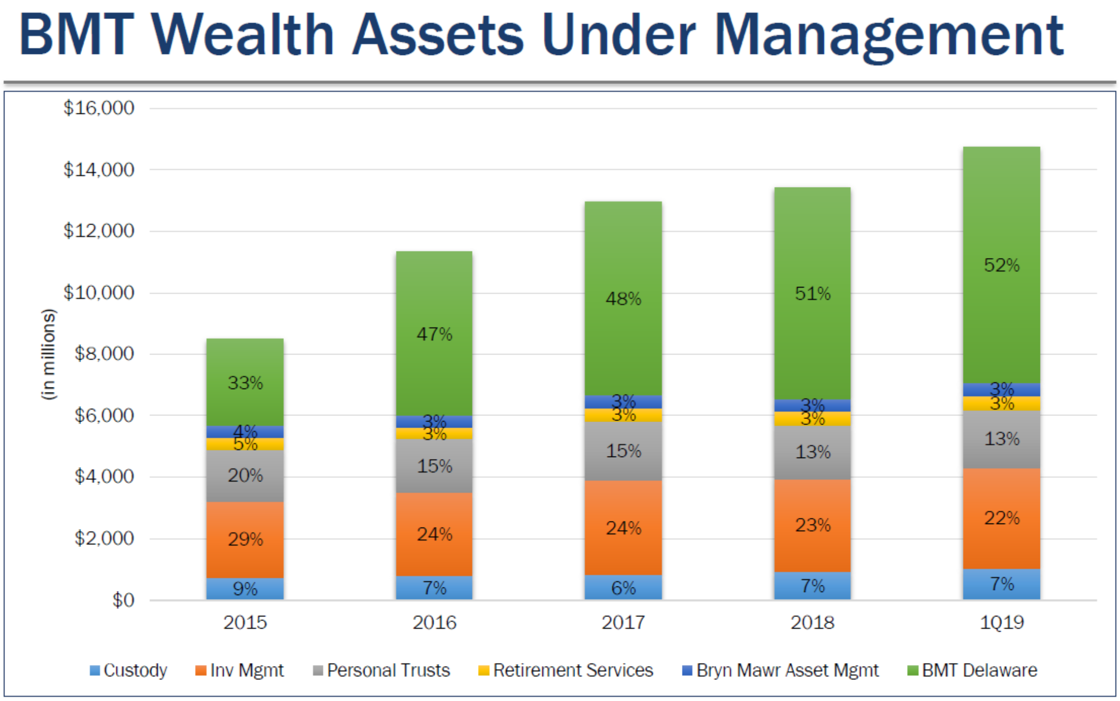
Market Strategy

Bryn Mawr Banking Corporation is comprised of three subsidiaries in two separate business line segments. The first, Bryn Mawr Trust, is the commercial bank, representing the Banking segment. The Banking segment generates the majority of its revenue from interest income derived from lending (including leases) activities. The majority of its lending portfolio is commercially-based lending activity, specifically commercial real estate (CRE), commercial and industrial (C&I), and non-owner occupied residential real estate including multifamily units. Additionally, the bank maintains a healthy mix of residential mortgage and home equity loans within the loan portfolio, which are displayed as combined per the regulatory filings of the bank.



Additional sources of revenue for the banking segment are those derived from noninterest streams and include gains on the sale in available for sale investment securities, gains on the sale of residential mortgage loans, mortgage servicing rights, service charges and other ancillary fees on deposit accounts.

The Wealth Management business line segment provides wealth management and insurance advisory services through its network of Wealth Management and insurance offices located in Bryn Mawr, Devon and Hershey, Pennsylvania as well as Wilmington, Delaware and Princeton, New Jersey. The Wealth Management segment has responsibility for a number of activities within the company, including trust administration, other related fiduciary services, custody, investment management and advisory services, employee benefits and IRA administration, estate settlement, tax services and brokerage. Bryn Mawr Trust of Delaware and Lau Associates are included in the Wealth Management segment of the company since they have similar economic characteristics, products and services to those of the Wealth Management Division of the company. In addition, with the October 1, 2014 acquisition of PCPB, which was merged with the company's existing insurance subsidiary, Insurance Counsellors of Bryn Mawr ("ICBM"), and now operates under the Powers Craft Parker and Beard, Inc. name, the Wealth Management Division has assumed responsibility for all insurance services of the company. Prior to the PCPB acquisition, ICBM was reported through the Banking segment.



Data Source: BMTC Management Presentation

The executive management team for Bryn Mawr Trust and is comprised of a number of veteran bankers with extensive industry experience both inside and outside of the bank. Francis Leto serves as President and Chief Executive Officer for the company, a position that he has held since January 2015. Since taking over, Mr. Leto has been steadily enhancing the existing BMTC management team with outside talent additions, with the recent examples of Jim Donovan to head up the bank's C&I efforts, Liam Brickley as CCO, and Kim Trubiano as president of BMT Insurance division, among others. The influx of talent is accompanied by decades of experience at much larger institutions along with operational expertise. This is in conjunction with the company's 2019 investment initiatives, which also include the roll out of the nCino loan and deposit platforms, expanded services in the capital markets group to include international FX services, and enhancing the existing delivery channels. KBRA considers the robust additions to BMTC's already strong leadership team favorably.

As with the majority of community banks, BMTC derives its strategic objective though its value proposition of high touch, personalized service to middle market clients within its operating footprint. The company uses a relationship-based approach banking model and targets small and middle market businesses, entrepreneurs, professionals, non-profit organizations, and affluent and wealthy individuals with a focus on expanding "share of wallet". The private banking business is used as the gateway to cross selling and servicing and the typical client is matched with a team of banking specialists that provide a customized set of solutions and services. KBRA views this approach favorably in the community banking space as it often results in "stickier", stable, and longer-term client relationships compared to a transactional-based approach.

Data Source: BMTC Management Presentation

BMTC primary operating footprint, the greater Philadelphia MSA, is the 8th largest MSA in the country by GDP. The Philly MSA is a vibrant and diverse regional economy with a low unemployment rate (3.3%), per capita income exceeding the national average ($62K vs. $52k), and with positive prospects for growth through the remainder of 2019, as noted in the most recent Federal Reserve Beige Book. Given the market's economic vitality, it is also a highly competitive market that includes local, regional, and national banks as competitors along with savings banks, credit unions, insurance companies, trust companies, registered investment advisors and mutual fund families. As such, the company has developed specific strategies to drive performance within the competitive landscape. These include capitalizing upon recent disruptions caused by merger and acquisition activity with in the market, as well as leveraging recent and ongoing technological and infrastructure investments made by the company to both improve operational efficiencies as well as enhance the client experience as a key growth strategy. BMTC has shown historically that it will supplement organic growth with strategic acquisitions to enhance key revenue segments and/or expand market presence, provided it fits into the long-term strategy of the institution. Given the current internal investment initiatives, there is not anticipated to be any acquisition activity through the remainder of 2019. Further, with the recently closed WSFS transaction in Philadelphia, as well as the BB&T-SunTrust merger looming, BMTC is well positioned to capitalize organically on potential market disruption in the greater Philadelphia markets.

Bryn Mawr Bank Corporation Acquisitions		
Domenick & Company, Inc.	5/1/2018	Insurance
Royal Banchares of Pennsylvania, Inc.	12/15/2017	Bank
Hirshorn Boothby	5/24/2017	Insurance
Robert J. McAllister Agency, Inc.	4/6/2015	Insurance
Continental Bank	1/1/2015	Bank
Powers Craft Parker and Beard, Inc.	10/1/2014	Insurance
First Bank of Delaware	11/17/2012	Bank
Davidson Trust Company	5/15/2012	Wealth
Private Wealth Management Group	5/27/2011	Wealth
First Keystone Bank	7/1/2010	Bank

Bryn Mawr Bank Corporation scores above average for the management profile and strategy component for its well-diversified business lines and revenue streams and the balance between the company's business focus and the significant (and growing) expertise of the management team.

Risk Management

In KBRA's view, Bryn Mawr Bank Corporation's risk management function appears to be sound and commensurate with the institution's risk profile, while also providing scalability to grow with the organization, particularly when combined with the implementation of various solutions in CRA/fair lending, training, and the nCino platforms, all of which meaningfully increase transparency. The company's Board of Directors consists of ten members – nine independent directors and the CEO, Francis J. Leto. The Board of Directors of the bank has established loan approval committees and written guidelines for lending activities. Additionally, Bryn Mawr Bank Corporation's risk infrastructure and the quality of management information systems (MIS) is considered strong. The bank's executive management has established frameworks for risk management and reporting in a number of key areas of the bank and continue to take an enterprise-wide approach, focusing on the elimination of business line "risk silos". Sequential improvements and overall enhancements have been made to the risk management regime, particularly in risk governance and oversight, as well as strategic realignment of certain functions.

BMTC's management uses a centralized credit process system with a multi-tiered committee-based approval process for different type and loan size and performs an annual independent third-party loan review. The bank's Executive Committee monitors and manages all type of risks at the bank. Bryn Mawr Bank Corporation maintains a diversified loan and lease portfolio intended to spread risk and reduce exposure to economic downturns, which may occur in different segments of the economy or in particular industries. To that end, the portfolio is actively monitored for concentration risks by industry, with high risk industry sectors minimized. As of March 31, 2019, there was no significant exposure to the high-risk sectors such as energy or subprime indirect auto lending. Other industries with potentially elevated risk exposure, such as real estate development, retail, and hotel and hospitality, are limited (with further restrictions recently implemented) in both overall exposure and to in-market lending activity. The company mitigates its real estate concentration risk to the extent possible in many ways, including the underwriting and assessment of the borrower's capacity to repay, equity in the underlying real estate collateral and a review of a borrower's global cash flows. The company has personal recourse via guarantees against a substantial portion of the loans in the real estate portfolio and performs stress testing on its commercial real estate and construction loan portfolios quarterly. CRE stress test results yielded no materially adverse impact on the Bank's capital position, which is performed on the loan portfolio every quarter. The company also engages a third party outsource for loan review, the most recent results of which did not produce any significant findings or recommendations of risk rating changes. Although not required by banking regulation for institutions with less than $10 billion in assets, BMTC's management and the Board of Directors periodically performs a capital stress test that utilizes a variety of internal and external inputs and active management participation to evaluate its capital adequacy in time of economic stress.

As of March 31, 2019, Bryn Mawr's top 25 relationships comprised 19.9%of total loans[1]. A large percentage of the company's real estate exposure, both commercial and residential, is in the primary operating footprint which includes portions of Delaware, Chester, Montgomery and Philadelphia counties in Southeastern Pennsylvania and in the Princeton, NJ market. While the risk of loss in the bank's portfolio is primarily tied to the credit quality of the various borrowers, risk of loss may increase due to factors beyond Bryn Mawr Bank Corporation's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the real estate portfolio. To counter this, BMTC utilizes trend analysis on key underwriting metrics to ensure that its underwriting criteria have not deteriorated. In summary, the institution's appetite for risk appears to be well thought out and implemented with a well-organized risk management infrastructure. The Board of Directors has established BMTC's risk appetite, and regularly communicates, monitors and updates the company's risk appetite.

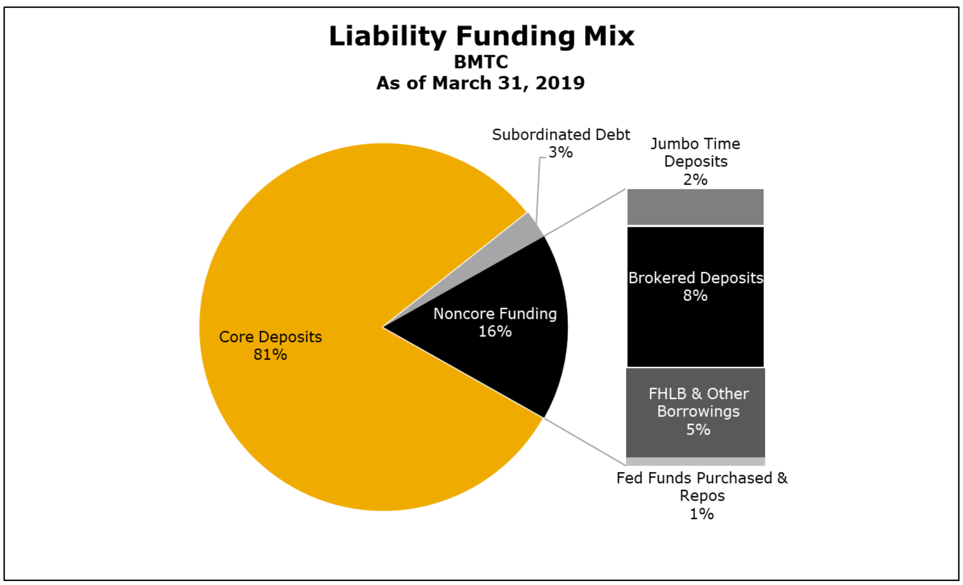
[1] Note that this includes both outstanding loan balances as well as unfunded loan commitments such as lines of credit.

Overall, Bryn Mawr Bank Corporation scores above average in terms of risk management for its strong risk oversight, scalable risk management infrastructure, and clearly defined risk appetite.

Liquidity Management

The bank's liquidity is maintained by managing its core deposits as the primary source of funding needs. Secondary sources of liquidity are varied and include purchasing federal funds, selling loans in the secondary market, sources originating from the investment portfolio, borrowing from the FHLB, among others, and purchasing and issuing wholesale certificates of deposit as its secondary sources. The company's Board of Directors has established clear liquidity risk tolerances for the company. ALCO, which is comprised of various senior executives, reviews the company's liquidity needs quarterly and reports its findings to the Risk Management Committee of the company's Board of Directors. Management also reviews 12 month-rolling forward looking cash flow projections on a regular basis. To effectively manage liquidity on an ongoing basis, the company utilizes a liquidity dashboard report. The company continually evaluates the cost and mix of its retail and wholesale funding sources relative to earning assets and expected future earning-asset growth.

KBRA believes that while the Bryn Mawr's loan-to-deposit ratio is above its KBRA rated peer average, the overall level of deposits, along with the significant borrowing capacity at FHLB, among others, provide the company with sufficient available liquidity to fund expected earning-asset growth in both the near- and medium-terms.



Overall, the bank scores average for this category for its strong core deposit base and liquidity management infrastructure counterbalanced by its elevated loan-to-deposit ratio.

Economic and Regulatory Framework

Overall, the U.S. banking system has a strong regulatory framework. Banking institutions continue to adjust and comply with several additional rules and regulations resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act and the new Basel III standards. That said, the recent dynamic shift in tone surrounding the regulatory environment, enforcement, and the easing of regulatory burden particularly for small to mid-sized banks, have all led to an increase in uncertainty, which KBRA will be monitoring on an ongoing basis. The latest research on this and other topics can be found **here**. Despite this, BMTC scores strong for this category.

External Support

Pursuant to the 2010 Dodd-Frank Act, U.S. regulators have been in the process of creating a working resolution regime for large systemically important banks so that their potential failure does not lead to a systemic crisis. There is the possibility that the new U.S. administration may change this resolution regime as part of its review of the Dodd-Frank Act. KBRA believes that for the foreseeable future, non-systemically important depositories such as the Bank and uninsured depositors will benefit from some degree of extraordinary systemic support. However, KBRA does not foresee any regulatory support being extended to creditors or investors.

Ratings

Entity	Type	Rating	Outlook	Action
Bryn Mawr Bank Corporation	Senior Unsecured Debt	A-	Stable	Affirmed
	Subordinated Debt	BBB+	Stable	Affirmed
	Short-Term Debt	K2	N/A	Affirmed
The Bryn Mawr Trust Company	Deposit	A	Stable	Affirmed
	Senior Unsecured Debt	A	Stable	Affirmed
	Subordinated Debt	A-	Stable	Affirmed
	Short-Term Deposit	K1	N/A	Affirmed
	Short-Term Debt	K1	N/A	Affirmed

KBRA's ratings of A and K1 for The Bryn Mawr Trust Company are supported by the following factors: i) a quantitative view of the Bank's financial fundamentals, including stress testing, ii) a qualitative assessment of the Bank's management and market strategy, and iii) the incorporation of potential external systemic support. KBRA's ratings of A- and K2 for Bryn Mawr Bank Corporation reflect the overall credit profile of the organization and the potential structural subordination of its liabilities to the liabilities of its subsidiary in an event of default or regulatory intervention.

In sequence, A and A- generally map to short-term ratings of K1 and K2, respectively, on KBRA's short-term rating scale. Consistent with KBRA's notching practices, subordinated debt is rated one notch below senior unsecured debt, resulting in A- and BBB- ratings for the bank's and the holding company's subordinated debt, respectively.