

UNIVEST CORP OF PENNSYLVANIA
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2014.
or
 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: 0-7617

UNIVEST CORPORATION OF PENNSYLVANIA
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)
23-1886144
(IRS Employer
Identification No.)
14 North Main Street, Souderton, Pennsylvania 18964
(Address of principal executive offices)(Zip Code)
Registrant's telephone number, including area code: (215) 721-2400
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 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
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

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

Common Stock, \$5 par value 16,214,805
(Title of Class) (Number of shares outstanding at October 31, 2014)

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Signatures

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED BALANCE SHEETS

	(UNAUDITED)	
(Dollars in thousands, except share data)	At September 30, 2014	At December 31, 2013
ASSETS		
Cash and due from banks	\$29,667	\$32,646
Interest-earning deposits with other banks	38,741	36,523
Investment securities held-to-maturity (fair value \$57,101 and \$66,853 at September 30, 2014 and December 31, 2013, respectively)	56,476	66,003
Investment securities available-for-sale	304,302	336,281
Loans held for sale	2,156	2,267
Loans and leases held for investment	1,597,736	1,541,484
Less: Reserve for loan and lease losses	(21,762	) (24,494
Net loans and leases held for investment	1,575,974	1,516,990
Premises and equipment, net	35,532	34,129
Goodwill	67,717	57,517
Other intangibles, net of accumulated amortization and fair value adjustments of \$10,969 and \$10,300 at September 30, 2014 and December 31, 2013, respectively	12,625	8,178
Bank owned life insurance	61,804	60,637
Accrued interest receivable and other assets	37,202	40,388
Total assets	\$2,222,196	\$2,191,559
LIABILITIES		
Noninterest-bearing deposits	\$436,189	\$411,714
Interest-bearing deposits:		
Demand deposits	633,750	625,845
Savings deposits	529,028	536,150
Time deposits	261,176	270,789
Total deposits	1,860,143	1,844,498
Customer repurchase agreements	38,005	37,256
Accrued interest payable and other liabilities	34,234	29,299
Total liabilities	1,932,382	1,911,053
SHAREHOLDERS' EQUITY		
Common stock, \$5 par value: 48,000,000 shares authorized at September 30, 2014 and December 31, 2013; 18,266,404 shares issued at September 30, 2014 and December 31, 2013; 16,220,249 and 16,287,812 shares outstanding at September 30, 2014 and December 31, 2013, respectively	91,332	91,332
Additional paid-in capital	62,634	62,417
Retained earnings	179,903	172,602
Accumulated other comprehensive loss, net of tax benefit	(6,901	) (9,955
Treasury stock, at cost; 2,046,155 and 1,978,592 shares at September 30, 2014 and December 31, 2013, respectively	(37,154	) (35,890
Total shareholders' equity	289,814	280,506
Total liabilities and shareholders' equity	\$2,222,196	\$2,191,559

Note: See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Interest income				
Interest and fees on loans and leases:				
Taxable	\$ 15,921	\$ 15,793	\$ 46,916	\$ 47,544
Exempt from federal income taxes	1,433	1,215	4,177	3,459
Total interest and fees on loans and leases	17,354	17,008	51,093	51,003
Interest and dividends on investment securities:				
Taxable	963	1,391	3,025	4,195
Exempt from federal income taxes	884	1,033	2,723	3,103
Other interest income	18	25	49	106
Total interest income	19,219	19,457	56,890	58,407
Interest expense				
Interest on deposits	971	1,119	2,932	3,514
Interest on short-term borrowings	7	8	25	40
Interest on long-term borrowings	—	11	—	483
Total interest expense	978	1,138	2,957	4,037
Net interest income	18,241	18,319	53,933	54,370
Provision for loan and lease losses	233	4,094	2,959	9,614
Net interest income after provision for loan and lease losses	18,008	14,225	50,974	44,756
Noninterest income				
Trust fee income	1,862	1,736	5,692	5,249
Service charges on deposit accounts	1,073	1,149	3,134	3,333
Investment advisory commission and fee income	3,086	1,740	9,144	5,654
Insurance commission and fee income	2,881	2,309	8,647	7,223
Other service fee income	1,767	1,929	5,471	5,454
Bank owned life insurance income	346	1,555	1,167	2,472
Net gain on sales of investment securities	—	1,426	557	2,950
Net gain on mortgage banking activities	616	935	1,484	4,047
Net gain on sales of other real estate owned	195	198	195	450
Loss on termination of interest rate swap	—	—	—	(1,866)
Other	684	225	1,084	702
Total noninterest income	12,510	13,202	36,575	35,668
Noninterest expense				
Salaries and benefits	11,035	9,761	31,948	28,980
Commissions	2,200	2,026	5,585	6,529
Net occupancy	1,689	1,472	5,130	4,279
Equipment	1,426	1,225	4,170	3,619
Professional fees	744	764	2,399	2,340
Marketing and advertising	391	570	1,333	1,432
Deposit insurance premiums	386	381	1,162	1,173
Intangible expenses (income)	352	275	1,762	(199)
Acquisition-related costs	180	7	739	34
Restructuring and integration charges	8	(5)	8	534

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Other	3,608	3,512	10,456	10,789
Total noninterest expense	22,019	19,988	64,692	59,510
Income before income taxes	8,499	7,439	22,857	20,914
Income taxes	2,264	1,400	5,816	4,647
Net income	\$6,235	\$6,039	\$17,041	\$16,267
Net income per share:				
Basic	\$0.38	\$0.36	\$1.05	\$0.97
Diluted	0.38	0.36	1.04	0.97
Dividends declared	0.20	0.20	0.60	0.60

Note: See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(Dollars in thousands)	Three Months Ended September 30,					
	2014			2013		
	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
Income	\$8,499	\$2,264	\$6,235	\$7,439	\$1,400	\$6,039
Other comprehensive income:						
Net unrealized (losses) gains on available-for-sale investment securities:						
Net unrealized holding (losses) gains arising during the period	(486)	(170)	(316)	442	155	287
Less: reclassification adjustment for net gains on sales realized in net income	—	—	—	(1,426)	(499)	(927)
Total net unrealized losses on available-for-sale investment securities	(486)	(170)	(316)	(984)	(344)	(640)
Defined benefit pension plans:						
Less: amortization of net actuarial loss included in net periodic pension costs	168	59	109	320	112	208
Less: accretion of prior service cost included in net periodic pension costs	(72)	(26)	(46)	(64)	(22)	(42)
Total defined benefit pension plans	96	33	63	256	90	166
Other comprehensive loss	(390)	(137)	(253)	(728)	(254)	(474)
Total comprehensive income	\$8,109	\$2,127	\$5,982	\$6,711	\$1,146	\$5,565

(Dollars in thousands)	Nine Months Ended September 30,					
	2014			2013		
	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount	Before Tax Amount	Tax Expense (Benefit)	Net of Tax Amount
Income	\$22,857	\$5,816	\$17,041	\$20,914	\$4,647	\$16,267
Other comprehensive income:						
Net unrealized gains (losses) on available-for-sale investment securities:						
Net unrealized holding gains (losses) arising during the period	4,972	1,741	3,231	(10,163)	(3,557)	(6,606)
Less: reclassification adjustment for net gains on sales realized in net income	(557)	(195)	(362)	(2,950)	(1,032)	(1,918)
Total net unrealized gains (losses) on available-for-sale investment securities	4,415	1,546	2,869	(13,113)	(4,589)	(8,524)
Cash flow hedge derivative:						
Net change in fair value of interest rate swap	—	—	—	43	15	28
Less: reclassification adjustment for loss on termination of interest rate swap realized in net income	—	—	—	1,866	653	1,213
Total cash flow hedge derivative	—	—	—	1,909	668	1,241
Defined benefit pension plans:						

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Less: amortization of net actuarial loss included in net periodic pension costs	499	175	324	961	336	625
Less: accretion of prior service cost included in net periodic pension costs	(216)	(77)	(139)	(191)	(66)	(125)
Total defined benefit pension plans	283	98	185	770	270	500
Other comprehensive income (loss)	4,698	1,644	3,054	(10,434)	(3,651)	(6,783)
Total comprehensive income	\$27,555	\$7,460	\$20,095	\$10,480	\$996	\$9,484

Note: See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands, except share and per share data)	Common Shares Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total
Nine Months Ended September 30, 2014							
Balance at December 31, 2013	16,287,812	\$91,332	\$62,417	\$172,602	\$ (9,955)	\$(35,890)	\$280,506
Net income	—	—	—	17,041	—	—	17,041
Other comprehensive income, net of income tax	—	—	—	—	3,054	—	3,054
Cash dividends declared (\$0.60 per share)	—	—	—	(9,740)	—	—	(9,740)
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	96,129	—	30	—	—	1,892	1,922
Exercise of stock options	9,500	—	11	—	—	173	184
Repurchase of cancelled restricted stock awards	(43,452)	—	735	—	—	(735)	—
Stock-based compensation	—	—	792	—	—	—	792
Net tax deficiency on stock-based compensation	—	—	(2)	—	—	—	(2)
Purchases of treasury stock	(204,044)	—	—	—	—	(3,943)	(3,943)
Restricted stock awards granted	74,304	—	(1,349)	—	—	1,349	—
Balance at September 30, 2014	16,220,249	\$91,332	\$62,634	\$179,903	\$ (6,901)	\$(37,154)	\$289,814
Nine Months Ended September 30, 2013							
Balance at December 31, 2012	16,770,232	\$91,332	\$62,101	\$164,823	\$ (6,920)	\$(27,059)	\$284,277
Net income	—	—	—	16,267	—	—	16,267
Other comprehensive loss, net of income tax benefit	—	—	—	—	(6,783)	—	(6,783)
Cash dividends declared (\$0.60 per share)	—	—	—	(10,029)	—	—	(10,029)
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	105,263	—	9	(32)	—	1,915	1,892
Repurchase of cancelled restricted stock awards	(29,533)	—	519	—	—	(519)	—
Stock-based compensation	—	—	616	—	—	—	616
Net tax deficiency on stock-based compensation	—	—	(11)	—	—	—	(11)
Purchases of treasury stock	(627,406)	—	—	—	—	(11,475)	(11,475)

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Restricted stock awards granted	70,041	—	(1,174)	(92)	—	1,266	—
Balance at September 30, 2013	16,288,597	\$91,332	\$62,060	\$170,937	\$(13,703)	\$(35,872)	\$274,754

Note: See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September	
	30,	
(Dollars in thousands)	2014	2013
Cash flows from operating activities:		
Net income	\$17,041	\$16,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	2,959	9,614
Depreciation of premises and equipment	2,288	2,196
Net gain on sales of investment securities	(557	) (2,950
Net gain on mortgage banking activities	(1,484	) (4,047
Net gain on sales of other real estate owned	(195	) (450
Loss on termination of interest rate swap	—	1,866
Bank owned life insurance income	(1,167	) (2,472
Stock-based compensation	792	616
Intangible expenses (income)	1,762	(199
Other adjustments to reconcile net income to cash provided by operating activities	819	207
Originations of loans held for sale	(86,457	) (233,408
Proceeds from the sale of loans held for sale	87,827	239,501
Contributions to pension and other postretirement benefit plans	(159	) (2,090
Decrease (increase) in accrued interest receivable and other assets	1,359	(991
(Decrease) increase in accrued interest payable and other liabilities	(2,221	) 5,681
Net cash provided by operating activities	22,607	29,341
Cash flows from investing activities:		
Net cash paid due to acquisitions	(9,260	) (2,170
Net capital expenditures	(3,158	) (2,777
Proceeds from maturities and calls of securities held-to-maturity	9,000	—
Proceeds from maturities and calls of securities available-for-sale	47,175	33,503
Proceeds from sales of securities available-for-sale	30,286	58,148
Purchases of investment securities available-for-sale	(41,320	) (66,959
Proceeds from sale of credit card portfolio	8,943	—
Net increase in loans and leases	(70,344	) (57,137
Net (increase) decrease in interest-earning deposits	(2,101	) 14,739
Proceeds from sales of other real estate owned	891	4,183
Net cash used in investing activities	(29,888	) (18,470
Cash flows from financing activities:		
Net increase in deposits	15,645	24,033
Net increase (decrease) in short-term borrowings	248	(49,549
Repayment of subordinated debt	—	(375
Payment for repurchase of trust preferred securities	—	(20,619
Purchases of treasury stock	(3,943	) (11,475
Stock issued under dividend reinvestment and employee stock purchase plans and other employee benefit programs	1,922	1,892
Proceeds from exercise of stock options	184	—
Cash dividends paid	(9,754	) (6,693
Net cash provided by (used in) financing activities	4,302	(62,786
Net decrease in cash and due from banks	(2,979) (51,915

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Cash and due from banks at beginning of year	32,646	98,399
Cash and due from banks at end of period	\$29,667	\$46,484
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$3,122	\$4,801
Cash paid for income taxes, net of refunds received	5,188	4,336
Non cash transactions:		
Transfer of loans to other real estate owned	\$—	\$3,526
Transfer of loans to loans held for sale	8,926	—
Contingent consideration recorded as goodwill	6,105	454

Note: See accompanying notes to the unaudited consolidated financial statements.

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UNIVEST CORPORATION OF PENNSYLVANIA AND SUBSIDIARIES

Notes to the Unaudited Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Uninvest Corporation of Pennsylvania (the Corporation) and its wholly owned subsidiaries; the Corporation's primary subsidiary is Uninvest Bank and Trust Co. (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations for interim financial information. The accompanying unaudited consolidated financial statements reflect all adjustments which are of a normal recurring nature and are, in the opinion of management, necessary for a fair presentation of the financial statements for the interim periods presented. Certain prior period amounts have been reclassified to conform to the current-year presentation. Operating results for the nine-month period ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ended December 31, 2014. It is suggested that these unaudited consolidated financial statements be read in conjunction with the audited financial statements and the notes thereto included in the registrant's Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the SEC on March 4, 2014.

Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant changes include fair value measurement of investment securities available-for-sale and assessment for impairment of certain investment securities, reserve for loan and lease losses, valuation of goodwill and other intangible assets, mortgage servicing rights, deferred tax assets and liabilities, benefit plans and stock-based compensation expense.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) regarding revenue from contracts with customers which clarifies the principles for recognizing revenue and develops a common standard for U.S. GAAP and International Financial Reporting Standards. The ASU establishes a core principle that would require an entity to identify the contract(s) with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. The ASU provides for improved disclosure requirements that require entities to disclose sufficient information that enables users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2016, or January 1, 2017 for the Corporation. The Corporation is in the process of evaluating the impact of the adoption of this guidance on its financial statements; however, it is anticipated the impact will be only related to timing.

In January 2014, the FASB issued an ASU regarding reclassification of residential real estate collateralized consumer mortgage loans upon foreclosure. The ASU clarifies that when an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable

jurisdiction. The ASU was issued to eliminate diversity in practice on this topic. The amendment is effective for fiscal years and interim periods within those years beginning after December 15, 2014, or January 1, 2015 for the Corporation. The Corporation does not anticipate the adoption of this guidance will have a material impact on its financial statements but will result in expanded disclosures effective March 31, 2015.

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Note 2. Acquisitions

Sterner Insurance Associates

On July 1, 2014, the Corporation and its insurance subsidiary, Univest Insurance, completed the acquisition of Sterner Insurance Associates, a full service firm providing insurance and consultative risk management solutions to individuals and businesses throughout the Lehigh Valley, Berks, Bucks and Montgomery counties.

The Corporation paid \$3.9 million in cash and assumed liabilities of \$940 thousand at closing with additional contingent consideration to be paid in annual installments over the three-year period ending June 30, 2017, based on the achievement of certain levels of revenue growth and EBITDA (earnings before interest, taxes, depreciation and amortization). At the acquisition date, the Corporation recorded the estimated fair value of the contingent consideration of \$635 thousand in other liabilities. The potential cash payments that could result from the contingent consideration arrangement range from \$0 to a maximum of \$5.7 million cumulative over the next three years. As a result of the Sterner Insurance acquisition, the Corporation recorded goodwill of \$3.4 million (inclusive of the contingent consideration) and customer related intangibles of \$1.6 million. The goodwill is expected to be deductible for tax purposes. The customer related intangibles are being amortized over nine years using the sum-of-the-years-digits amortization method.

Valley Green Bank

On June 17, 2014, the Corporation, the Bank and Valley Green Bank (Valley Green) entered into an Agreement and Plan of Merger (Merger Agreement) pursuant to which Valley Green will be merged with and into the Bank in an all-stock transaction with an aggregate value of approximately \$76 million. Headquartered in the Mt. Airy neighborhood of Philadelphia, Pennsylvania, Valley Green had approximately \$390 million in assets, \$349 million in loans, and \$353 million in deposits at June 30, 2014 and operates three full-service banking offices and two loan production offices in the greater Philadelphia marketplace.

Under the terms of the Merger Agreement, Valley Green shareholders will receive shares of the Corporation's common stock equal to \$27.00 for each share of Valley Green stock outstanding, subject to certain adjustments depending upon the changes in the price of the Corporation's common stock. The final exchange ratio will be based upon an average closing price of the Corporation's common stock over the 20 consecutive trading day period ending on the day prior to the closing date.

With the assumption of Valley Green's three branches and two loan production offices in the Philadelphia marketplace, the Corporation enters a new small business and consumer market and expands its existing lending network within southeastern Pennsylvania. Upon the closing, Valley Green will operate as a separate division of the Bank, under the Valley Green brand. The transaction is anticipated to be accretive to the Corporation's earnings per share in the first combined year of operations.

The Merger Agreement has been approved by the Boards of Directors of the Corporation, the Bank and Valley Green and remains subject to approval by the shareholders of both companies, as well as their regulatory authorities. The transaction is expected to qualify as a tax-free reorganization for federal income tax purposes. The transaction is expected to close in the first quarter of 2015.

Girard Partners

On January 27, 2014, the Corporation completed the acquisition of Girard Partners, a registered investment advisory firm with more than \$500 million in assets under management. The Corporation increased its assets under management to over \$3.0 billion at the acquisition date and expanded its advisory capabilities.

The Corporation paid \$5.4 million in cash at closing with additional contingent consideration to be paid in annual installments over the five-year period ending December 31, 2018, based on the achievement of certain levels of EBITDA. As of the effective date of the acquisition, January 1, 2014, the Corporation recorded the estimated fair value of the contingent consideration of \$5.5 million in other liabilities. The potential cash payments that could result from the contingent consideration arrangement range from \$0 to a maximum of \$14.5 million cumulative over the next 5 years. As a result of the Girard Partners acquisition, the Corporation recorded goodwill of \$6.8 million (inclusive of the contingent consideration) and customer related intangibles of \$4.3 million. The goodwill is expected to be deductible for tax purposes. The customer related intangibles are being amortized over 9 years using the sum-of-the-years-digits amortization method.

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Note 3. Investment Securities

The following table shows the amortized cost and the estimated fair value of the held-to-maturity securities and available-for-sale securities at September 30, 2014 and December 31, 2013, by contractual maturity within each type:

(Dollars in thousands)	At September 30, 2014				At December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities								
Held-to-Maturity								
Corporate bonds:								
Within 1 year	\$15,150	\$178	\$—	\$15,328	\$11,148	\$122	\$—	\$11,270
After 1 year to 5 years	41,326	507	(60)	41,773	54,855	992	(264)	55,583
	56,476	685	(60)	57,101	66,003	1,114	(264)	66,853
Total	\$56,476	\$685	\$(60)	\$57,101	\$66,003	\$1,114	\$(264)	\$66,853
Securities								
Available-for-Sale								
U.S. treasuries:								
After 1 year to 5 years	\$4,971	\$—	\$(181)	\$4,790	\$—	\$—	\$—	\$—
After 5 years to 10 years	—	—	—	—	4,966	—	(258)	4,708
	4,971	—	(181)	4,790	4,966	—	(258)	4,708
U.S. government corporations and agencies:								
Within 1 year	—	—	—	—	5,999	16	—	6,015
After 1 year to 5 years	123,207	48	(852)	122,403	112,989	114	(1,226)	111,877
After 5 years to 10 years	—	—	—	—	10,816	—	(560)	10,256
	123,207	48	(852)	122,403	129,804	130	(1,786)	128,148
State and political subdivisions:								
Within 1 year	600	2	—	602	1,564	13	—	1,577
After 1 year to 5 years	10,443	48	(18)	10,473	5,305	14	(29)	5,290
After 5 years to 10 years	49,641	1,658	(124)	51,175	41,974	710	(698)	41,986
Over 10 years	42,246	1,921	(10)	44,157	57,899	1,227	(322)	58,804
	102,930	3,629	(152)	106,407	106,742	1,964	(1,049)	107,657
Residential mortgage-backed securities:								
After 1 year to 5 years	5,096	—	(32)	5,064	—	—	—	—
After 5 years to 10 years	4,860	—	(85)	4,775	10,008	5	(53)	9,960
Over 10 years	3,681	45	(12)	3,714	25,721	20	(221)	25,520
	13,637	45	(129)	13,553	35,729	25	(274)	35,480
Collateralized mortgage obligations:								
After 1 year to 5 years	—	—	—	—	73	—	—	73
Over 10 years	6,580	18	(123)	6,475	7,341	40	(253)	7,128

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	6,580	18	(123)	6,475	7,414	40	(253)	7,201
Corporate bonds:								
Within 1 year	4,998	34	—	5,032	—	—	—	—
After 1 year to 5 years	17,590	30	(235)	17,385	18,838	52	(411)	18,479
After 5 years to 10 years	20,943	4	(389)	20,558	16,474	4	(1,117)	15,361
	43,531	68	(624)	42,975	35,312	56	(1,528)	33,840
Money market mutual funds:								
No stated maturity	6,442	—	—	6,442	16,900	—	—	16,900
	6,442	—	—	6,442	16,900	—	—	16,900
Equity securities:								
No stated maturity	854	403	—	1,257	1,679	668	—	2,347
	854	403	—	1,257	1,679	668	—	2,347
Total	\$302,152	\$4,211	\$(2,061)	\$304,302	\$338,546	\$2,883	\$(5,148)	\$336,281

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Expected maturities may differ from contractual maturities because debt issuers may have the right to call or prepay obligations without call or prepayment penalties. Unrealized losses in investment securities at September 30, 2014 and December 31, 2013 do not represent other-than-temporary impairments.

Securities with a carrying value of \$231.5 million and \$271.1 million at September 30, 2014 and December 31, 2013, respectively, were pledged to secure public deposits and for other purposes as required by law.

The following table presents information related to sales of securities available-for-sale during the nine months ended September 30, 2014 and 2013:

(Dollars in thousands)	Nine Months Ended September	
	30, 2014	2013
Securities available-for-sale:		
Proceeds from sales	\$30,286	\$58,148
Gross realized gains on sales	557	2,957
Gross realized losses on sales	—	7
Tax expense related to net realized gains on sales	195	1,032

Management evaluates debt securities, which are comprised of U.S. government, government sponsored agencies, municipalities, corporate bonds and other issuers, for other-than-temporary impairment by considering the current economic conditions, the length of time and the extent to which the fair value has been less than cost, interest rates and the bond rating of each security. All of the debt securities are rated as investment grade and management believes that it will not incur any losses. The unrealized losses on the Corporation's investments in debt securities are temporary in nature since they are primarily related to market interest rates and are not related to the underlying credit quality of the issuers within our investment portfolio. The Corporation does not have the intent to sell the debt securities and believes it is more likely than not, that it will not have to sell the securities before recovery of their cost basis. The Corporation did not recognize any other-than-temporary impairment charges on debt securities for the nine months ended September 30, 2014 and 2013.

At September 30, 2014 and December 31, 2013, there were no investments in any single non-federal issuer representing more than 10% of shareholders' equity.

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The following table shows the fair value of securities that were in an unrealized loss position at September 30, 2014 and December 31, 2013 by the length of time those securities were in a continuous loss position:

(Dollars in thousands)	Less than Twelve Months		Twelve Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
At September 30, 2014						
Securities Held-to-Maturity						
Corporate bonds	\$ 13,189	\$(39)	\$ 4,993	\$(21)	\$ 18,182	\$(60)
Total	\$ 13,189	\$(39)	\$ 4,993	\$(21)	\$ 18,182	\$(60)
Securities Available-for-Sale						
U.S. treasuries	\$—	\$—	\$ 4,790	\$(181)	\$ 4,790	\$(181)
U.S. government corporations and agencies	19,948	(52)	77,353	(800)	97,301	(852)
State and political subdivisions	1,883	(4)	11,146	(148)	13,029	(152)
Residential mortgage-backed securities	12,391	(129)	—	—	12,391	(129)
Collateralized mortgage obligations	—	—	3,807	(123)	3,807	(123)
Corporate bonds	17,407	(233)	15,775	(391)	33,182	(624)
Total	\$ 51,629	\$(418)	\$ 112,871	\$(1,643)	\$ 164,500	\$(2,061)
At December 31, 2013						
Securities Held-to-Maturity						
Corporate bonds	\$ 19,942	\$(264)	\$—	\$—	\$ 19,942	\$(264)
Total	\$ 19,942	\$(264)	\$—	\$—	\$ 19,942	\$(264)
Securities Available-for-Sale						
U.S. treasuries	\$ 4,708	\$(258)	\$—	\$—	\$ 4,708	\$(258)
U.S. government corporations and agencies	101,813	(1,786)	—	—	101,813	(1,786)
State and political subdivisions	30,233	(1,049)	—	—	30,233	(1,049)
Residential mortgage-backed securities	29,444	(274)	—	—	29,444	(274)
Collateralized mortgage obligations	4,091	(253)	—	—	4,091	(253)
Corporate bonds	26,557	(1,528)	—	—	26,557	(1,528)
Total	\$ 196,846	\$(5,148)	\$—	\$—	\$ 196,846	\$(5,148)

Note 4. Loans and Leases

Summary of Major Loan and Lease Categories

(Dollars in thousands)	At September 30, 2014	At December 31, 2013
Commercial, financial and agricultural	\$ 438,556	\$ 422,816
Real estate-commercial	637,904	600,353
Real estate-construction	75,254	90,493
Real estate-residential secured for business purpose	35,367	37,319
Real estate-residential secured for personal purpose	163,368	149,164
Real estate-home equity secured for personal purpose	105,191	95,345
Loans to individuals	30,144	40,000
Lease financings	111,952	105,994

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Total loans and leases held for investment, net of deferred income	\$1,597,736	\$1,541,484	
Unearned lease income, included in the above table	\$(13,646) \$(14,439)
Net deferred costs, included in the above table	3,045	2,744	
Overdraft deposits included in the above table	72	62	

Overdraft deposits are re-classified as loans and are included in the total loans and leases on the balance sheet.

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Age Analysis of Past Due Loans and Leases

The following presents, by class of loans and leases, an aging of past due loans and leases, loans and leases which are current and the recorded investment in loans and leases 90 days or more past due which are accruing interest at September 30, 2014 and December 31, 2013:

(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days or more Past Due	Total Past Due	Current	Total Loans and Leases Held for Investment	Recorded Investment 90 Days or more Past Due and Accruing Interest
At September 30, 2014							
Commercial, financial and agricultural	\$ 1,380	\$ 872	\$ 588	\$ 2,840	\$ 435,716	\$ 438,556	\$ —
Real estate—commercial real estate and construction:							
Commercial real estate	9,630	—	148	9,778	628,126	637,904	—
Construction	405	—	6,297	6,702	68,552	75,254	—
Real estate—residential and home equity:							
Residential secured for business purpose	224	18	668	910	34,457	35,367	—
Residential secured for personal purpose	377	424	101	902	162,466	163,368	41
Home equity secured for personal purpose	336	127	77	540	104,651	105,191	—
Loans to individuals	294	219	257	770	29,374	30,144	257
Lease financings	1,918	2,218	333	4,469	107,483	111,952	46
Total	\$ 14,564	\$ 3,878	\$ 8,469	\$ 26,911	\$ 1,570,825	\$ 1,597,736	\$ 344
At December 31, 2013							
Commercial, financial and agricultural	\$ 386	\$ 922	\$ 2,904	\$ 4,212	\$ 418,604	\$ 422,816	\$ 12
Real estate—commercial real estate and construction:							
Commercial real estate	148	262	4,932	5,342	595,011	600,353	—
Construction	—	—	8,742	8,742	81,751	90,493	—
Real estate—residential and home equity:							
Residential secured for business purpose	87	276	161	524	36,795	37,319	—
Residential secured for personal purpose	1,370	—	617	1,987	147,177	149,164	—
Home equity secured for personal purpose	278	97	100	475	94,870	95,345	23
Loans to individuals	445	193	319	957	39,043	40,000	319
Lease financings	2,182	455	389	3,026	102,968	105,994	59
Total	\$ 4,896	\$ 2,205	\$ 18,164	\$ 25,265	\$ 1,516,219	\$ 1,541,484	\$ 413

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Non-Performing Loans and Leases

The following presents, by class of loans and leases, non-performing loans and leases at September 30, 2014 and December 31, 2013:

(Dollars in thousands)	At September 30, 2014				At December 31, 2013			
	Nonaccrual Loans and Leases*	Accruing Troubled Debt Restructured Loans and Lease Modifications	Loans and Leases 90 Days or more Past Due and Accruing Interest	Total Non-Performing Loans and Leases	Nonaccrual Loans and Leases*	Accruing Troubled Debt Restructured Loans and Lease Modifications	Loans and Leases 90 Days or more Past Due and Accruing Interest	Total Non-Performing Loans and Leases
Commercial, financial and agricultural Real estate—commercial real estate and construction:								
Commercial real estate	\$5,050	\$2,657	\$—	\$7,707	\$4,253	\$1,329	\$12	\$5,594
Construction	4,482	2,806	—	7,288	8,091	4,271	—	12,362
Real estate—residential and home equity:								
Residential secured for business purpose	7,570	—	—	7,570	9,159	2,307	—	11,466
Residential secured for personal purpose	822	—	—	822	224	—	—	224
Home equity secured for personal purpose	526	—	41	567	1,101	—	—	1,101
Loans to individuals	77	—	—	77	77	—	23	100
Lease financings	—	—	257	257	—	36	319	355
Total	287	—	46	333	330	—	59	389
	\$18,814	\$5,463	\$344	\$24,621	\$23,235	\$7,943	\$413	\$31,591

* Includes nonaccrual troubled debt restructured loans and lease modifications of \$3.4 million and \$1.6 million at September 30, 2014 and December 31, 2013, respectively.

Credit Quality Indicators

The following tables present by class, the recorded investment in loans and leases held for investment by credit quality indicator at September 30, 2014 and December 31, 2013.

The Corporation employs a ten (10) grade risk rating system related to the credit quality of commercial loans and residential real estate loans secured for a business purpose of which the first six categories are pass categories (credits not adversely rated). The following is a description of the internal risk ratings and the likelihood of loss related to each risk rating. Loans with risk ratings of one through five are reviewed based on the relationship dollar amount with the borrower: loans with a relationship total of \$2.5 million or greater are reviewed quarterly; loans with a relationship balance of less than \$2.5 million but greater than \$500 thousand are reviewed annually based on the borrower's fiscal year; loans with a relationship balance of less than \$500 thousand are reviewed only if the loan becomes 60 days or more past due. Loans with risk ratings of six are also reviewed based on the relationship dollar amount with the borrower: loans with a relationship balance of \$2.0 million or greater are reviewed quarterly; loans with a relationship

balance of less than \$2.0 million but greater than \$500 thousand are reviewed annually; loans with a relationship balance of less than \$500 thousand are reviewed only if the loan becomes 60 days or more past due. Loans with risk ratings of seven are reviewed at least quarterly, and as often as monthly, at management's discretion. Loans with risk ratings of eight through ten are reviewed monthly.

1. Cash Secured—No credit risk
2. Fully Secured—Negligible credit risk
3. Strong—Minimal credit risk
4. Satisfactory—Nominal credit risk
5. Acceptable—Moderate credit risk
6. Pre-Watch—Marginal, but stable credit risk
7. Special Mention—Potential weakness
8. Substandard—Well-defined weakness
9. Doubtful—Collection in-full improbable
10. Loss—Considered uncollectible

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Commercial Credit Exposure Credit Risk by Internally Assigned Grades

(Dollars in thousands)	Commercial, Financial and Agricultural	Real Estate— Commercial	Real Estate— Construction	Real Estate— Residential Secured for Business Purpose	Total
At September 30, 2014					
Grade:					
1. Cash secured/ 2. Fully secured	\$4,511	\$—	\$851	\$ —	\$5,362
3. Strong	7,187	8,821	3,927	—	19,935
4. Satisfactory	26,274	28,667	8,834	343	64,118
5. Acceptable	291,646	419,615	48,889	24,094	784,244
6. Pre-watch	56,775	113,842	5,088	5,022	180,727
7. Special Mention	11,904	10,283	—	1,325	23,512
8. Substandard	40,259	56,676	7,665	4,583	109,183
9. Doubtful	—	—	—	—	—
10.Loss	—	—	—	—	—
Total	\$438,556	\$637,904	\$75,254	\$ 35,367	\$1,187,081
At December 31, 2013					
Grade:					
1. Cash secured/ 2. Fully secured	\$4,763	\$2,014	\$1,682	\$ —	\$8,459
3. Strong	6,051	8,515	4,300	—	18,866
4. Satisfactory	34,650	17,758	1,500	261	54,169
5. Acceptable	251,203	384,061	54,464	26,694	716,422
6. Pre-watch	84,201	113,181	16,084	5,884	219,350
7. Special Mention	10,095	19,445	—	1,841	31,381
8. Substandard	31,508	55,331	12,463	2,639	101,941
9. Doubtful	345	48	—	—	393
10.Loss	—	—	—	—	—
Total	\$422,816	\$600,353	\$90,493	\$ 37,319	\$1,150,981

Credit Exposure—Real Estate—Residential Secured for Personal Purpose, Real Estate—Home Equity Secured for Personal Purpose, Loans to individuals, Lease Financing Credit Risk Profile by Payment Activity

The Corporation monitors the credit risk profile by payment activity for the following classifications of loans and leases: residential real estate loans secured for a personal purpose, home equity loans secured for a personal purpose, loans to individuals and lease financings. Nonperforming loans and leases are loans past due 90 days or more, loans and leases on nonaccrual of interest and troubled debt restructured loans and lease modifications. Performing loans and leases are reviewed only if the loan becomes 60 days or more past due. Nonperforming loans and leases are reviewed monthly. Performing loans and leases have a nominal to moderate risk of loss. Nonperforming loans and leases are loans or leases with a well-defined weakness and where collection in-full is improbable.

(Dollars in thousands)	Real Estate— Residential Secured for Personal Purpose	Real Estate— Home Equity Secured for Personal Purpose	Loans to Individuals	Lease Financing	Total
At September 30, 2014					
Performing	\$ 162,801	\$ 105,114	\$29,887	\$111,619	\$409,421
Nonperforming	567	77	257	333	1,234
Total	\$ 163,368	\$ 105,191	\$30,144	\$111,952	\$410,655
At December 31, 2013					
Performing	\$ 148,063	\$ 95,245	\$39,645	\$105,605	\$388,558
Nonperforming	1,101	100	355	389	1,945
Total	\$ 149,164	\$ 95,345	\$40,000	\$105,994	\$390,503

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Risks associated with lending activities include, among other things, the impact of changes in interest rates and economic conditions, which may adversely impact the ability of borrowers to repay outstanding loans, and impact the value of the associated collateral.

Commercial, financial and agricultural loans, commercial real estate loans, construction loans and residential real estate loans with a business purpose are generally perceived as having more risk of default than residential real estate loans with a personal purpose and consumer loans. These types of loans involve larger loan balances to a single borrower or groups of related borrowers. Commercial real estate loans may be affected to a greater extent than residential loans by adverse conditions in real estate markets or the economy because commercial real estate borrowers' ability to repay their loans depends on successful development of their properties and factors affecting residential real estate borrowers.

Commercial, financial and agricultural business loans are typically based on the borrowers' ability to repay the loans from the cash flow of their businesses. These loans may involve greater risk because the availability of funds to repay each loan depends substantially on the success of the business itself. In addition, the collateral securing the loans often depreciates over time, is difficult to appraise and liquidate and fluctuates in value based on the success of the business. Risk of loss on a construction loan depends largely upon whether our initial estimate of the property's value at completion of construction equals or exceeds the cost of the property construction (including interest). During the construction phase, a number of factors can result in delays and cost overruns. If estimates of value are inaccurate or if actual construction costs exceed estimates, the value of the property securing the loan may be insufficient to ensure full repayment when completed through a permanent loan or by seizure of collateral. Included in real estate-construction is track development financing. Risk factors related to track development financing include the demand for residential housing and the real estate valuation market. When projects move slower than anticipated, the properties may have significantly lower values than when the original underwriting was completed, resulting in lower collateral values to support the loan. Extended time frames also cause the interest carrying cost for a project to be higher than the builder projected, negatively impacting the builder's profit and cash flow and, therefore, their ability to make principal and interest payments.

Commercial real estate loans and residential real estate loans with a business purpose secured by owner-occupied properties are dependent upon the successful operation of the borrower's business. If the operating company suffers difficulties in terms of sales volume and/or profitability, the borrower's ability to repay the loan may be impaired. Loans secured by properties where repayment is dependent upon payment of rent by third party tenants or the sale of the property may be impacted by loss of tenants, lower lease rates needed to attract new tenants or the inability to sell a completed project in a timely fashion and at a profit.

Commercial, financial and agricultural loans, commercial real estate loans, construction loans and residential real estate loans secured for a business purpose are more susceptible to a risk of loss during a downturn in the business cycle. The Corporation has strict underwriting, review, and monitoring procedures in place, however, these procedures cannot eliminate all of the risks related to these loans.

The Corporation focuses on both assessing the borrower's capacity and willingness to repay and on obtaining sufficient collateral. Commercial, financial and agricultural loans are generally secured by the borrower's assets and by personal guarantees. Commercial real estate and residential real estate loans secured for a business purpose are originated primarily within the Southeastern Pennsylvania market area at conservative loan-to-value ratios and often with a guarantee of the borrowers. Management closely monitors the composition and quality of the total commercial loan portfolio to ensure that any credit concentrations by borrower or industry are closely monitored.

The Corporation originates fixed-rate and adjustable-rate real estate-residential mortgage loans that are secured by the underlying 1- to 4-family residential properties for personal purposes. Credit risk exposure in this area of lending is minimized by the evaluation of the credit worthiness of the borrower, including debt-to-equity ratios, credit scores and adherence to underwriting policies that emphasize conservative loan-to-value ratios of generally no more than 80%. Residential mortgage loans granted in excess of the 80% loan-to-value ratio criterion are generally insured by private mortgage insurance.

In the real estate-home equity loan portfolio secured for a personal purpose, credit exposure is minimized by the evaluation of the creditworthiness of the borrower, including debt-to-equity ratios, credit scores and adherence to the

Corporation's underwriting policies. Combined loan-to-value ratios are generally limited to 80%, but increased to 85% for the Corporation's strongest profile borrower. Other credit considerations and compensating factors may warrant higher combined loan-to-value ratios.

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Credit risk for direct consumer loans is controlled by strict adherence to conservative underwriting standards that consider debt-to-income levels and the creditworthiness of the borrower and, if secured, collateral values. These loans are included within the portfolio of loans to individuals.

The primary risks that are involved with lease financing receivables are credit underwriting and borrower industry concentrations. The Corporation has strict underwriting, review, and monitoring procedures in place to mitigate this risk. Risk also lies in the residual value of the underlying equipment. Residual values are subject to judgments as to the value of the underlying equipment that can be affected by changes in economic and market conditions and the financial viability of the residual guarantors and insurers. To the extent not guaranteed or assumed by a third party, or otherwise insured against, the Corporation bears the risk of ownership of the leased assets. This includes the risk that the actual value of the leased assets at the end of the lease term will be less than the residual value. The Corporation greatly reduces this risk primarily by using \$1.00 buyout leases, in which the entire cost of the leased equipment is included in the contractual payments, leaving no residual payment at the end of the lease terms.

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Reserve for Loan and Lease Losses and Recorded Investment in Loans and Leases

The following presents, by portfolio segment, a summary of the activity in the reserve for loan and lease losses, the balance in the reserve for loan and lease losses disaggregated on the basis of impairment method and the recorded investment in loans and leases disaggregated on the basis of impairment method for the three and nine months ended September 30, 2014 and 2013:

(Dollars in thousands)	Commercial, Financial and Agricultural	Real Estate—Commercial and Construction	Real Estate—Real Estate Secured for Business Purpose	Real Estate—Residential and Home Equity Secured for Personal Purpose	Loans to Individuals	Lease Financings	Unallocated	Total
Three Months Ended September 30, 2014								
Reserve for loan and lease losses:								
Beginning balance	\$ 9,714	\$ 9,263	\$ 1,025	\$ 1,248	\$ 405	\$ 1,101	\$ 1,338	\$ 24,094
Charge-offs	(968)	(1,570)	(26)	(18)	(169)	(106)	N/A	(2,857)
Recoveries	88	58	9	2	53	82	N/A	292
Provision (recovery of provision)	(1,219)	1,337	(48)	(54)	43	38	136	233
Ending balance	\$ 7,615	\$ 9,088	\$ 960	\$ 1,178	\$ 332	\$ 1,115	\$ 1,474	\$ 21,762
Three Months Ended September 30, 2013								
Reserve for loan and lease losses:								
Beginning balance	\$ 11,395	\$ 8,662	\$ 586	\$ 1,084	\$ 693	\$ 1,212	\$ 1,086	\$ 24,718
Charge-offs	(812)	(2,784)	(38)	(133)	(216)	(211)	N/A	(4,194)
Recoveries	85	—	1	2	60	69	N/A	217
(Recovery of provision)	(152)	2,542	682	249	169	198	406	4,094
Ending balance	\$ 10,516	\$ 8,420	\$ 1,231	\$ 1,202	\$ 706	\$ 1,268	\$ 1,492	\$ 24,835
Nine Months Ended September 30, 2014								
Reserve for loan and lease losses:								
Beginning balance	\$ 9,789	\$ 8,780	\$ 1,062	\$ 1,284	\$ 694	\$ 1,285	\$ 1,600	\$ 24,494
Charge-offs	(2,657)	(2,878)	(140)	(108)	(659)	(396)	N/A	(6,838)
Recoveries	197	428	57	29	212	224	N/A	1,147
Provision (recovery of provision)	286	2,758	(19)	(27)	85	2	(126)	2,959

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provision)								
Ending balance	\$ 7,615	\$ 9,088	\$960	\$1,178	\$ 332	\$1,115	\$ 1,474	\$21,762
Nine Months Ended September 30, 2013								
Reserve for loan and lease losses:								
Beginning balance	\$ 11,594	\$ 7,507	\$639	\$980	\$ 679	\$1,326	\$ 2,021	\$24,746
Charge-offs	(1,973)	(6,857)	(112)	(160)	(620)	(637)	N/A	(10,359)
Recoveries	172	48	9	5	172	428	N/A	834
Provision (recovery of provision)	723	7,722	695	377	475	151	(529)	9,614
Ending balance	\$ 10,516	\$ 8,420	\$1,231	\$1,202	\$ 706	\$1,268	\$ 1,492	\$24,835
N/A – Not applicable								

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(Dollars in thousands)	Commercial Financial and Agricultural	Real Estate— Commercial and Construction	Real Estate— Residential Secured for Business Purpose	Real Estate— Residential and Home Equity Secured for Personal Purpose	Loans to Individuals	Lease Financings	Unallocated	Total
At September 30, 2014								
Reserve for loan and lease losses:								
Ending balance: individually evaluated for impairment	\$ 685	\$ 27	\$ 430	\$ —	\$ —	\$ —	N/A	\$ 1,142
Ending balance: collectively evaluated for impairment	6,930	9,061	530	1,178	332	1,115	1,474	20,620
Total ending balance	\$ 7,615	\$ 9,088	\$ 960	\$ 1,178	\$ 332	\$ 1,115	\$ 1,474	\$ 21,762
Loans and leases held for investment:								
Ending balance: individually evaluated for impairment	\$ 18,214	\$ 37,341	\$ 2,921	\$ 603	\$ —	\$ —		\$ 59,079
Ending balance: collectively evaluated for impairment	420,342	675,817	32,446	267,956	30,144	111,952		1,538,657
Total ending balance	\$ 438,556	\$ 713,158	\$ 35,367	\$ 268,559	\$ 30,144	\$ 111,952		\$ 1,597,736
At September 30, 2013								
Reserve for loan and lease losses:								
Ending balance: individually evaluated for impairment	\$ 2,210	\$ 111	\$ 775	\$ —	\$ —	\$ —	N/A	\$ 3,096
Ending balance: collectively evaluated for impairment	8,306	8,309	456	1,202	706	1,268	1,492	21,739
Total ending balance	\$ 10,516	\$ 8,420	\$ 1,231	\$ 1,202	\$ 706	\$ 1,268	\$ 1,492	\$ 24,835
Loans and leases held for investment:								
Ending balance: individually evaluated for impairment	\$ 14,029	\$ 50,242	\$ 1,776	\$ 720	\$ 37	\$ —		\$ 66,804
Ending balance: collectively evaluated for impairment	416,789	630,635	33,897	233,181	42,174	102,761		1,459,437
Total ending balance	\$ 430,818	\$ 680,877	\$ 35,673	\$ 233,901	\$ 42,211	\$ 102,761		\$ 1,526,241
N/A – Not applicable								

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Impaired Loans

The following presents, by class of loans, the recorded investment and unpaid principal balance of impaired loans, the amounts of the impaired loans for which there is not an allowance for credit losses and the amounts for which there is an allowance for credit losses at September 30, 2014 and December 31, 2013:

(Dollars in thousands)	At September 30, 2014			At December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with no related allowance recorded:						
Commercial, financial and agricultural	\$14,777	\$15,213		\$10,890	\$11,749	
Real estate—commercial real estate	27,430	28,545		28,883	35,700	
Real estate—construction	7,665	8,902		12,357	14,540	
Real estate—residential secured for business purpose	1,371	1,400		224	235	
Real estate—residential secured for personal purpose	526	547		131	131	
Real estate—home equity secured for personal purpose	77	77		77	77	
Loans to individuals	—	—		36	54	
Total impaired loans with no allowance recorded	\$51,846	\$54,684		\$52,598	\$62,486	
Impaired loans with an allowance recorded:						
Commercial, financial and agricultural	\$3,437	\$3,437	\$685	\$3,215	\$3,272	\$2,398
Real estate—commercial real estate	2,246	2,246	27	—	—	—
Real estate—residential secured for business purpose	1,550	1,550	430	1,550	1,550	501
Real estate—residential secured for personal purpose	—	—	—	970	976	64
Total impaired loans with an allowance recorded	\$7,233	\$7,233	\$1,142	\$5,735	\$5,798	\$2,963
(Dollars in thousands)	At September 30, 2014			At December 31, 2013		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
Total impaired loans:						
Commercial, financial and agricultural	\$18,214	\$18,650	\$685	\$14,105	\$15,021	\$2,398
Real estate—commercial real estate	29,676	30,791	27	28,883	35,700	—
Real estate—construction	7,665	8,902	—	12,357	14,540	—
Real estate—residential secured for business purpose	2,921	2,950	430	1,774	1,785	501
Real estate—residential secured for personal purpose	526	547	—	1,101	1,107	64
Real estate—home equity secured for personal purpose	77	77	—	77	77	—
Loans to individuals	—	—	—	36	54	—
Total impaired loans	\$59,079	\$61,917	\$1,142	\$58,333	\$68,284	\$2,963

Impaired loans includes nonaccrual loans and leases, accruing troubled debt restructured loans and lease modifications and other accruing impaired loans for which it is probable that not all principal and interest payments due will be collectible in accordance with the contractual terms. These loans are individually measured to determine the amount of potential impairment. The loans are reviewed for impairment based on the fair value of the collateral for collateral dependent loans and for certain loans based on discounted cash flows using the loans' initial effective interest rates. Impaired loans included other accruing impaired loans of \$35.1 million and \$27.5 million at September 30, 2014 and December 31, 2013, respectively. Specific reserves on other accruing impaired loans were \$1.0 million and \$1.6 million at September 30, 2014 and December 31, 2013, respectively.

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The following presents by class of loans, the average recorded investment in impaired loans and an analysis of interest on impaired loans. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Therefore, interest income on accruing impaired loans is recognized using the accrual method.

(Dollars in thousands)	Three Months Ended September 30, 2014			Three Months Ended September 30, 2013		
	Average Recorded Investment	Interest Income Recognized*	Additional Interest Income That Would Have Been Recognized Under Original Terms	Average Recorded Investment	Interest Income Recognized*	Additional Interest Income That Would Have Been Recognized Under Original Terms
Commercial, financial and agricultural	\$16,577	\$150	\$72	\$5,971	\$29	\$70
Real estate—commercial real estate	26,531	281	82	22,789	171	150
Real estate—construction	9,982	20	116	14,544	25	184
Real estate—residential secured for business purpose	2,643	19	13	585	2	2
Real estate—residential secured for personal purpose	590	—	9	725	—	11
Real estate—home equity secured for personal purpose	84	—	1	—	—	—
Loans to individuals	1	—	—	37	1	—
Total	\$56,408	\$470	\$293	\$44,651	\$228	\$417

There was no interest income recognized on a cash basis for nonaccrual loans for the three months ended

*September 30, 2014 and 2013; includes interest income recognized on the accrual method for accruing impaired loans of \$470 thousand and \$228 thousand for the three months ended September 30, 2014 and 2013, respectively.

(Dollars in thousands)	Nine Months Ended September 30, 2014			Nine Months Ended September 30, 2013		
	Average Recorded Investment	Interest Income Recognized*	Additional Interest Income That Would Have Been Recognized Under Original Terms	Average Recorded Investment	Interest Income Recognized*	Additional Interest Income That Would Have Been Recognized Under Original Terms
Commercial, financial and agricultural	\$14,806	\$401	\$188	\$3,985	\$45	\$132
Real estate—commercial real estate	25,734	816	248	23,138	473	566
Real estate—construction	11,499	103	363	15,291	81	553
Real estate—residential secured for business purpose	2,400	52	48	341	2	7
Real estate—residential secured for personal purpose	779	—	41	758	—	35
	82	—	3	2	—	—

Real estate—home equity
secured for personal purpose

Loans to individuals	5	—	—	41	3	—
Total	\$55,305	\$1,372	\$ 891	\$43,556	\$604	\$ 1,293

Includes interest income recognized on a cash basis for nonaccrual loans of \$23 thousand and \$6 thousand for the
* nine months ended September 30, 2014 and 2013, respectively and interest income recognized on the accrual method
* for accruing impaired loans of \$1.3 million and \$598 thousand for the nine months ended September 30, 2014 and
2013, respectively.

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Troubled Debt Restructured Loans

The following presents, by class of loans, information regarding accruing and nonaccrual loans that were restructured:

(Dollars in thousands)	Three Months Ended September 30, 2014				Three Months Ended September 30, 2013			
	Number of Loans	Pre- Restructuring Outstanding Recorded Investment	Post- Restructuring Outstanding Recorded Investment	Related Allowance	Number of Loans	Pre- Restructuring Outstanding Recorded Investment	Post- Restructuring Outstanding Recorded Investment	Related Allowance
Accruing Troubled Debt Restructured Loans:								
Commercial, financial and agricultural	3	\$ 1,424	\$ 1,424	\$ 132	—	\$ —	\$ —	\$ —
Real estate—commercial real estate	1	1,000	1,000	—	3	1,569	1,569	—
Real estate—construction	—	—	—	—	1	459	459	—
Total	4	\$ 2,424	\$ 2,424	\$ 132	4	\$ 2,028	\$ 2,028	\$ —
Nonaccrual Troubled Debt Restructured Loans:								
Total	—	\$ —	\$ —	\$ —	—	\$ —	\$ —	\$ —
(Dollars in thousands)	Nine Months Ended September 30, 2014				Nine Months Ended September 30, 2013			
	Number of Loans	Pre- Restructuring Outstanding Recorded Investment	Post- Restructuring Outstanding Recorded Investment	Related Allowance	Number of Loans	Pre- Restructuring Outstanding Recorded Investment	Post- Restructuring Outstanding Recorded Investment	Related Allowance
Accruing Troubled Debt Restructured Loans:								
Commercial, financial and agricultural	3	\$ 1,424	\$ 1,424	\$ 132	1	\$ 1,000	\$ 1,000	\$ —
Real estate—commercial real estate	1	1,000	1,000	—	3	1,569	1,569	—
Real estate—construction	—	—	—	—	1	459	459	—
Total	4	\$ 2,424	\$ 2,424	\$ 132	5	\$ 3,028	\$ 3,028	\$ —
Nonaccrual Troubled Debt Restructured Loans:								
Total	1	\$ 50	\$ 50	\$ —	—	\$ —	\$ —	\$ —

Real estate—commercial real estate								
Real estate—residential secured for business purpose	2	688	688	—	—	—	—	—
Total	3	\$ 738	\$ 738	\$ —	—	\$ —	\$ —	\$ —

The Corporation grants concessions primarily related to extensions of interest-only payment periods and an occasional payment modification. These modifications typically are for a short-term basis up to one year. Our goal when restructuring a credit is to establish a reasonable period of time to provide cash flow relief to customers experiencing cash flow difficulties. Accruing troubled debt restructured loans are primarily comprised of loans on which interest is being accrued under the restructured terms, and the loans are current or less than ninety days past due.

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The following presents, by class of loans, information regarding the types of concessions granted on accruing and nonaccrual loans that were restructured during the three and nine months ended September 30, 2014 and 2013.

(Dollars in thousands)	Interest Only Term Extension		Temporary Payment Reduction		Interest Rate Reduction		Maturity Date Extension		Payments Suspended		Total Concessions Granted	
	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount	No. of Loans	Amount
Three Months Ended September 30, 2014												
Accruing Troubled Debt Restructured Loans:												
Commercial, financial and agricultural Real estate—commercial real estate	—	\$ —	—	\$—	—	\$—	2	\$1,299	1	\$125	3	\$ 1,424
Real estate—commercial real estate	—	—	—	—	—	—	1	1,000	—	—	1	1,000
Total	—	\$ —	—	\$—	—	\$—	3	\$2,299	1	\$125	4	\$ 2,424
Nonaccrual Troubled Debt Restructured Loans:												
Total	—	\$ —	—	\$—	—	\$—	—	\$—	—	\$—	—	\$ —
Three Months Ended September 30, 2013												
Accruing Troubled Debt Restructured Loans:												
Real estate—commercial real estate	—	\$ —	1	\$756	—	\$—	2	\$813	—	\$—	3	\$ 1,569
Real estate—construction	—	—	—	—	—	—	1	459	—	—	1	459
Total	—	\$ —	1	\$756	—	\$—	3					