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2000 Annual Report

Bryn Mawr Bank Corporation

CONSOLIDATED FINANCIAL HIGHLIGHTS

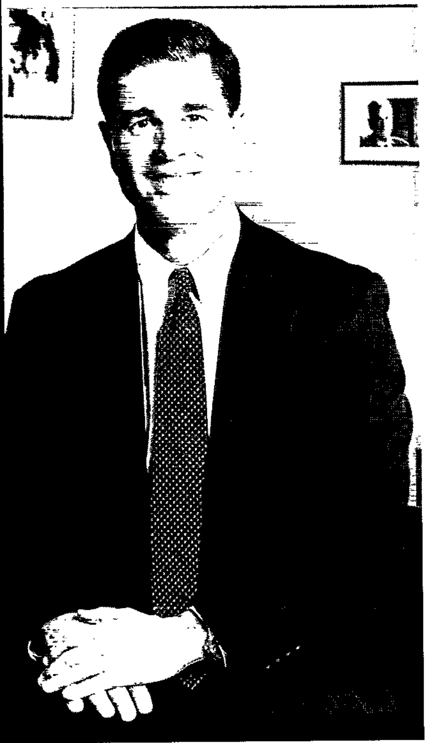
	2000	1999*	Change	Five-Year Compound Growth Rate
For the year (dollars in thousands)				
Net interest income	$ 24,913	$ 22,460	11%	9%
Other income	17,727	18,086	-2%	14%
Other expenses	29,696	28,456	4%	10%
Net income	8,261	7,961	4%	12%
At year-end (dollars in thousands)				
Total assets	$ 444,425	$ 436,820	2%	5%
Total net loans	350,686	334,539	5%	9%
Total deposits	386,966	371,068	4%	4%
Shareholders' equity	50,970	46,719	9%	10%
Per common share				
Basic earnings per share	$ 1.92	$ 1.83	5%	13%
Diluted earnings per share	$ 1.85	$ 1.75	6%	12%
Dividends declared	$ 0.68	$ 0.60	13%	22%
Book value	$ 11.93	$ 10.81	10%	10%
Closing price	$ 21.13	$ 23.88	-11%	10%
Selected ratios				
Return on average assets	1.94%	1.99%		
Return on average shareholders' equity	17.20%	17.97%		

** Reclassified for comparative purposes.*

A MESSAGE FROM THE PRESIDENT

Dear Fellow Shareholders:

It is a tremendous honor for me to serve as the eighth president in the 112-year history of The Bryn Mawr Trust Company and as the second president of its parent holding company, Bryn Mawr Bank Corporation. I consider my charge to be one of stewardship and a continuation of the legacy that has made our institution one of the most esteemed community banking organizations in the country.



Bryn Mawr Trust is extremely fortunate to have been led by Bob Stevens for these past 21 years. Not only has Bob maintained an enviable record of growth and profitability, but he has also led the aggressive movement of the Corporation into the wealth management area long before our competitors saw the wisdom in this strategy.

My vision for the future is very simple—that we will remain an independent, high-performing financial institution serving the needs of businesses, individuals, and affluent clients in our community and the region. By doing so, we will provide a superior return to our shareholders, all of whom are very important to us.

With my arrival, we have made a number of changes in our management structure. Bob Ricciardi, Alison Gers, and Joe Rebl have agreed to head up, respectively, the Traditional Bank, the Support Bank, and the Finance Division. We are presently engaged in a national search to find the leader for our Wealth Bank. These individuals and I will comprise the Executive Management Committee and are charged with developing and executing the strategies, as approved by the Board of Directors, which will keep the Corporation moving forward.

In my past experiences, I have always welcomed a close relationship with shareholders. It will be no different here. If you have any thoughts, comments or suggestions, I would ask that you call me at 610-581-4800, which is my direct line. If you are in the main branch in Bryn Mawr, my office is just off the lobby. Please stop by and spend some time.

Sincerely,

Ted Peters

Ted Peters
President and Chief Executive Officer
February 23, 2001

Technological Advances

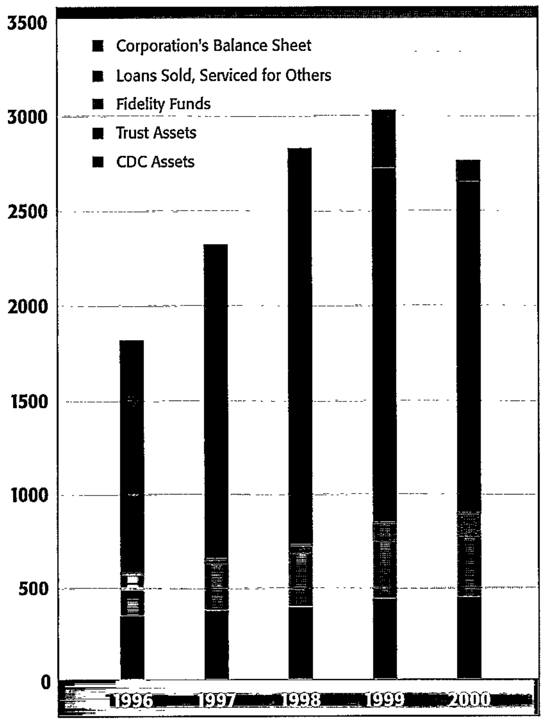
Great strides were made in our electronic communication capabilities. We have greatly improved our communications with our many audiences: professionals, clients, staff and the public at large.

- In mid-December, we launched our new web site (www.bmtc.com). The site provides detailed information about our organization and services. It is a gateway for clients to access their account information; Internet PC Banking Service and electronic bill payment for both individuals and businesses; our *TrustWeb*™, a secure Internet client access to trust, investment management, and custody accounts; and the new *AdvisorWeb*™. The site also affords visitors the opportunity to apply for a mortgage online.

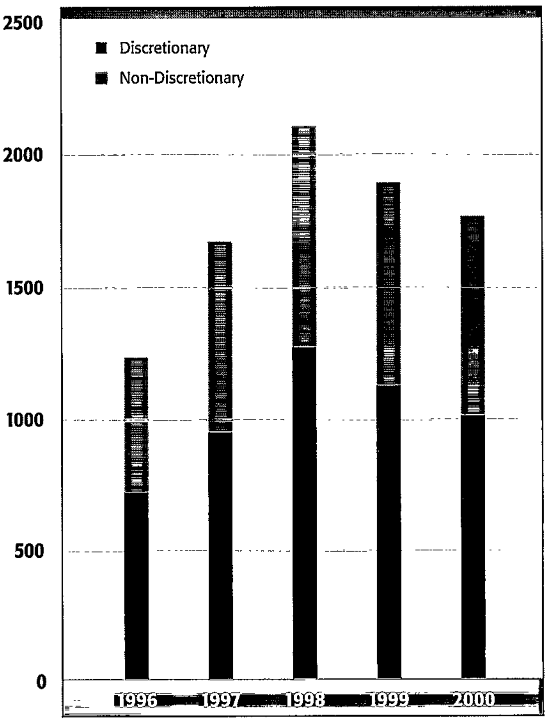
- The introduction of the sophisticated new product, *AdvisorWeb*, proved to be a great benefit to our Custody Services Department. By taking advantage of this service, professional investment advisors can use the Internet for real-time access to portfolio and data activity. This service virtually eliminates the need for telephone calls, faxes, manual handling of data, and statement delivery. It provides significant increases in efficiency and convenience for both the advisor and custodian.

- A major effort was undertaken by Information Services to upgrade the internal communication capabilities for all employees. The internal system was converted from two separate systems to Lotus Notes, which incorporates both e-mail and scheduling capabilities into one program. The implementation program started in mid-March and was completed by the end of August.

Total Assets
In Millions of Dollars



Trust Assets
In Millions of Dollars

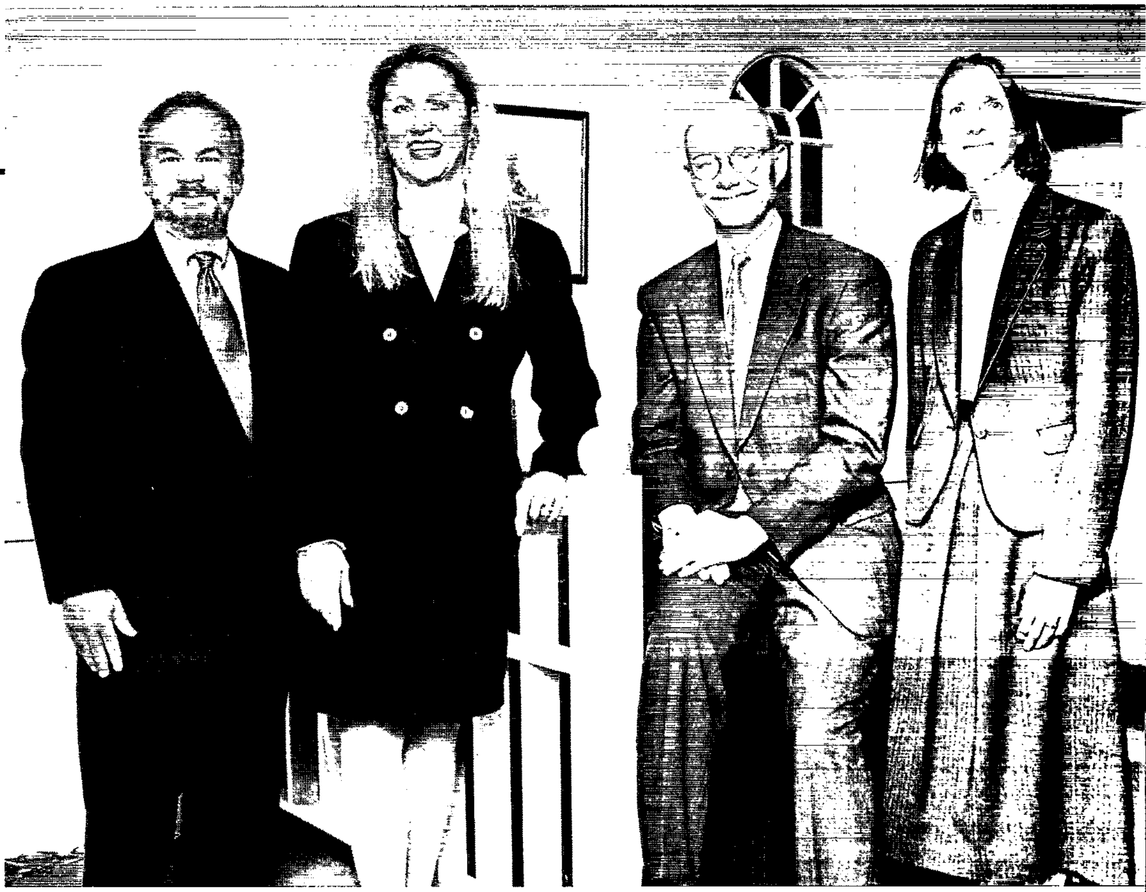


Leadership Change

Early in 2001, organizational changes were announced. Frederick C. "Ted" Peters II was named President and Chief Executive Officer of Bryn Mawr Bank Corporation and The Bryn Mawr Trust Company. Mr. Peters was founder, President and Chief Executive Officer of the 1st Main Line Bank, and, before that, the founding President and Chief Executive Officer of the National Bank of the Main Line. Mr. Peters has 25 years of banking experience, and is a graduate of The Haverford School and Amherst College.

Robert L. Stevens, who plans to retire in August 2002, remains as Chairman for both Bryn Mawr Bank Corporation and The Bryn Mawr Trust Company. A graduate of Northwestern University, Mr. Stevens started his career at Bryn Mawr Trust in 1960, became President in 1980, and Chairman in 1995. Throughout the years, Mr. Stevens has been an influential member of the banking community and deeply committed to community service. He currently serves on the Board of Overseers of the School of Social Work at the University of Pennsylvania and is a Board Member of The Philadelphia Orchestra. During his 21 years at the helm, Bank assets have risen from $74.7 million at year-end 1979 to $444.4 million as of December 31, 2000.

From left: Randy G. Thomas, Trust Tax; Michele M. Fritz, Employee Benefits; Joseph W. Roskos, Family Business Office; and Lisa M. Brinton, Trust Administration



Reorganization

Along with the appointment of the new CEO and the retirement of the Vice-Chairman, it became necessary to create a more integrated organization structure to allow our leadership to more effectively manage the institution. There are four major divisions, each reporting to Mr. Peters:

- **The Wealth Bank:** Robert L. Stevens is acting as the interim head of this group that includes Investment Management, Trust Administration, Custody, Trust Tax, Employee Benefits, Insurance, and Family Office. Much attention will be paid to creating a new framework for our business development efforts to retain business, to expand relationships, and to acquire new business among the affluent segment of our market area.

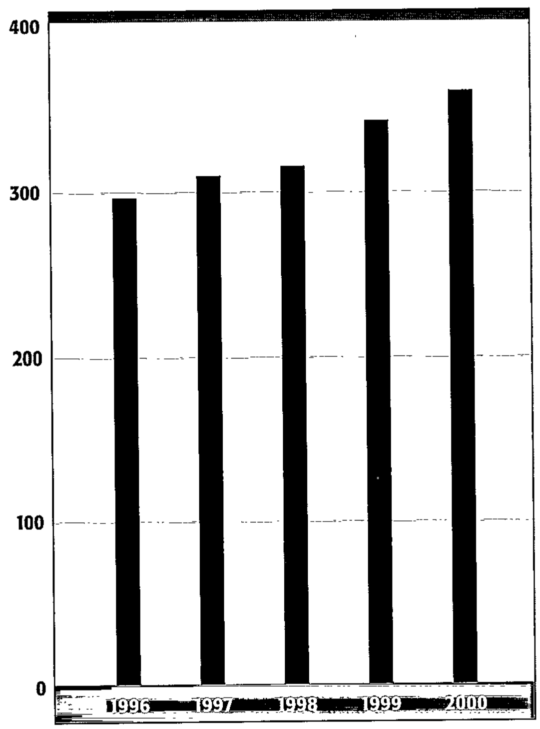
- **The Traditional Bank:** Robert J. Ricciardi heads up this unit which brings together the deposit and loan side of the business for both individual and business customers. It includes all lending activities—business loans, personal loans and residential mortgages—as well as Community Banking, Bryn Mawr Brokerage, Risk Management and Compliance.

- **The Support Bank:** Alison E. Gers leads this group that includes Human Resources, Facilities, Information Systems, Banking Operations, and Marketing. This alliance includes all support activities relating to people, plant, technology and communication.

- **The Finance Division:** This unit is headed-up by Joseph W. Rebl, CPA. The division is currently installing a structured planning, monitoring and management process intended to keep the Corporation on track in reaching its target goals and assisting in our decision making process.

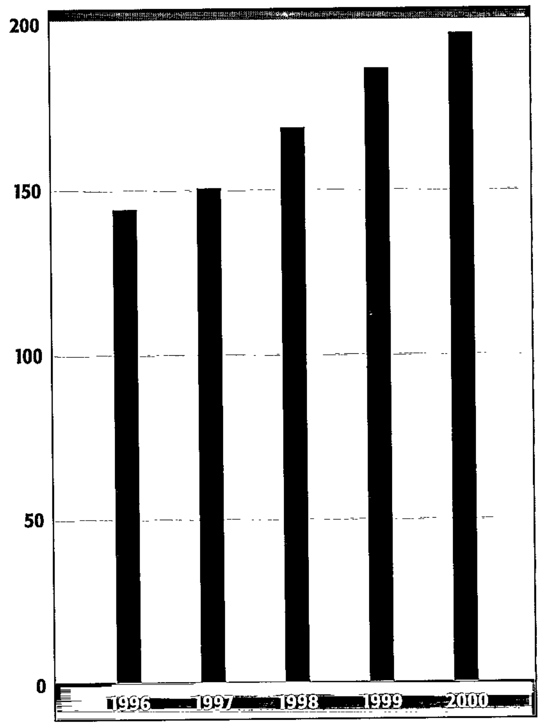
Total Average Deposits

In Millions of Dollars



Transaction Accounts Average Balance

In Millions of Dollars



The Bryn Mawr Trust Company
801 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010-3396
610-525-1700
www.bmtc.com

Senior Management

Robert L. Stevens*
Chairman

Frederick C. "Ted" Peters II*
President and Chief Executive Officer

Alison E. Gers
Executive Vice President, Administration and Operations

Joseph G. Keefer
Executive Vice President and Chief Lending Officer

Thomas M. Petro
Executive Vice President, Investment Management

Joseph W. Rebl*
Executive Vice President, Treasurer, and Chief Financial Officer

Robert J. Ricciardi*
Executive Vice President, Chief Credit Policy Officer and Secretary

Lisa M. Brinton
Senior Vice President, Trust Administration

Jere E. Estes
Senior Vice President, Investment Management

June M. Falcone
Senior Vice President, Banking Operations

Carmen L. Fiorentino
Senior Vice President, Commercial & Real Estate Lending Services

Richard J. Fuchs
Senior Vice President, Community Banking

John M. Grib
Senior Vice President, Investment Management

Geoffrey L. Halberstadt*
Senior Vice President and Risk Management Officer

William A. Keefe
Senior Vice President, Investment Management

Paul M. Kistler, Jr.
Senior Vice President, Facilities and Human Resources

Donald B. Krieble
Senior Vice President, Consumer Credit Services

William R. Mixon
Senior Vice President, Information Systems and Chief Technology Officer

Walter Smedley, III
Senior Vice President, Corporate Sales

Leo M. Stenson
Senior Vice President and Auditor

Paul C. Benedict
Group Vice President, Trust Administration

Stephen J. Collar
Group Vice President, Consumer Credit Services

Martin F. Gallagher, Jr.
Group Vice President, Commercial & Real Estate Lending Services

Joseph S. Saraceno
Group Vice President, Loan Accounting

Mame O. Skelly
Group Vice President and Comptroller

Also officer of the Corporation

Branch Offices

801 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010-3396

18 West Eagle Road
Havertown, Pennsylvania 19083

39 West Lancaster Avenue
Paoli, Pennsylvania 19301

330 East Lancaster Avenue
Wayne, Pennsylvania 19087

One Tower Bridge
West Conshohocken, Pennsylvania 19428

312 East Lancaster Avenue
Wynnewood, Pennsylvania 19096

Investment Management Division

6 South Bryn Mawr Avenue
Bryn Mawr, Pennsylvania

Trust Division

10 South Bryn Mawr Avenue
Bryn Mawr, Pennsylvania

Limited Service Offices

Beaumont at Bryn Mawr Retirement Community
Bryn Mawr, Pennsylvania

Bellingham Retirement Living
West Chester, Pennsylvania

Martins Run Life Care Community
Media, Pennsylvania

The Quadrangle
Haverford, Pennsylvania

Waverly Heights
Gladwyne, Pennsylvania

White Horse Village
Newtown Square, Pennsylvania

Other Financial Services

BMT Mortgage Company
A division of The Bryn Mawr Trust Company
Bryn Mawr, Pennsylvania
Patrick J. Keenan, Senior Vice President
William F. Mannion, Jr., Senior Vice President

Bryn Mawr Asset Management, Inc.*
A subsidiary of Bryn Mawr Bank Corporation
Bryn Mawr, Pennsylvania
Mark A. Rioboli, President and Chief Executive Officer

Bryn Mawr Brokerage Company, Inc.
A subsidiary of Bryn Mawr Bank Corporation
Bryn Mawr, Pennsylvania
Richard J. Fuchs, President and Chief Executive Officer

Bryn Mawr Finance, Inc.
A subsidiary of Joseph W. Roskos & Co.
Wilmington, Delaware
Joseph W. Rebl, President

Insurance Counsellors of Bryn Mawr, Inc.
A subsidiary of The Bryn Mawr Trust Company
Bryn Mawr, Pennsylvania
John G. Daniel, President and Chief Executive Officer

Joseph W. Roskos & Co.
A subsidiary of Bryn Mawr Bank Corporation
2011 Renaissance Boulevard, Suite 200
King of Prussia, Pennsylvania 19406
Joseph W. Roskos, Chairman
Robert M. Fedoris, President and Chief Executive Officer

Formerly CDC Capital Management, Inc.

Selected Financial Data

(in thousands, except for share and per share data)

For the years ended December 31,	2000	1999*	1998*	1997*	1996*
Interest income	$ 31,985	$ 28,317	$ 26,082	$ 24,960	$ 24,337
Interest expense	7,072	5,857	5,976	6,929	6,490
Net interest income	24,913	22,460	20,106	18,031	17,847
Loan loss provision	250	250	150	200	350
Net interest income after loan loss provision	24,663	22,210	19,956	17,831	17,497
Other income	17,727	18,086	14,610	12,086	10,423
Other expenses	29,696	28,456	24,229	20,837	18,978
Income before income taxes	12,694	11,840	10,337	9,080	8,942
Applicable income taxes	4,433	3,879	3,480	2,950	2,900
Net income	$ 8,261	$ 7,961	$ 6,857	$ 6,130	$ 6,042
Per share data:					
Earnings per common share:					
Basic	$ 1.92	$ 1.83	$ 1.58	$ 1.40	$ 1.38
Diluted	$ 1.85	$ 1.75	$ 1.51	$ 1.33	$ 1.33
Dividends declared	$ 0.68	$ 0.60	$ 0.465	$ 0.36	$ 0.46
Weighted-average shares outstanding	4,292,838	4,349,403	4,327,297	4,392,162	4,385,094
Dilutive potential common shares	161,408	193,915	225,708	203,660	151,698
Adjusted weighted-average shares	4,454,246	4,543,318	4,553,005	4,595,822	4,536,792

(in thousands)

At December 31,	2000	1999	1998	1997	1996
Total assets	$ 444,425	$ 436,820	$ 391,840	$ 374,210	$ 345,747
Earning assets	389,053	395,952	357,683	327,942	305,911
Deposits	386,966	371,068	342,357	328,806	303,183
Shareholders' equity	50,970	46,719	42,221	39,349	35,808
Ratio of equity to assets	11.47%	10.70%	10.78%	10.52%	10.36%
Loans serviced for others	325,040	306,147	290,675	255,571	224,366

For the years ended December 31,	2000	1999	1998	1997	1996
Selected financial ratios:					
Net interest margin	6.33%	6.12%	5.99%	5.59%	5.67%
Net income to:					
Average total assets	1.94%	1.99%	1.91%	1.74%	1.79%
Average shareholders' equity	17.20%	17.97%	17.06%	16.45%	18.16%
Average shareholders' equity to average total assets	11.28%	11.10%	11.17%	10.60%	9.88%
Dividends declared per share to net income per basic common share	35.42%	32.79%	29.43%	25.71%	33.33%

**Reclassified for comparative purposes.*

profitability. The mortgage banking segment increased its profit by 32%, compared to 1999's profit. The mortgage loan sales for 2000 were under 1999's amount by 3%, but the fees earned grew by $248,000. Offsetting this income was a 23% decrease in profits for the Trust segment. Fees from Investment Management and Trust decreased by $811,000 or 8% over similar revenues for 1999. During 1999, five Trust officers resigned from the Bank (the "Resignations"), taking some trust accounts with them. Both the Resignations and a decrease in trust asset values in 2000, because of the decline in overall market values, are primarily responsible for the fee decrease.

Return on average assets for the year was 1.94%, compared to 1.99% in 1999, while return on average equity for 2000 was 17.20% compared to 17.97% in 1999.

EARNINGS PERFORMANCE

Lines of Business

The Corporation continues to have four significant business segments or lines from which it derives its earnings. Its core business line is the Banking line of business. Additional earnings streams are obtained from its Investment Management and Trust line of business and its Mortgage Banking line of business - the origination, servicing and sale of mortgage loans to the secondary mortgage market. The fourth segment, included in "All Other" in the following segmentation analysis, derives net revenues from financial services and products, offered through the Corporations subsidiaries, as well as the Bank's subsidiary, ICBM and JWR&Co's subsidiary B M Finance.

The Banking segment's percentage of operating profits stood at 67% for 2000, compared to 52% for 1999. Investment Management and Trust's percentage of operating profit was 29%, down from 40% for 1999. The Mortgage Banking segment's share of operating profits increased from 7% in 1999 to 8% in 2000, while the "All Other" segment, including the Corporation and all non-banking subsidiaries, went from 1% in 1999 to (4%) in 2000.

Following is a segmentation analysis of the results of operations for those lines of business for 2000 and 1999:

TABLE 1 - Lines of Business Segment Analysis

	2000				
(dollars in thousands)	Banking	Trust	Mortgage Banking	All Other	Consolidated
Net interest income	$24,684	$ —	$ 216	$ 17	$24,917
Less loan loss provision	250	—	—	—	250
Net interest income after loan loss provision	24,434	—	216	17	24,667
Other income:					
Fees for investment management and trust services	—	8,973	—	—	8,973
Service charges on deposit accounts	1,144	—	—	—	1,144
Other fees and service charges	295	—	729	—	1,024
Net gain on sale of loans	8	—	1,232	—	1,240
Gain on sale of other real estate owned	14	—	—	—	14
Other operating income	925	—	—	4,789	5,714
Total other income	2,386	8,973	1,961	4,789	18,109
Other expenses:					
Salaries-regular	7,826	3,175	538	2,320	13,859
Salaries-other	750	211	30	52	1,043
Fringe benefits	850	616	70	313	1,849
Occupancy	3,401	472	142	502	4,517
Other operating expenses	5,505	880	334	2,095	8,814
Total other expenses	18,332	5,354	1,114	5,282	30,082
Segment profit (loss)	$ 8,488	$3,619	$1,063	$ (476)	$12,694
% of segment profit (loss)	67%	29%	8%	(4%)	100%

	1999*				
(dollars in thousands)	Banking	Trust	Mortgage Banking	All Other	Consolidated
Net interest income	$22,310	$ —	$ 145	$ 5	$22,460
Less loan loss provision	250	—	—	—	250
Net interest income after loan loss provision	22,060	—	145	5	22,210
Other income:					
Fees for investment management and trust services	—	9,784	—	—	9,784
Service charges on deposit accounts	1,156	—	—	—	1,156
Other fees and service charges	254	—	762	—	1,016
Net gain on sale of loans	44	—	984	—	1,028
Gain on sale of other real estate owned	45	—	—	—	45
Other operating income	908	—	—	4,568	5,476
Total other income	2,407	9,784	1,746	4,568	18,505
Other expenses:					
Salaries-regular	7,251	2,852	469	1,874	12,446
Salaries-other	1,754	230	78	184	2,246
Fringe benefits	1,474	565	80	215	2,334
Occupancy	3,090	476	149	456	4,171
Other operating expenses	4,694	948	310	1,726	7,678
Total other expenses	18,263	5,071	1,086	4,455	28,875
Segment profit	$ 6,204	$4,713	$ 805	$ 118	$11,840
% of segment profit	52%	40%	7%	1%	100%

Bryn Mawr Bank Corporation, Tax Counsellors of Bryn Mawr, Inc., Insurance Counsellors of Bryn Mawr, Inc., Bryn Mawr Brokerage Company, Inc., CDC Capital Management, Inc. and Joseph W. Roskos & Co have all been aggregated in All Other.

** Reclassified for comparative purposes.*

The table reflects operating profits or losses of each Corporate line of business before income taxes.

the yield on the sale of loans is the main reason for the increase in the mortgage banking segment's profitability. Following is a table showing the volume of residential mortgage loans originated and sold in the secondary mortgage market, the total net gains realized, and the yield on these loan sales:

TABLE 2 - Summary of Loan Sale Activity

(dollars in thousands)	**2000**	1999
Volume of loans sold.	**$71,737**	$73,921
Loan fees and net gains on sales.	**1,232**	984
Yield on sales	**1.72%**	1.33%

As of December 31, 2000, the Bank serviced $291,903,000 in residential mortgage loans for others, compared to $283,124,000 in loans serviced for others at year-end 1999.

Bryn Mawr Bank Corporation

The Corporation is a one-bank holding company, generating intercompany revenues from the rental of Corporation owned properties to the Bank. The Corporations expenses are primarily of an administrative nature. During 2000, the Corporation wrote-off $155,000 in goodwill due to changes in the management of CDC. No such write-off was included in 1999 or 1998.

Tax Counsellors of Bryn Mawr, Inc.

In July 1997, the Corporation established a new wholly-owned subsidiary, TCBM, in order to add professional tax planning to its array of financial products and services offered to its customers. TCBM employed CPAs and an attorney (the "Tax Professionals"), having significant tax planning, preparation and financial planning capabilities. In connection with the formation of TCBM, a profit sharing agreement (the "Agreement") was developed that allowed the Tax Professionals to retain the net revenues generated by the clients brought to TCBM. The Agreement set revenue goals as a threshold to determine profitability. During 2000, TCBM did not exceed its revenue goals and reported a net profit of $0, compared to a $5,000 net profit reported of 1999. During 2000, an arrangement was reached between Corporation management and the Tax Professionals terminating the Agreement. Pursuant to the arrangement, the net assets of TCBM, (all assets, excluding cash less all liabilities) as of December 31, 2000, were sold to the Tax Professionals in exchange for a note in favor of TCBM. The face value of the note is $422,000 with a rate of 9% and a due date of September 1, 2004.

Insurance Counsellors of Bryn Mawr, Inc.

In January 1998, the Bank established a new wholly-owned subsidiary, ICBM (a full-service insurance agency), to enable the Bank to offer insurance products and related services to its customer base. ICBM offers a full line of life, property and casualty and commercial lines to its customer base. During 1999, ICBM earned commissions from traditional business and the sale of large premium life insurance policies resulting in a net profit of $65,000. No such large premium life insurance policies were sold in 2000. Therefore, in 2000, ICBM reported a net loss of $65,000.

Bryn Mawr Brokerage Company, Inc.

The Corporation established B M Brokerage in January 1999, in order to make brokerage services available to its client base through an affiliation with an independent broker-dealer. Commissions earned in each year of operation were insufficient to cover related costs, therefore, during 2000, B M Brokerage reported a loss of $40,000, compared to a loss of $6,000 for 1999.

CDC Capital Management, Inc. (now Bryn Mawr Asset Management, Inc.)

On January 6, 1999, the Corporation acquired CDC for $281,000 in Corporation stock, a portion of which was issued at the time of the acquisition. One-half of the remaining shares were distributed on the first anniversary of the acquisition, January 6, 2000, and the remainder will be distributed on the second anniversary, January 6, 2001. CDC was acquired to enable the Corporation to enhance its array of financial services and products by offering investment advisory services to its clients. Goodwill of $177,000 was recorded on the corporation's books, to be amortized over a 10-year life. During 2000, there were changes in CDC's management. Based on the foregoing events, in June 2000 the balance of the remaining goodwill of $155,000 was written-off of the Corporation's books. CDC reported a net loss of $65,000 for 2000, compared to a net profit of $6,000 for 1999. In November 2000, an amendment was made to the Articles of Incorporation to change the name of the corporation to Bryn Mawr Asset Management, Inc. and registered CDC Capital Management, Inc. as a fictitious name.

Joseph W. Roskos & Co.

On April 1, 1999, the Corporation acquired JWR&Co, effective January 1, 1999, for $4,195,000, through a combination of Corporation stock and cash. Goodwill in the amount of $3,300,000 was recorded on the Corporation's books, to be amortized over a 20-year life. JWR&Co was acquired to expand the products and services being offered by the Corporation through its

The following table shows an analysis of the composition of net interest income for each of the last three years. Interest income on loans includes fees on loans of $625,000, $465,000 and $413,000 in 2000, 1999 and 1998 respectively. The average loan balances include nonaccrual loans. All average balances are calculated on a daily basis. Yields on investment securities are not calculated on a tax-equivalent basis.

TABLE 3 - Analyses of Interest Rates and Interest Differential

	2000			1999**			1998**		
(dollars in thousands)	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid	Average Balance	Interest Income/ Expense	Average Rates Earned/ Paid
Assets:									
Cash and due from banks	$ 22,345	$ —	—%	$ 22,060	$ —	—%	$ 19,065	$ —	—%
Interest-bearing deposits with other banks*	1,623	90	5.5	2,173	103	4.7	1,345	68	5.1
Federal funds sold*	6,174	373	6.0	12,272	609	5.0	15,665	824	5.3
Investment securities available for sale:									
Taxable*	26,482	1,558	5.9	30,440	1,698	5.6	31,760	1,880	5.9
Tax-exempt*	2,495	108	4.3	4,162	183	4.4	4,953	224	4.5
Total investment securities	28,977	1,666	5.7	34,602	1,881	5.4	36,713	2,104	5.7
Loans*	346,921	29,856	8.5	310,214	25,724	8.3	274,882	23,085	8.4
Less allowance for loan losses	(4,352)	—	—	(4,257)	—	—	(4,088)	—	—
Net loans	342,569	29,856	8.7	305,957	25,724	8.4	270,794	23,085	8.5
Other assets	23,897	—	—	21,997	—	—	16,278	—	—
Total assets	$425,585	$31,985	—	$399,061	$28,317	—	$359,860	$26,081	—
Liabilities:									
Demand deposits, noninterest-bearing	$ 96,215	$ —	—%	$ 92,098	$ —	—%	$ 82,773	$ —	—%
Savings deposits	192,141	2,697	1.4	184,505	2,533	1.4	169,785	2,923	1.7
Time deposits	70,819	3,596	5.1	65,000	3,008	4.6	61,503	3,052	5.0
Short term borrowings	10,342	693	6.7	4,658	266	5.7	—	—	—
Federal funds purchased	1,283	86	6.7	954	50	5.2	18	1	5.6
Other liabilities	6,765	—	—	7,554	—	—	5,595	—	—
Total liabilities	377,565	7,072	—	354,769	5,857	—	319,674	5,976	—
Shareholders' equity	48,020	—	—	44,292	—	—	40,186	—	—
Total liabilities and shareholders' equity	$425,585	$ 7,072	—	$399,061	$ 5,857	—	$359,860	$ 5,976	—
Total earning assets*	$383,695	—	—	$359,261	—	—	$328,605	—	—
Interest income to earning assets	—	—	8.3%	—	—	7.9%	—	—	7.9%
Interest expense to earning assets	—	—	1.8	—	—	1.6	—	—	1.8
Net yield on interest-earning assets	—	—	6.5	—	—	6.3	—	—	6.1
Average effective rate paid on interest-bearing liabilities	—	—	2.6	—	—	2.3	—	—	2.6
Average effective cost on total deposits	—	—	1.9	—	—	1.7	—	—	1.9
Net interest margin	—	—	6.33	—	—	6.12	—	—	5.99
Earning assets to interest-bearing liabilities			1.40			1.41			1.42

**Indicates earning assets.*
***Reclassified for comparative purposes.*

TABLE 6 - Allocation of the Allowance for Possible Loan Losses

The table below allocates the balance of the allowance for possible loan losses by loan category and the corresponding percentage of loans to total loans for each loan category for the last five years:

	December 31,									
	2000		1999		1998		1997		1996	
(dollars in thousands)		% Loans to Total Loans		% Loans to Total Loans		% Loans to Total Loans		% Loans to Total Loans		% Loans to Total Loans
Balance at end of period applicable to:										
Commercial and industrial	**$1,193**	**41.5%**	$ 151	39.7%	$ 427	31.8%	$ 316	28.1%	$ 483	28.8%
Real estate—construction	**7**	**3.0**	33	4.2	81	4.7	1,111	5.1	751	2.9
Real estate—mortgage	**56**	**38.3**	228	35.4	161	39.3	184	38.2	289	36.9
Consumer	**248**	**17.2**	279	20.7	301	24.2	465	28.6	609	31.4
Unallocated	**2,816**	**—**	3,709	—	3,130	—	1,998	—	2,050	—
Total	**$4,320**	**100.0%**	$4,400	100.0%	$4,100	100.0%	$4,074	100.0%	$4,182	100.0%

The loan loss reserve allocation reflects a reserve based on specific loan loss reserve allocations on loans reviewed individually as well as an average historical loan write-off percentage for loans in each specific loan category not individually reviewed and is also increased by an additional percentage to reflect current market conditions. As a part of the internal loan review process, loans considered impaired under SFAS No. 114 are individually reviewed and, when deemed appropriate, a specific portion of the loan reserve is allocated to the respective impaired loans.

Refer to page 26 for further discussion of the Corporation's loan review process.

Other Income

The following table details other income for the years ended December 31, 2000 and 1999, and the percent change from year to year:

TABLE 7 - Other Income

	2000	1999*	% Change
Fees for trust services	**$ 8,973**	$ 9,784	(8%)
Service charges on deposit accounts	**1,144**	1,156	(1%)
Other fees and service charges	**1,024**	1,016	1%
Net gain on sale of loans	**1,240**	1,028	21%
Gain on the sale of other real estate owned	**14**	45	(69%)
Fees earned from family business office services	**2,429**	1,947	25%
Investment advisory and brokerage fees	**957**	1,218	(21%)
Tax consulting fees	**793**	702	13%
Insurance commission income	**191**	326	(41%)
Other operating income	**962**	864	11%
	$17,727	$18,086	(2%)

* *Reclassified for comparative purposes*

In addition to net interest income, the Bank's three operating segments, as well as TCBM, ICBM, B M Brokerage, CDC and JWR&Co, generate various streams of fee-based income, including Investment Management and Trust income, service charges on deposit accounts, loan servicing income, consulting fees and gains/losses on loan sales.

As discussed in the "Lines of Business" section on pages 15, 16, 17 and 18, the decrease in other income in 2000 from 1999 levels was primarily a result of a decrease in revenues from investment management and trust services.

Fees for investment management and trust services declined $811,000 or 8% from year to year. Refer to the discussion under the heading "Investment Management and Trust Line of Business" on page 16 of this report.

As discussed in the "Mortgage Banking Line of Business" section, the $212,000 or 21% increase in gains on the sale of loans was directly attributable to a 39 basis point increase in the yield on the sale of residential mortgage loans to the secondary mortgage market.

Fees from the JWR&Co family office business amounted to $2,429,000 for 2000, a $482,000 or 25% increase of fees earned in 1999. This increase is directly attributable to increased client activity during 2000 compared to 1999.

Investment advisory and brokerage fees declined $261,000 or 21% from $1,218,000 for 1999 to $957,000 for 2000. The primary reason for this decline was a reduction in fees earned by CDC in 2000, directly related to the change in CDC's management, as previously discussed.

Insurance commission income decreased $135,000 or 41%, from $326,000 for 1999 to $191,000 for 2000. During 1999, ICBM earned commissions on some large life insurance premiums. No such commissions were earned during 2000. This is the primary reason for the decrease in insurance commission income.

Other operating income increased $98,000 or 11% in 2000 from 1999 levels, primarily due to sweep fees paid on the commercial and personal accounts, which grew by $187,000. This fee growth is directly attributable to growth in the Bank's off-balance sheet mutual fund balances, which increased from $100,372,000 at

Investment Securities

Management has elected to classify 100% of the investment portfolio as available for sale. Therefore, the investment portfolio was carried at its estimated market value of $26,907,000 and $29,611,000 as of December 31, 2000 and 1999, respectively. The amortized cost of the portfolio as of December 31, 2000 was $26,971,000, resulting in net unrealized losses of $64,000. The amortized cost of the portfolio at December 31, 1999 was $30,201,000, resulting in net unrealized losses of $590,000.

The maturity distribution and weighted average yields on a fully tax-equivalent basis of investment securities at December 31, 2000, are as follows:

TABLE 9 - Investment Portfolio

(dollars in thousands)	Maturing during 2001	Maturing from 2002 through 2005	Maturing from 2006 through 2010	Maturing after 2010	Total
Obligations of the U.S. Government and agencies:					
Book value	$3,994	$18,918	$—	$ —	$22,912
Weighted average yield	5.7%	5.7%	—	—	5.7%
State and political subdivisions:					
Book value	365	1,392	—	—	1,757
Weighted average yield	5.9%	6.4%	—	—	6.3%
Other investment securities:					
Book value	—	150	—	2,088	2,238
Weighted average yield	—	7.7%	—	6.5%	6.6%
Total book value	$4,359	$20,460	$—	$2,088	$26,907
Weighted average yield	5.7%	5.8%	—	6.5%	6.2%

In addition to $3,509,000 in maturities during 2000, $252,000 in investments were sold. During 2000, purchases of investment securities amounted to $445,000. Those transactions were primarily responsible for the $2,704,000 or 9% decrease in the investment portfolio from December 31, 1999, to December 31, 2000. At December 31, 2000, approximately 85% of the investment portfolio consisted of fixed rate U.S. Government and U.S. Government Agency securities. The Corporation does not own any derivative investments and does not plan to purchase any of those investments in the foreseeable future.

Loans

For financial reporting purposes, both fixed and floating rate home equity loans, collateralized by mortgages, are included in other permanent mortgage loans. Floating rate personal lines of credit loans (the Bank's "CreditLine" product) are included in consumer loans.

A breakdown of the loan portfolio by major categories at December 31 for each of the last five years is as follows:

TABLE 10 - Loan Portfolio

	December 31				
(in thousands)	**2000**	1999	1998	1997	1996
Real estate loans:					
Permanent mortgage loans	**$135,777**	$134,495	$110,535	$102,474	$ 95,588
Construction loans	**10,642**	14,398	13,204	13,647	7,639
Commercial and industrial loans	**147,398**	119,835	89,368	75,474	74,688
Consumer loans	**61,189**	70,211	68,078	76,963	81,512
Total	**$355,006**	$338,939	$281,185	$268,558	$259,427

The maturity distribution of the loan portfolio, excluding loans secured by one-family residential property and consumer loans, at December 31, 2000, is shown below.

(in thousands)	Maturing during 2001	Maturing from 2002 through 2005	Maturing after 2005	Total
Commercial, financial, and agricultural	$78,767	$34,423	$34,208	$147,398
Real estate-construction	8,268	2,374	—	10,642
Real estate-other	2,667	8,182	35,620	46,469
Total	$89,702	$44,979	$69,828	$204,509
Interest sensitivity on the above loans:				
Loans with predetermined rates	$ 6,724	$29,916	$27,892	$ 64,532
Loans with adjustable or floating rates	82,978	15,063	41,936	139,977
Total	$89,702	$44,979	$69,828	$204,509

There are no scheduled prepayments on the loans included in the maturity distributions.

$13,662,000 or 23% decrease in outstanding indirect automobile paper, from $58,758,000 at December 31, 1999 to $45,096,000 at December 31, 2000, is primarily responsible for this decrease. Competition from automobile manufacturers' credit facilities and lower costing financing from home equity loans continues to be a source of major competition for this product.

As of December 31, 2000, the construction loan portfolio decreased by $3,756,000 or 26%, from $14,398,000 at December 31, 1999, to $10,642,000 at December 31, 2000. As of December 31, 1999 and 2000, the construction lending portfolio had neither any non-performing loans nor any loans delinquent 30 days or more.

Deposits

The Bank attracts deposits from within its market area by offering various deposit instruments, including savings accounts, NOW accounts, money market accounts, and certificates of deposit.

Total deposits increased 4% to $386,966,000 at December 31, 2000, from $371,068,000 at year-end 1999. Short-term borrowings decreased by $10,000,000 from December 31, 1999 to December 31, 2000. A more meaningful measure of the change in deposits and short-term borrowings is average daily balances. As illustrated in Table 12, average daily deposit balances increased 5%. A change in the mix of deposits, growing higher cost CD balances by 9% on average and growth in average outstanding short-term borrowings, is primarily responsible for a 22 basis point increase in the Bank's overall cost of funds, from 1.69% for 1999 to 1.91% for 2000. However, strong growth in the Corporation's earning assets, combined with three increases in the prime rate during 2000, increasing the prime rate 100 basis points, are primarily responsible for a 21 basis point increase in the Corporation's net interest margin, from 6.12% for 1999 to 6.33% for 2000.

The following table presents the average balances of deposits and the percentage change for the years indicated:

TABLE 12 - Average Daily Balances of Deposits

(dollars in thousands)	2000	1999	% Change 2000 vs. 1999	1998	% Change 1999 vs. 1998
Demand deposits, non-interest-bearing	**$ 96,215**	$ 92,098	4.5%	$ 82,773	11.3%
Market rate accounts	**50,633**	49,871	1.5	44,325	12.5
NOW accounts	**100,158**	93,769	6.8	85,317	9.9
Regular savings	**41,350**	40,865	1.2	40,143	1.8
	192,141	184,505	4.1	169,785	8.7
Time deposits	**70,819**	65,000	9.0	61,503	5.7
Total	**$359,175**	$341,603	5.1%	$314,061	8.8%

The following table shows the maturity of certificates of deposit of $100,000 or greater as of December 31, 2000:

TABLE 13 - Maturity of Certificates of Deposit of $100,000 or Greater

(in thousands)	
Three months or less	$12,926
Three to six months	1,379
Six to twelve months	3,319
Greater than twelve months	2,488
Total	$20,112

Capital Adequacy

At December 31, 2000, total shareholders' equity of the Corporation was $50,970,000, a $4,251,000 or 9% increase over $46,719,000 at December 31, 1999. Increasing the capital was the addition of earnings, less dividends for the year, as well as the increase in the market value of the investment securities year to year. As of December 31, 2000, shareholders' equity included unrealized losses on investment securities, net of deferred taxes, of $42,000 compared to unrealized losses on investment securities, net of taxes, of $389,000 at December 31, 1999. This change caused a $347,000 increase to shareholders' equity from December 31, 1999 to December 31, 2000.

The Corporation and the Bank are required to meet certain regulatory capital adequacy guidelines. Under these guidelines, risk-based capital ratios measure capital as a percentage of risk-adjusted assets. Risk-adjusted assets are determined by assigning various weights to all assets and off-balance sheet arrangements, such as letters of credit and loan commitments, based on the associated risk.

The Bank's risk-based capital ratios at December 31, 2000 and 1999 are listed below. These ratios are all in excess of the minimum required capital ratios, also listed below.

TABLE 14 - Risk-Based Capital Ratios

	2000		1999	
	Actual	**Minimum Required**	Actual	Minimum Required
Tier I capital ratio	**9.77%**	**4.00%**	10.34%	4.00%
Total capital ratio	**10.91**	**8.00**	11.54	8.00

The FDIC has created a statutory framework for capital requirements that established five categories of capital strength, ranging from a high of "well-capitalized" to a low of "critically under capitalized". As of December 31, 2000 and 1999, the Bank exceeded the levels required to meet the definition of a "well-capitalized" bank. Management anticipates that the Corporation and the adjustments deemed necessary to the loan loss reserve balance are made on a timely basis.

The Corporation is regulated and periodically inspected by The Federal Reserve Board. The Bank, a state member bank of the Federal Reserve System and the Pennsylvania Department of Banking, is also regulated and periodically examined by both these entities. There are no recommendations by the regulators, which would have a material effect on the Corporation's liquidity, capital resources, or results of operations.

Asset and Liability Management

Through its Asset/Liability Committee ("ALCO") and the application of Risk Management Policies and Procedures, the Bank seeks to minimize its exposure to interest rate risk as well as to maintain sufficient liquidity and capital compliance.

Interest Rate Sensitivity

The difference between interest sensitive assets and interest sensitive deposits, stated in dollars, is referred to as the interest rate sensitivity gap. A positive gap is created when interest rate sensitive assets exceed interest rate sensitive deposits. A positive interest rate sensitive gap will result in a greater portion of assets compared to deposits repricing with changes in interest rates within specified time periods. The opposite effect results from a negative gap. In practice, however, there may be a lag in repricing some products in comparison to others. A positive gap in the short-term, 30 days or less, in a rising interest rate environment should produce an increase in net interest income. The converse is true of a negative gap in a rising interest rate environment.

As shown in the following table, the Bank is presently asset interest rate sensitive in the short-term, 30 days or less category.

TABLE 16 - Interest Rate Sensitivity Analysis as of December 31, 2000

	Repricing Periods						
(dollars in thousands)	0 to 30 Days	31 to 90 Days	91 to 180 Days	181 to 365 Days	Over 1 Year	Non-Rate Sensitive	Total
Assets:							
Interest-bearing deposits with other banks	$ 262	$ —	$ 48	$ —	$ —	$ 12	$ 322
Federal funds sold	6,395	—	—	—	—	—	6,395
Investment securities	69	—	1,000	7,365	16,538	1,935	26,907
Loans	109,597	9,358	15,522	29,508	191,021	(4,320)	350,686
Cash and due from banks	—	—	—	—	—	34,656	34,656
Other assets	—	—	—	—	—	25,459	25,459
Total assets	$116,323	$ 9,358	$ 16,570	$ 36,873	$207,559	$ 57,742	$444,425
Liabilities and shareholders' equity:							
Demand, noninterest-bearing	$ 32,946	$ —	$ —	$ —	$ —	$ 82,684	$115,630
Savings deposits	7,032	14,064	21,096	42,194	117,048	—	201,434
Time deposits	17,901	10,718	10,076	20,163	11,044	—	69,902
Other liabilities	—	—	—	—	—	6,489	6,489
Shareholders' equity	—	—	—	—	—	50,970	50,970
Total liabilities and shareholders' equity	$ 57,879	$ 24,782	$ 31,172	$ 62,357	$128,092	$140,143	$444,425
Gap	$ 58,444	$(15,424)	$(14,602)	$(25,484)	$ 79,467	$ (82,401)	$ —
Cumulative gap	$ 58,444	$ 43,020	$ 28,418	$ 2,934	$ 82,401	$ —	$ —
Cumulative earning assets as a ratio of interest bearing liabilities	201%	152%	125%	102%	127%	—	—

December 31, 1998 and 1999, respectively. The ratio of the allowance for possible loan losses to total outstanding loans was 1.46% and 1.30% at December 31, 1998 and 1999, respectively.

Other Income

Other income increased $3,476,000 or 24% in 1999 from 1998 levels. The Corporation acquired JWR&Co and CDC in January 1999 and established B M Brokerage at year-end 1998 (the "New Companies"). Fees earned by the New Companies amounted to $3,165,000 for 1999. No such fees were earned in 1998. Fees for Investment Management and Trust services increased $512,000 or 6%. Net gains on the sale of mortgage loans decreased $654,000 or 39%, due primarily to a 45% decrease in the sale of residential mortgage loans to the secondary mortgage market, from $134,676,000 in 1998 compared to $73,921,000 in 1999.

Other Expenses

Other expenses increased by $4,227,000 or 17% in 1999 over 1998. Regular salaries increased $2,157,000 or 21%, due primarily to the addition of the New Companies' staffs. Exclusive of these companies, regular salary expense increased 10% in 1999, due primarily to merit increases and staffing additions during 1999. Salaries-other, primarily incentive based, decreased $149,000 or 6%. The decrease was primarily related to Investment Management and Trust incentive-based compensation.

Employee benefit costs increased by $426,000 or 22%. Of this increase, $119,000 relates to employee benefits costs associated with the New Companies. The cost of the Corporation's pension plan increased $158,000, while social security and medical insurance premiums grew by $76,000 and $45,000, respectively.

Occupancy expenses increased $536,000 or 39% in 1999, compared to 1998. The largest increase relates to occupancy costs associated with two buildings leased during 1999 by the Bank. These costs amounted to $294,000. The Bank also received rental income from these buildings during 1999. The net cost of the buildings for 1999 was $61,000. Occupancy costs associated with the New Companies amounted to $182,000. No such expenses were incurred in 1998.

The $151,000 or 8% increase in furniture, fixtures and equipment expense was primarily due to $46,000 in rental expense for office equipment, as some Bank departments were relocated in anticipation of renovations within the main Bank building.

The cost of professional fees increased by $337,000 or 42%. The primary reason for this increase was solicitation fees paid for business referrals to CDC in the routine operation of CDC's investment advisory business. CDC incurred $565,000 of solicitation fees in 1999. No such fees were incurred in 1998. Exclusive of these fees, professional fees decreased by $228,000 due to a recovery of legal fees in 1999, related to a previously charged-off loan.

Stationery and supplies expense increased $54,000 or 15%, due primarily to additional costs in 1999 for the production of new product brochures and letterhead for the New Companies.

Insurance, including the Corporation's business coverage premiums and FDIC deposit insurance premiums, increased by $160,000 or 75% in 1999 compared to 1998. FDIC insurance premiums remained level to 1998. The cost of the Corporation's insurance coverage increased, partially reflecting the addition of the New Companies, as well as expanded policy limits.

In January 1999, goodwill amounting to $3,477,000 was recorded on the Corporation's books as a result of the acquisition of CDC and JWR&Co. Amortization of $183,000 of goodwill was incurred during 1999. No such amortization was incurred during 1998.

Other operating expenses increased $373,000 or 12% from 1998 to 1999. Included in 1999's expense were expenses of the New Companies of $238,000. Exclusive of these expenses, other operating expenses increased by 4% over 1998 levels.

Income Taxes

The income tax provision for 1999 was $3,879,000, or a 32.8% effective rate, compared to $3,480,000, or a 33.7% effective rate, for 1998.

Consolidated Statements Of Income

For the years ended December 31	2000	1999*	1998*
	(in thousands, except for share and per share data)		
Net interest income:			
Interest income:			
Interest and fees on loans	$ 29,856	$ 25,724	$ 23,085
Interest on federal funds sold	373	609	824
Interest and dividends on investment securities:			
Taxable interest income	1,512	1,702	1,864
Tax-exempt interest income	108	183	224
Dividend income	136	99	85
Total interest income	31,985	28,317	26,082
Interest expense on deposits	6,300	5,542	5,975
Interest expense on federal funds purchased	86	50	1
Interest expense on other borrowings	686	265	—
Total interest expense	7,072	5,857	5,976
Net interest income	24,913	22,460	20,106
Loan loss provision	250	250	150
Net interest income after loan loss provision	24,663	22,210	19,956
Other income:			
Fees for investment management and trust services	8,973	9,784	9,272
Service charges on deposit accounts	1,144	1,156	1,169
Other fees and service charges	1,024	1,016	950
Net gain on sale of loans	1,240	1,028	1,682
Gain on sale of other real estate owned	14	45	224
Fees earned from family business office services	2,429	1,947	—
Investment advisory and brokerage fees	957	1,218	—
Tax consulting fees	793	702	655
Insurance commission income	191	326	188
Other operating income	962	864	470
Total other income	17,727	18,086	14,610
Other expenses:			
Salaries-regular	13,859	12,446	10,289
Salaries-other	1,043	2,226	2,375
Employee benefits	1,849	2,334	1,908
Occupancy expense	2,100	1,928	1,392
Furniture, fixtures, and equipment	2,140	1,968	1,817
Advertising	1,235	1,290	1,283
Professional fees	1,667	1,148	811
Computer processing	556	560	569
Stationery and supplies	391	408	354
Insurance	526	373	213
Goodwill amortization	324	183	—
Net (profit) cost of operation of other real estate owned	(1)	8	7
Other operating expenses	4,007	3,584	3,211
Total other expenses	29,696	28,456	24,229
Income before income taxes	12,694	11,840	10,337
Applicable income taxes	4,433	3,879	3,480
Net income	$ 8,261	$ 7,961	$ 6,857
Basic earnings per share	$ 1.92	$ 1.83	$ 1.58
Diluted earnings per share	$ 1.85	$ 1.75	$ 1.51
Weighted-average shares outstanding	4,292,838	4,349,403	4,327,297
Dilutive potential common shares	161,408	193,915	225,708
Adjusted weighted-average shares	4,454,246	4,543,318	4,553,005

The accompanying notes are an integral part of the consolidated financial statements.
**Reclassified for comparative purposes.*

Consolidated Statements Of Changes In Shareholders' Equity

(in thousands, except for shares of common stock)

For the years ended December 31, 2000, 1999 and 1998	Shares of Common Stock issued	Common Stock	Paid-in Capital	Retained Earnings	Unrealized Gains (Losses)	Treasury Stock
Balance, December 31, 1997	2,519,379	$2,519	$ 4,589	$34,946	$ 62	(2,767)
Net income	—	—	—	6,857	—	—
Dividends declared, $0.465 per share	—	—	—	(2,012)	—	—
Change in unrealized gains (losses), net of income taxes of $21,000	—	—	—	—	38	—
2-for-1 stock split	2,525,339	2,525	(2,525)	—	—	—
Tax benefit from gains on stock option exercise	—	—	173	—	—	—
Purchase of treasury stock	—	—	—	—	—	(2,519)
Retirement of treasury stock	(5,740)	(5)	(163)	—	—	71
Common stock issued	28,100	28	404	—	—	—
Balance, December 31, 1998	5,067,078	5,067	2,478	39,791	100	(5,215)
Net income	—	—	—	7,961	—	—
Dividends declared, $0.60 per share	—	—	—	(2,603)	—	—
Change in unrealized gains (losses), net of income taxes of ($252,000)	—	—	—	—	(489)	—
Tax benefit from gains on stock option exercise	—	—	213	—	—	—
Purchase of treasury stock	—	—	—	—	—	(2,530)
Retirement of treasury stock	(11,059)	(11)	(241)	—	—	57
Common stock issued	123,589	124	2,017	—	—	—
Balance, December 31, 1999	5,179,608	5,180	4,467	45,149	(389)	(7,688)
Net income	—	—	—	8,261	—	—
Dividends declared, $0.68 per share	—	—	—	(2,922)	—	—
Change in unrealized gains (losses), net of income taxes of $179,000	—	—	—	—	347	—
Tax benefit from gains on stock option exercise	—	—	196	—	—	—
Purchase of treasury stock	—	—	—	—	—	(1,677)
Retirement of treasury stock	(21,083)	(21)	(415)	—	—	—
Common stock issued	45,194	45	356	—	—	—
Balance, December 31, 2000	5,203,719	$5,204	$ 4,604	$50,488	$ (42)	(9,284)

Consolidated Statements Of Comprehensive Income

For the years ended December 31,	**2000**	1999	1998
Net income	**$8,261**	$7,961	$6,857
Other comprehensive income:			
Unrealized holding gain (losses) arising during the period	**526**	(741)	59
Deferred income tax benefit (expense) on unrealized holding (losses) gains arising during the period	**(179)**	252	(21)
Comprehensive net income	**$8,608**	$7,472	$6,895

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

the present value of expected future cash flows or at the loan's market price. Impaired loans measured by the fair value of the loan's collateral amounted to $10,000 and $720,000, respectively.

If the loan valuation is less than the recorded value of the loan, an impairment reserve is established for the difference. The impairment reserve is established by either an allocation of the reserve for loan losses or by a provision for loan losses, depending on the adequacy of the reserve for loan losses. All impairment reserves established in either 2000 or 1999 were allocated from the existing reserve for loan losses. As of December 31, 2000 there were no impaired loans for which there is a related allowance for loan losses. As of December 31, 1999 there were $679,000 of impaired loans for which there is a related allowance for loan losses. There was no related allowance for loan loss on impaired as of December 31, 2000. The total related allowance for loan loss on impaired loans at December 31, 1999 was $110,000. Impaired loans for which no loan loss allowance was allocated amounted to $10,000 and $41,000 at December 31, 2000 and 1999. Average impaired loans during both 2000 and 1999 amounted to $337,000 and $1,088,000, respectively.

When a loan is classified as impaired, it is put on non-accrual status and any income subsequently collected is credited to the outstanding principal balance. Therefore, no interest income was reported on outstanding loans while considered impaired in either 2000 or 1999. Loans may be removed from impaired status and returned to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within an acceptable period of time and there is a sustained period of repayment performance by the borrower, with a minimum repayment of at least six months, in accordance with the contractual terms of interest and principal. Subsequent income recognition would be recorded under the existing terms of the loan. Based on the above criteria, $41,000 in loan balances considered impaired was removed from impaired status during 2000 and $1,283,000 in loan balances were removed from impaired status and returned to accrual status during 1999.

Smaller balance, homogeneous loans, exclusively consumer loans, when included in non-performing loans, for practical consideration, are not put on a non-accrual status nor is the current accrued interest receivable reversed from income. Once deemed uncollectable, the outstanding loan and accumulated interest balances are charged off through the loan loss reserve on a timely basis.

Loan loss provision:

The loan loss provision charged to operating expenses is based on those factors which, in management's judgement, deserve current recognition in estimating possible loan losses including the continuing evaluation of the loan portfolio and the Bank's past loan loss experience. The allowance for possible loan losses is an amount that management believes will be adequate to absorb losses inherent in existing loans.

Other real estate owned:

Other real estate owned ("OREO") consists of properties acquired by foreclosure. These assets are carried at the lower of cost or estimated fair value at the time the loan is foreclosed less estimated cost to sell. The amounts recoverable from OREO could differ materially from the amounts used in arriving at the net carrying value of the assets because of future market factors beyond the control of the Bank. Costs to improve the property are capitalized, whereas costs of holding the property are charged to expense.

Deferred loan fees:

The Bank defers all loan fees and related direct loan origination costs. Deferred loan fees and costs are generally capitalized and amortized as yield adjustment over the life of the loan using the interest method.

Mortgage Servicing Rights:

An asset is recognized for mortgage servicing rights acquired through purchase or origination. Capitalized amounts are amortized in proportion to and over the period of estimated net servicing rights. When mortgage loans are sold with servicing retained, the total cost of the mortgage loan is allocated to the loans and the servicing rights, based on their fair values. The Bank performs a periodic review for impairment of the fair value of outstanding mortgage servicing rights.

Premises and equipment:

Premises and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed on a straight-line basis over the estimated useful lives, as follows: premises—10 to 50 years, and equipment—3 to 20 years. Leasehold improvements are amortized over the shorter of the estimated useful life or the term of the lease. Maintenance and repairs are charged to expense; major renewals and betterments are capitalized. Gains and losses on dispositions are reflected in current operations.

4. Loans:

Loans outstanding at December 31 are detailed by category as follows:

(in thousands)	2000	1999
Real estate loans:		
Permanent mortgage loans	**$136,113**	$134,960
Construction loans	**10,717**	14,496
Commercial and industrial loans	**147,398**	119,835
Loans to individuals for household, family, and other consumer expenditures	**61,189**	70,211
Subtotal	**355,417**	339,502
Less: Allowance for loan losses	**(4,320)**	(4,400)
Net deferred loan fees	**(411)**	(563)
Loans, net	**$350,686**	$334,539
Unadvanced loan funds	**$126,522**	$113,682
Loans with predetermined rates	**189,810**	187,413
Loans with adjustable or floating rates	**165,196**	151,526
Total	**$355,006**	$338,939

All loans past due 90 days or more, except consumer loans, are placed on nonaccrual status. Nonperforming loans amounted to $81,000 and $792,000 at December 31, 2000 and 1999, respectively. Forgone interest on nonaccrual loans was $29,000, $121,000, and $230,000 in 2000, 1999, and 1998, respectively. There was one impaired loan at December 31, 2000 in the amount of $10,000. There were three impaired loans at December 31, 1999, amounting to $720,000. During 2000, one loan amounting to $646,000 was paid off and no interest was recorded on this loan. A loan amounting to $33,000 was charged off and a loan amounting to $41,000 was returned to performing status, adding $4,000 to interest income in 2000.

5. Allowance For Possible Loan Losses:

The summary of the changes in the allowance for possible loan losses is as follows:

(in thousands)	2000	1999	1998
Balance, January 1	**$4,400**	$4,100	$4,074
Charge-offs	**(399)**	(197)	(243)
Recoveries	**69**	247	119
Net charge-offs / recoveries	**(330)**	50	(124)
Loan loss provision	**250**	250	150
Balance, December 31	**$4,320**	$4,400	$4,100

6. Premises and Equipment:

A summary of premises and equipment at December 31 is as follows:

(in thousands)	2000	1999
Land	**$ 2,973**	$ 2,973
Buildings	**12,703**	11,439
Furniture and equipment	**12,117**	11,484
Leasehold improvements	**529**	494
	28,322	26,390
Less accumulated depreciation	**15,928**	14,510
Total	**$12,394**	$11,880

Depreciation expense for the years ended December 31, 2000, 1999 and 1998 amounted to $1,489,000, $1,285,000 and $1,221,000, respectively. Future minimum rent commitments under various operating leases are as follows:

2001	$ 223,000
2002	$ 223,000
2003	$ 223,000
2004	$ 248,000
2005	$ 248,000
Thereafter	$5,968,000

The leases contain options to extend for one 10 year period. The cost of such rentals is not included in the above. Total rent expense for the years ended December 31, 2000, 1999 and 1998 amounted to $273,000, $186,000,and $0, respectively.

As of December 31, 2000, the Corporation has borrowings outstanding of $638,000. The borrowings are collateralized by a property with a book value of $1,651,000. The weighted average interest rate on the borrowings was 8.50% in 2000 and 1999.

7. Deposits:

Following is a summary of deposits as of December 31,

	2000	1999
Regular savings	**$ 40,171**	$ 43,186
NOW accounts	**111,087**	98,834
Market rate accounts	**50,176**	52,037
Time deposits (less than $100,000)	**49,790**	55,947
Time deposits, $100,000 or more	**20,112**	22,274
Total interest bearing deposits	**271,336**	272,278
Non-interest bearing deposits	**115,630**	98,790
Total deposits	**$386,966**	$371,068

The aggregate amount of deposit overdrafts included as loans as of December 31, 2000 and 1999 were $3,369,040 and $160,787, respectively.

The carrying amount and estimated fair value of the Corporation's financial instruments at December 31 are as follows:

(in thousands)	2000 Carrying Amount	2000 Estimated Fair Value	1999 Carrying Amount	1999 Estimated Fair Value
Financial assets:				
Cash and due from banks	**$ 34,656**	**$ 34,656**	$ 17,914	$ 17,914
Interest-bearing deposits with other banks	**322**	**322**	13,690	13,690
Federal funds sold	**6,395**	**6,395**	17,609	17,609
Investment securities	**26,907**	**26,907**	29,714	29,714
Net loans	**351,108**	**353,184**	334,539	337,071
Total financial assets	**$419,388**	**$421,464**	$413,466	$415,998
Financial liabilities:				
Deposits	**$386,966**	**$387,049**	$371,068	$370,704
Short term borrowings	**—**	**—**	10,000	10,000
Other liabilities	**601**	**601**	638	638
Total financial liabilities	**$387,567**	**$387,650**	$381,706	$381,342
Off-balance sheet instruments	**$137,221**	**$137,221**	$121,564	$121,564

10. Applicable Federal Income Taxes:

The components of the net deferred tax asset as of December 31 are as follows:

(in thousands)	2000	1999
Deferred tax assets:		
Loan loss reserve	**$ 892**	$ 790
Pension and other postretirement benefits	**—**	307
Deferred compensation	**22**	257
Other reserves	**108**	138
Unrealized depreciation on investment securities	**22**	201
	1,044	1,693
Deferred tax liabilities:		
Depreciation	**(260)**	(252)
Pension and other postretirement benefits	**(12)**	—
Total net deferred tax assets	**$ 772**	$1,441

No valuation allowance was recorded as of December 31, 2000 and 1999.

The provisions for federal income taxes consist of the following:

(in thousands)	2000	1999	1998
Currently payable	**$4,923**	$4,076	$3,286
Deferred	**(490)**	(197)	194
Total	**$4,433**	$3,879	$3,480

The sources of temporary differences resulting in deferred federal income taxes and the approximate tax effect of each are as follows:

(in thousands)	2000	1999	1998
Other real estate owned	**$ —**	$ —	$ —
Loan loss provision	**—**	—	(51)
Depreciation	**—**	—	(12)
Pension expense	**—**	11	(38)
Deferred loan fees	**—**	—	57
Other	**—**	(107)	—
Change in deferred balance	**(669)**	(354)	—
Change in unrealized gain on investment securities	**179**	253	—
Total	**$(490)**	$(197)	$(20)

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

(in thousands)	2000	1999	1998
Computed tax expense @ stated rate	**$4,316**	$4,026	$3,515
Benefit reductions in taxes resulting from tax-exempt income	**(121)**	(164)	(334)
Income resulting from non-deductible goodwill	**110**	62	
Other, net	**128**	(45)	299
Actual tax expense	**$4,433**	$3,879	$3,480

The following table provides the components of net periodic cost (income) for the plans for years ended December 31, 2000, 1999 and 1998:

	Pension Benefits			Postretirement Benefits		
	2000	1999	1998	**2000**	1999	1998
Service cost	**$ 733**	$ 927	$ 701	**$ 7**	$ 7	$ 9
Interest cost	**1,123**	1,078	900	**107**	83	141
Expected return on plan assets	**(1,962)**	(1,739)	(1,428)	**0**	0	0
Amortization of prior service cost	**158**	158	52	**0**	0	0
Amortization of transition obligation (asset)	**0**	0	0	**26**	25	78
Amortization of net actuarial (gain) loss	**(895)**	(418)	(375)	**34**	25	17
Net periodic (benefit) cost	**$ (843)**	$ 6	$ (150)	**$174**	$140	$245

Sensitivity Analysis, Postretirement Benefits	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$ 7,544	$ (6,906)
Effect on accumulated postretirement benefit obligation	93,868	(86,648)

12. Stock Option Plan:

Since December 31, 1988, the Corporation has maintained a stock option and stock appreciation rights plan (the "Stock Option Plan"), which is described below. The Corporation applies APB Opinion 25 and related interpretations in accounting for the Stock Option Plan. Accordingly, no compensation cost has been recognized for the Stock Option Plan. Had compensation for the Corporation's Stock Option Plan been determined based on the fair value at the grant date for awards in 2000, 1999 and 1998, consistent with the optional provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", the Corporation's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
Net income—as reported	**$8,261**	$7,961	$6,857
Net income pro forma	**$8,037**	$7,636	$6,373
Basic earnings per share—as reported	**$ 1.92**	$ 1.83	$ 1.58
Basic earnings per share—pro forma	**$ 1.87**	$ 1.76	$ 1.47

The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1999 and 2000: dividend yield of 3.25 percent, expected volatility of 17.5 percent, expected life of six years and risk-free interest rates of 6.7, 7.1 and 6.5 percent, respectively.

The Plan had, prior to 1994, up to 216,000 authorized and unissued or Treasury shares of the Corporation's common stock reserved for issuance under the Plan. During 1994, the shareholders' approved an additional 217,720 shares for issuance under the Plan. The option to purchase shares of the Corporation's common stock was issued to key officers. During 1995, the shareholder's approved the issuance of 80,000 shares, 20,000 to be granted to outside directors, for 4 years after each Annual Meeting. The option price was set at the last sale price for the stock on the 3rd business day following the Corporation's Annual Meeting. Options totaling 76,000 shares of Corporation stock were issued under the outside directors' plan. During 1998, the shareholders approved the issuance of up to 217,606 shares available for issuance to both employees and directors. The price will be determined by the Corporation's Compensation Committee of the Board of Directors at the time the option is granted.

14. Financial Instruments with Off-Balance Sheet Risk and Concentration of Credit Risk:

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

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the agreement. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Some of the commitments are expected to expire without being drawn upon, and the total commitment amounts do not necessarily represent future cash requirements. Total commitments to extend credit at December 31, 2000 are $126,522,000. The Corporation evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral varies but may include accounts receivable, marketable securities, inventory, property, plant and equipment, residential real estate, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to a customer for a third party. Such standby letters of credits are issued to support private borrowing arrangements. The credit risk involved in issuing standby letters of credit is similar to that involved in extending loan facilities to customers. The collateral varies, but may include accounts receivable, marketable securities, inventory, property, plant and equipment, and residential real estate for those commitments for which collateral is deemed necessary. The Corporation's obligation under standby letters of credit as of December 31, 1999 amounted to $10,699,000. There were no outstanding bankers acceptances as of December 31, 2000.

As of December 31, 2000, the Corporation had no loans sold with recourse outstanding.

The Corporation grants construction, commercial, residential mortgage, and consumer loans to customers primarily in Southeastern Pennsylvania. Although the Corporation has a diversified loan portfolio, its debtors' ability to honor their contracts is substantially dependent upon the general economic conditions of the region.

15. Risks and Uncertainties:

The earnings of the Corporation depend on the earnings of the Bank. The Bank's earnings are dependent upon both the level of net interest income and non-interest revenue streams, primarily fees for trust services, that are earned annually. Accordingly, the earnings of the Corporation are subject to risks and uncertainties surrounding both its exposure to changes in the interest rate environment and movements in financial markets.

Most of the Bank's lending activity is with customers located in southeastern Pennsylvania. Lending is spread between commercial, consumer and real estate related loans, including construction lending. While these loan concentrations represent a potential concentration of credit risk, the Bank's credit loss experience compares favorably to the Bank's peer group credit loss experience.

The financial statements of the Corporation are prepared in conformity with generally accepted accounting principles that require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Significant estimates are made by management in determining the allowance for possible loan losses and the carrying value of other real estate owned. Consideration is given to a variety of factors in establishing these estimates, including current economic conditions, the results of the internal loan review process, delinquency statistics, borrowers perceived financial and managerial strengths and the adequacy of supporting collateral, if collateral dependent, or the present value of future cash flows. Since the allowance for possible loan losses and the carrying value of other real estate owned are dependent, to a great extent, on general and other economic conditions beyond the Bank's control, it is at least reasonably possible that the estimates of the allowance for possible loan losses could differ materially from currently reported values in the near term.

The Corporation's and the Bank's actual capital amounts and ratios as of December 31, 2000 and 1999 are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized
	Amount	Ratio	Amount	Ratio	Amount
December 31, 2000					
Total (Tier II) Capital to Risk Weighted Assets:					
Consolidated	**$52,363**	**13.61%**		**8.0%**	**N/A**
The Bank	**41,240**	**10.91%**	**$30,231**	**8.0%**	**$37,789**
Tier I Captial to Risk Weighted Assets:					
Consolidated	**48,043**	**12.49%**		**4.0%**	**N/A**
The Bank	**36,920**	**9.77%**	**15,116**	**4.0%**	**22,674**
Total Capital to Total Assets (Leverage Ratio):					
Consolidated	**48,043**	**11.29%**		**4.0%**	**N/A**
The Bank	**36,920**	**8.86%**	**16,675**	**4.0%**	**20,844**
December 31, 1999					
Total (Tier II) Capital to Risk Weighted Assets:					
Consolidated	$48,214	12.19%		8.0%	N/A
The Bank	42,277	11.54%	$29,298	8.0%	$36,623
Tier I Captial to Risk Weighted Assets:					
Consolidated	43,814	11.08%		4.0%	N/A
The Bank	37,877	10.34%	14,649	4.0%	21,974
Total Capital to Total Assets (Leverage Ratio):					
Consolidated	46,719	10.70%		4.0%	N/A
The Bank	37,487	8.76%	17,126	4.0%	21,408

18. Selected Quarterly Financial Data (unaudited):

	Quarters ending 2000			
(In thousands, except per share data)	3/31	6/30	9/30	12/31
Interest income	**$7,619**	**$7,897**	**$8,084**	**$8,385**
Interest expense	**1,599**	**1,677**	**1,835**	**1,961**
Net interest income	**6,020**	**6,220**	**6,249**	**6,424**
Provision for loan losses	**63**	**62**	**63**	**62**
Income before income taxes	**2,945**	**2,851**	**3,445**	**3,453**
Net income	**1,960**	**1,707**	**2,303**	**2,291**
Basic earnings per share	**0.45**	**0.40**	**0.54**	**0.54**
Diluted earnings per share	**0.44**	**0.38**	**0.52**	**0.52**

	Quarters ending 1999*			
(In thousands, except per share data)	3/31	6/30	9/30	12/31
Interest income	$6,632	$7,197	$7,046	$7,442
Interest expense	1,344	1,336	1,467	1,710
Net interest income	5,288	5,861	5,579	5,732
Provision for loan losses	63	62	62	63
Income before income taxes	2,842	2,892	2,952	3,154
Net income	1,842	2,002	2,026	2,091
Basic earnings per share	0.42	0.46	0.47	0.48
Diluted earnings per share	0.40	0.44	0.45	0.46

**Reclassified for comparative purposes.*

20. Segment Information:

The Corporation's principal operating segments are structured around the financial services provided its customers. The banking segment gathers deposits and makes funds available for loans to its customers. The Banks Investment Management and Trust segment provides both corporate and individual investment management and trust products and services. The Bank's mortgage banking segment originates and sells residential mortgage loans to the secondary mortgage market.

Segment information for the years ended December 31, 2000, 1999, and 1998 is as follows:

	2000					1999*					1998*				
(in thousands)	Banking	Trust	Mortgage Banking	All Other	Consolidated	Banking	Trust	Mortgage Banking	All Other	Consolidated	Banking	Trust	Mortgage Banking	All Other	Consolidated
Net interest income	$ 24,684	$ —	$ 216	$ 17	$ 24,917	$ 22,310	$ —	$ 145	$ 5	$ 22,460	$ 20,052	$ —	$ 51	$ 3	$ 20,106
Less loan loss provision	250	—	—	—	250	250	—	—	—	250	150	—	—	—	150
Net interest income after loan loss provision	24,434	—	216	17	24,667	22,060	—	145	5	22,210	19,902	—	51	3	19,956
Other income:															
Fees for investment management and trust services	—	8,973	—	—	8,973										
Service charges on deposit accounts	1,144	—	—	—	1,144	—	9,784	—	—	9,784	—	9,272	—	—	9,272
Other fees and service charges	295	—	729	—	1,024	1,156	—	—	—	1,156	1,169	—	—	—	1,169
Net gain on sale of loans	8	—	1,232	—	1,240	254	—	762	—	1,016	249	—	701	—	950
Gain on sale of other real estate owned	14	—	—	—	14	44	—	984	—	1,028	35	—	1,647	—	1,682
Other operating income	925	—	—	4,789	5,714	908	—	—	4,568	5,476	487	—	—	1,079	1,566
Total other income	2,386	8,973	1,961	4,789	18,109	2,407	9,784	1,746	4,568	18,505	2,164	9,272	2,348	1,079	14,863
Other expenses:															
Salaries-regular	7,826	3,175	538	2,320	13,859	7,251	2,852	469	1,874	12,446	6,489	2,863	417	520	10,289
Salaries-other	750	211	30	52	1,043	1,754	230	78	184	2,246	1,692	386	117	180	2,375
Fringe benefits	850	616	70	313	1,849	1,474	565	80	215	2,334	1,232	549	74	53	1,908
Occupancy	3,401	472	142	502	4,517	3,090	476	149	456	4,171	2,785	422	62	188	3,457
Other operating expenses	5,505	880	334	2,095	8,814	4,694	948	310	1,726	7,678	4,537	898	400	618	6,453
Total other expenses	18,332	5,354	1,114	5,282	30,082	18,263	5,071	1,086	4,455	28,875	16,735	5,118	1,070	1,559	24,482
Segment profit (loss)	8,488	3,619	1,063	(476)	12,694	6,204	4,713	805	118	11,840	5,331	4,154	1,329	(477)	10,337
Intersegment (revenues) expenses	176	181	—	(319)	—	176	181	—	(357)	—	38	181	—	(219)	—
Segment profit (loss) after eliminations	$ 8,626	$3,800	$ 1,063	$ (795)	$ 12,694	$ 6,380	$4,894	$ 805	$ (239)	$ 11,840	$ 5,369	$4,335	$ 1,329	$ (696)	$ 10,337
% of segment profit (loss)	68%	30%	8%	(6)%	100%	54%	41%	7%	(2)%	100%	52%	42%	13%	(7)%	100%
Total assets at December 31	$392,028	$ 457	$38,123	$13,817	$444,425	$398,546	$ 413	$27,337	$10,524	$436,820	$369,556	$ 455	$16,532	$5,297	$391,840
Capital expenditures	$ 2,108	$ 47	$ 16	$ 359	$ 2,530	$759	$ 95	$ 14	$ 236	$ 1,104	$ 2,108	$ 370	$ 93	$ 30	$ 2,601
Depreciation and amortization	$ 1,314	$ 153	$ 34	$ 520	$ 2,021	$693	$ 162	$ 29	$ 435	$ 1,319	$ 1,146	$ 139	$ 16	$ 106	$ 1,407

Bryn Mawr Bank Corporation, Tax Counsellors of Bryn Mawr, Inc., Insurance Counsellors of Bryn Mawr, Inc., Bryn Mawr Brokerage Company, Inc., CDC Capital Management, Inc., Joseph W. Roskos & Company and Bryn Mawr Finance, Inc. have all been aggregated in All Other.

**Reclassified for comparative purposes.*