BRYN MAWR BANK CORP
Form 424B3
January 25, 2010
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FIRST KEYSTONE FINANCIAL, INC.

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear First Keystone Financial, Inc. shareholders:

On November 3, 2009, First Keystone Financial, Inc. (which we refer to herein as **FKF**) and Bryn Mawr Bank Corporation (which we refer to herein as **BMBC**) agreed to a strategic business combination in which FKF will be merged into BMBC. If the merger is completed, FKF shareholders will have the right to receive $2.06 in cash and 0.6973 of a share of BMBC common stock for each share of FKF common stock held immediately prior to the merger, subject to adjustment as provided for in the Agreement and Plan of Merger dated as of November 3, 2009 that FKF entered into with BMBC (which we refer to herein as the **merger agreement**). We are sending you this proxy statement/prospectus to notify you of and invite you to the special meeting of FKF shareholders being held to consider the merger agreement and related matters and to ask you to vote at the special meeting in favor of the merger agreement and the transactions contemplated thereby, including the merger.

The special meeting of FKF s shareholders will be held at the Towne House Restaurant, 117 Veterans Square, Media, Pennsylvania on March 2, 2010 at 2:00 p.m. local time.

At the special meeting, you will be asked to approve the merger agreement, and the transactions contemplated thereby, including the merger. In the merger, FKF will merge into BMBC and First Keystone Bank, a federally chartered savings bank and wholly owned subsidiary of FKF, will be merged into a newly chartered interim Pennsylvania stock savings bank to be formed as a wholly owned subsidiary of BMBC. The interim bank will subsequently be merged into The Bryn Mawr Trust Company, a Pennsylvania chartered bank and wholly owned subsidiary of BMBC. You will also be asked to approve the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

The market value of the merger consideration will fluctuate with the market price of BMBC common stock. The following table shows the closing sale prices of BMBC common stock and FKF common stock as reported on the NASDAQ Global Market, on November 2, 2009, the trading day on which the per share merger consideration was calculated, and on January 19, 2010, the last practicable trading day before the distribution of this proxy statement/prospectus. This table also shows the implied value of the per share merger consideration proposed for each share of FKF common stock, which we calculated by multiplying the closing price of BMBC common stock on those dates by the per share stock consideration of 0.6973 and adding the per share cash consideration of $2.06 in cash, assuming no adjustment to such consideration pursuant to the merger agreement.

	BMBC Common Stock (NASDAQ: BMTC)	**FKF Common Stock (NASDAQ: FKFS)**	**Implied Value of One Share of FKF Common Stock**
At November 2, 2009	$16.30	$ 8.85	$13.43
At January 19, 2010	$15.30	$11.85	$12.73

The market prices of the BMBC common stock and the FKF common stock will fluctuate between now and the closing of the merger. We urge you to obtain current market quotations. FKF common stock trades on the NASDAQ Global Market under the symbol FKFS and the BMBC common stock trades on the NASDAQ Global Market under the symbol BMTC.

The merger consideration is subject to downward adjustment based upon, among other factors, the amount of FKF Delinquencies, as defined in the merger agreement, as of the month-end immediately prior to the closing of the merger. FKF Delinquencies is defined generally in the merger agreement to mean loans delinquent 30 days or more, non-accruing loans, other real estate owned, troubled debt restructurings and loan charge-offs after September 30, 2008 in excess of certain thresholds, as more fully described in this proxy statement/prospectus under the heading The Agreement and Plan of Merger Terms of the Merger. Depending on the amount of FKF Delinquencies as of the month-end preceding the merger, the consideration to be received upon consummation of the merger for each share of FKF common stock may be reduced in incremental amounts down to 0.6485 shares of BMBC common stock and $1.92 in cash. The actual amount of merger consideration will not be determined until the month-end prior to closing, which is expected to occur late in the second quarter or early in the third quarter of 2010.

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FKF s board of directors unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that FKF shareholders vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the approval of the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger. If you fail to vote, or you do not instruct your broker how to vote any shares held for you in street name, it will have the same effect as voting AGAINST the merger agreement and the transactions contemplated thereby, and AGAINST the adjournment or postponement of the special meeting.

To complete the merger, the merger agreement and the transactions contemplated thereby must be approved by the affirmative vote of a majority of the votes cast by all FKF shareholders entitled to vote, in person or by proxy, at the special meeting. **Your vote is very important.** Whether or not you plan to attend the special meeting, FKF s board of directors urges you to complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope or by telephone or by Internet if those options are available to you. This will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. If you abstain from voting or do not vote (either in person or by proxy), it will have the practical effect of a vote against the merger agreement (assuming a quorum is present at the FKF special meeting) in determining whether the merger agreement and merger will be approved and adopted. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder in order to vote in person at the special meeting.

This proxy statement/prospectus provides you with detailed information about the merger. In addition to being a proxy statement of FKF, this proxy statement/prospectus is also the prospectus of BMBC for shares of BMBC common stock that will be issued in connection with the merger. We encourage you to read the entire document carefully. Please pay particular attention to Risk Factors beginning on page 21 for a discussion of the risks related to the merger and owning BMBC common stock after the merger.

We look forward to seeing you on March 2, 2010 in Media.

Sincerely,

Donald S. Guthrie	**Hugh J. Garchinsky**
Chairman of the Board	***President and Chief Executive Officer***

Please read this proxy statement/prospectus carefully because it contains important information about the merger. Read carefully the risk factors relating to the merger beginning on page 21. You can also obtain information about BMBC and FKF from documents that each of us has filed with the Securities and Exchange Commission.

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved the securities to be issued in the merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either BMBC or FKF, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated January 20, 2010 and will be first mailed or otherwise delivered to FKF shareholders on or about January 25, 2010.

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FIRST KEYSTONE FINANCIAL, INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON MARCH 2, 2010

Dear FKF shareholder:

You are cordially invited to attend a special meeting of the shareholders of First Keystone Financial, Inc., a Pennsylvania corporation (**FKF**), on March 2, 2010 at 2:00 p.m. local time at the Towne House Restaurant located at 117 Veterans Square, Media, Pennsylvania, for the purpose of considering and voting upon the following matters:

To approve the Agreement and Plan of Merger dated as of November 3, 2009 that FKF has entered into with Bryn Mawr Bank Corporation, a Pennsylvania corporation (**BMBC**), which we refer to herein as the **merger agreement.** Pursuant to the merger agreement, FKF will merge into BMBC, and First Keystone Bank, a federally chartered savings bank and wholly owned subsidiary of FKF, will be merged into a newly chartered interim Pennsylvania stock savings bank to be formed as a wholly owned subsidiary of BMBC, which interim bank will subsequently be merged into The Bryn Mawr Trust Company, a Pennsylvania chartered bank and wholly owned subsidiary of BMBC, as more fully described in the attached proxy statement/prospectus, and the transactions contemplated by the merger agreement, including the merger; and

To adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

We have fixed the close of business on January 8, 2010 as the record date for determining those FKF shareholders entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting. Only FKF shareholders of record at the close of business on that date are entitled to, and are being requested to, vote at the special meeting and any adjournments or postponements of the special meeting.

Please vote as soon as possible. To complete the merger, the merger agreement and the transactions contemplated thereby must be approved by the affirmative vote of a majority of the votes cast by all FKF shareholders entitled to vote at the special meeting. If you fail to vote, abstain from voting or if you do not instruct your broker or other nominee how to vote shares held in street name, it will have the same effect as voting against approval of the merger agreement and the transactions contemplated thereby. **Whether or not you intend to attend the special meeting, please vote as promptly as possible by signing and returning the enclosed proxy card in the postage-paid envelope provided. If your shares are held in the name of a broker, bank or other fiduciary, please follow the instructions on the voting instruction card provided by such person. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card. If you wish to attend the special meeting and vote in person and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares**.

We encourage you to read the attached proxy statement/prospectus carefully. If you have any questions or need assistance voting your shares, please call Regan & Associates toll free at (800) 737-3426.

FKF s board of directors has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that FKF shareholders vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the approval of the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

By Order of the Board of Directors

Hugh J. Garchinsky
President and Chief Executive Officer

Media, Pennsylvania

January 25, 2010

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates by reference important business and financial information about BMBC from other documents that are not included in or delivered with this proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain those documents incorporated by reference into this proxy statement/prospectus by accessing the Securities and Exchange Commission s website maintained at http://www.sec.gov or by requesting copies in writing or by telephone from the appropriate company:

Bryn Mawr Bank Corporation

Attention: Robert J. Ricciardi, Secretary

801 Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

(610) 526-2059

You will not be charged for any of these documents that you request. If you would like to request documents from BMBC, please do so by February 16, 2010 in order to receive them before FKF s special meeting. BMBC s Internet address is http://www.bmtc.com and FKF s Internet address is http://www.firstkeystoneonline.com. The information on our Internet sites is not a part of this proxy statement/prospectus.

See Where You Can Find More Information on page 85 and Recent Developments on page 11.

ABOUT THIS DOCUMENT

This document, which forms part of a registration statement on Form S-4 filed with the Securities and Exchange Commission (the **SEC**) by BMBC (File No. 333-163874), constitutes a prospectus of BMBC under Section 5 of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the BMBC common shares to be issued to FKF shareholders as required by the merger agreement. This document also constitutes a proxy statement of FKF under Section 14(a) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. It also constitutes a notice of meeting with respect to the special meeting of FKF shareholders at which FKF shareholders will be asked to vote upon a proposal to approve the merger agreement and the transactions contemplated thereby.

You should rely only on the information contained or incorporated by reference into this document. We have not authorized anyone to provide you with information that is different from that contained in, or incorporated by reference into, this document. This document is dated January 20, 2010. You should not assume that the information contained in, or incorporated by reference into, this document is accurate as of any date other than that date. Neither the mailing of this document to FKF shareholders nor the issuance by BMBC of stock in connection with the merger will create any implication to the contrary.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding FKF has been provided by FKF and information contained in this document regarding BMBC has been provided by BMBC.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING

The questions and answers below highlight only selected procedural information from this proxy statement/prospectus. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this proxy statement/prospectus to fully understand the merger agreement and the transactions contemplated thereby, including the merger, and the voting procedures for the special meeting. We generally refer to Bryn Mawr Bank Corporation as BMBC, First Keystone Financial, Inc. as FKF, First Keystone Bank, a wholly owned subsidiary of FKF, as FKB, and The Bryn Mawr Trust Company, a wholly owned subsidiary of BMBC, as BMT throughout this proxy statement/prospectus.

Q: What is the proposed transaction for which I am being asked to vote?

A: FKF s shareholders are being asked to approve the Agreement and Plan of Merger (the **merger agreement**), dated as of November 3, 2009, between BMBC and FKF, and the transactions contemplated thereby, including the merger of FKF into BMBC, with BMBC surviving, which we refer to as the merger within this proxy statement/prospectus.

Q: What do I need to do now?

A: After you have carefully read this proxy statement/prospectus and have decided how you wish to vote your shares, please vote your shares promptly. If you hold common stock in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card, or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

Q: If I am an FKF shareholder, should I send my FKF stock certificates with my proxy card?

A: No. Please DO NOT send your FKF stock certificates with your proxy card. After the merger, BMBC will send you instructions for exchanging FKF stock certificates for the merger consideration. The shares of BMBC common stock FKF shareholders receive in the merger will be issued in book-entry form unless requested by the shareholder to be issued in certificated form.

Q: Why is my vote important?

A: If you do not vote by proxy or vote in person at the special meeting, it will be more difficult for us to obtain the necessary quorum to hold our special meeting. In addition, your failure to vote, by proxy or in person, will have the same effect as a vote against the merger agreement and the transactions contemplated thereby. The merger agreement and the transactions contemplated thereby must be approved by the affirmative vote of a majority of the votes cast, in person or by proxy, by all FKF shareholders entitled to vote at the special meeting. **FKF s board of directors unanimously recommends that you vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger.**

Q: If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

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Q: What if I fail to instruct my broker?

A: If you do not provide your broker with instructions and your broker submits an unvoted proxy, referred to as a broker non-vote, the broker non-vote will be counted toward a quorum at the special meeting, but it will have the same effect as a vote against the merger agreement and the transactions contemplated thereby. With respect to the proposal to adjourn the special meeting if necessary or appropriate to solicit additional proxies, an abstention will have the same effect as a vote against the proposal.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All FKF shareholders, including FKF shareholders of record and FKF shareholders who hold their shares through banks, brokers, nominees or any other holder of record, may attend the special meeting. Holders of record of FKF common stock can vote in person at the special meeting. If you are not an FKF shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares of common stock, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares of common stock in your own name or have a letter from the record holder of your shares of common stock confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted.

Q: Can I change my vote?

A: Yes. An FKF shareholder who has given a proxy may revoke it at any time before its exercise at the special meeting by (i) giving written notice of revocation to FKF s Corporate Secretary, (ii) properly submitting to FKF a duly executed proxy bearing a later date, or (iii) attending the special meeting and voting in person. Any FKF shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying the Corporate Secretary) of an FKF shareholder at the special meeting will not constitute revocation of a previously given proxy.

All written notices of revocation and other communications with respect to revocation of proxies should be addressed to FKF as follows: Carol Walsh, Corporate Secretary, 22 West State Street, Media, Pennsylvania 19063.

Q: Will FKF be required to submit the merger agreement to its shareholders?

A: Yes. Under the terms of the merger agreement, unless the merger agreement is terminated before the FKF special meeting, FKF is required to submit the merger agreement to its shareholders.

Q: When do you expect to complete the merger?

A: We expect to complete the merger late in the second quarter or early in the third quarter of 2010. However, we cannot assure you when or if the merger will occur. Among other things, we cannot complete the merger until we obtain the approval of FKF shareholders at the special meeting and until we obtain certain regulatory approvals.

Q: Whom should I call with questions about the special meeting or the merger?

A: FKF shareholders should call FKF s proxy solicitor, Regan & Associates, Inc., toll free at (800) 737-3426, with any questions about the special meeting or the merger and related transactions.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus. It may not contain all the information that is important to you. We urge you to read carefully this entire document and the other documents we refer you to for a more complete understanding of the merger between BMBC and FKF. In addition, we incorporate by reference into this proxy statement/prospectus important business and financial information about BMBC. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled Where You Can Find More Information on page 85. Each item in this summary includes a page reference directing you to a more complete description of that item. Unless otherwise indicated in this proxy statement/prospectus or the context otherwise requires, all references in the proxy statement/prospectus to BMBC, we, our or us refer to Bryn Mawr Bank Corporation. All references to FKF refer to First Keystone Financial, Inc.

The Parties to the Merger (Page 67)

Bryn Mawr Bank Corporation

801 Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

(610) 525-1700

BMBC is a Pennsylvania corporation incorporated in 1986 and registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. BMBC is the sole stockholder of BMT, a Pennsylvania chartered bank. As of September 30, 2009, BMBC and its subsidiaries had consolidated total assets of $1.2 billion, deposits of $899 million and stockholders equity of $132 million. As of September 30, 2009, BMBC and its subsidiaries had 249 full time and 29 part time employees, equaling 263.5 full time equivalent staff.

First Keystone Financial, Inc.

22 West State Street

Media, Pennsylvania 19063

(610) 565-6210

FKF is a Pennsylvania corporation incorporated in September 1989 and is registered as a savings and loan holding company under the Home Owners Loan Act, as amended. FKF is the sole stockholder of FKB, a federally chartered stock savings bank. As of September 30, 2009, FKF and its subsidiaries had consolidated total assets of $528.4 million, deposits of $347.1 million and stockholders equity of $33.6 million. As of September 30, 2009, FKF and its subsidiaries had 88 full-time and 13 part-time employees.

We Propose a Merger of FKF and BMBC (Page 32)

We propose that FKF merge into BMBC, with BMBC as the surviving corporation. Upon completion of the merger, the separate existence of FKF will terminate and FKF common stock will no longer be publicly traded. Immediately following the merger, FKF s wholly owned direct bank subsidiary, FKB, will merge into a newly formed BMBC wholly owned interim stock savings bank subsidiary (referred to herein as the **Interim Bank**), which will then merge into BMT. We currently expect to complete these mergers late in the second quarter or early in the third quarter of 2010.

In the Merger, FKF Shareholders Will Have a Right to Receive $2.06 in Cash and 0.6973 of a Share of BMBC Common Stock per Share of FKF Common Stock, Subject to Adjustment (Page 48)

Under the terms of the merger agreement, FKF shareholders will have a right to receive $2.06 in cash and 0.6973 of a share of BMBC common stock for each share of FKF common stock held immediately prior to the

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merger, subject to adjustment as provided for in the merger agreement. The per share stock consideration of 0.6973 and the amount of per share cash consideration to be received by FKF shareholders in the merger are subject to downward adjustment in the event that the amount of FKF Delinquencies, as defined in the merger agreement, exceed $10.5 million as of the month-end immediately preceding the closing date for the merger. The term FKF Delinquencies is defined generally in the merger agreement to mean all FKF loans delinquent 30 days or more, non-accruing loans, other real estate owned, troubled debt restructurings and the aggregate amount of net loans charged-off by FKF between October 1, 2008 and the month-end immediately preceding closing in excess of $2.5 million. Under the terms of the merger agreement, Administrative Delinquencies, as defined, are not included in the calculation of FKF Delinquencies. Administrative Delinquencies generally are defined in the merger agreement as loans which are current and have matured but, pursuant to the terms of the supervisory agreements which FKF and FKB previously entered into with the OTS, have not yet been extended, and loans secured by deposit accounts at FKB or marketable securities in the possession of FKB that have been properly margined at 70% or less. Below is a tabular presentation of the potential adjustments to the merger consideration based upon the amount of FKF Delinquencies as of the month-end preceding the merger.

Amount of FKF Delinquencies as of month-end preceding closing	**Adjusted amount of BMBC stock to be received for each FKF share**	**Adjusted Per Share cash consideration to be received for each FKF share**
$10.5 million $12.5 million	0.6834	$2.02
$12.5 million $14.5 million	0.6718	$1.98
$14.5 million $16.5 million	0.6589	$1.95
$16.5 million or more	0.6485	$1.92

In addition, if the amount of FKF Delinquencies as of the month-end immediately preceding the closing date of the merger exceeds $16.5 million, BMBC has the right not to proceed with the merger. As of December 31, 2009, the amount of FKF Delinquencies was $12.4 million and, if December 31, 2009 were the month-end immediately preceding the closing of the merger, based on such amount of FKF Delinquencies at such date, the merger consideration to be received for each share of FKF common stock would be 0.6834 of a share of BMBC common stock and $2.02 in cash. Because the merger is not expected to close until late in the second quarter or early in the third quarter of 2010, shareholders will not know with certainty at the time of the FKF special meeting of shareholders the exact amount of merger consideration to be received. For additional information, see The Agreement and Plan of Merger Terms of the Merger on page 48 of this proxy statement/prospectus.

BMBC will not issue any fractional shares of BMBC common stock in the merger. FKF shareholders who would otherwise be entitled to a fractional share of BMBC common stock will instead receive an amount in cash, rounded to the nearest cent and without interest, equal to the product of (i) the fraction of a share to which such holder would otherwise have been entitled (rounded to the nearest thousandth when expressed in decimal form), and (ii) the average of the daily closing sales prices of a share of BMBC common stock as reported on the NASDAQ Global Market for the five consecutive trading days immediately preceding the closing date of the merger.

What Holders of FKF Stock Options Will Receive (Page 49)

Under the terms of the merger agreement, upon completion of the merger, the outstanding and unexercised stock options to acquire FKF common stock will fully vest and be converted automatically into stock options to acquire BMBC common stock adjusted to reflect the exchange ratio applicable to FKF stock options (which we refer to as the **option exchange ratio**) generally as follows:

- the number of shares of BMBC common stock subject to the converted FKF stock option will equal: (1) the number of shares of FKF common stock subject to the FKF stock options immediately prior to the completion of the merger, multiplied by (2) the option exchange ratio of 0.8204, rounded down to the nearest whole share and subject to adjustment as provided for in the merger agreement; and

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the exercise price per share of the converted FKF stock option will equal: (1) the exercise price per share of the FKF stock option immediately prior to the completion of the merger, divided by (2) the option exchange ratio of 0.8204, rounded up to the nearest whole cent and subject to adjustment as provided for in the merger agreement.

Holders of FKF stock options should discuss with their tax advisors the tax implications of each course of action available to them.

The Merger Is Intended to Be Tax-Free to FKF Shareholders as to the Shares of BMBC Common Stock They Receive, but not as to the Cash Consideration They Receive (Page 62)

The merger is intended to be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (Internal Revenue Code), and it is a condition to the respective obligations of BMBC and FKF to complete the merger that each of BMBC and FKF receives a legal opinion to that effect. Accordingly, the merger generally will be tax-free to an FKF shareholder for United States federal income tax purposes as to the shares of BMBC common stock he or she receives in the merger. However, an FKF shareholder generally will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the BMBC common stock received pursuant to the merger over such shareholder s adjusted tax basis in the shares of FKF common stock surrendered), and (ii) the amount of cash received pursuant to the merger. In addition, cash received by an FKF shareholder instead of a fractional share of BMBC common stock generally will be treated as received in exchange for the fractional share, and gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the shareholder s aggregate adjusted tax basis of the shares of FKF common stock surrendered that is allocable to the fractional share.

The United States federal income tax consequences described above may not apply to all holders of FKF common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you. You should consult your tax advisor about the state and local tax consequences to you, if any, of the merger because this discussion only relates to the U.S. federal income tax consequences.

Comparative Market Prices of Securities (Page 65)

BMBC common stock and FKF common stock are each listed on the NASDAQ Global Market (**NASDAQ**), under the symbols BMTC and FKFS, respectively. The following table presents the closing prices of BMBC common stock and FKF common stock on November 2, 2009, the trading day on which the per share merger consideration of 0.6973 plus $2.06 in cash was calculated, and on January 19, 2010, the last practicable date before our printing of this proxy statement/prospectus. This table also shows the implied value of the per share merger consideration proposed for each share of FKF common stock, which we calculated by multiplying the closing price of BMBC common stock on those dates by the per share merger consideration of 0.6973 and adding the per share cash consideration of $2.06 in cash, assuming no adjustment.

	BMBC Common Stock (NASDAQ: BMTC)	FKF Common Stock (NASDAQ: FKFS)	Implied Value of One Share of FKF Common Stock
At November 2, 2009	$ 16.30	$ 8.85	$ 13.43
At January 19, 2010	$ 15.30	$ 11.85	$ 12.73

For each share of your FKF common stock, you will receive 0.6973 of a share of BMBC common stock plus $2.06 in cash, subject to adjustment. The market prices of both BMBC common stock and FKF common stock will fluctuate prior to the merger. You should obtain current stock price quotations for BMBC common stock and FKF common stock. You can get these quotations from the Internet or by calling your broker.

Dividends (Page 50)

Pursuant to the merger agreement, FKF and its subsidiaries may not declare or pay any dividend, other than dividends paid by any wholly owned FKF subsidiary to FKF consistent with past practice, prior to the completion of the merger. BMBC has historically paid a dividend each quarter, the most recent of which was $0.14 per share for the quarter ended September 30, 2009. The payment, timing and amount of dividends by BMBC or FKF on their common stock in the future, either before or after the merger is completed, are subject to the determination of the respective BMBC and FKF boards of directors and depend on cash requirements, the financial condition and earnings of BMBC and FKF, legal and regulatory considerations and other factors.

The Merger Will Be Accounted for as a Business Combination (Page 61)

The merger will be treated as a business combination using the acquisition method of accounting with BMBC treated as the acquirer under United States Generally Accepted Accounting Principles, or GAAP.

Special Meeting of FKF Shareholders (Page 30)

FKF plans to hold its special meeting of FKF shareholders on March 2, 2010, at 2:00 p.m., local time, at the Towne House Restaurant located at 117 Veterans Square, Media, Pennsylvania. At the special meeting you will be asked to approve the merger agreement and the transactions contemplated thereby, to adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement, and to transact such other business as may properly come before the special meeting and any adjournments or postponements thereof.

You can vote at the FKF special meeting of shareholders if you owned FKF common stock at the close of business on January 8, 2010. As of that date, there were approximately 2,432,998 shares of FKF common stock outstanding and entitled to vote, approximately 501,014 of which, or 20.6%, were owned beneficially or of record by directors and executive officers of FKF and their affiliates. You can cast one vote for each share of FKF common stock that you owned on that date.

Sandler O Neill & Partners, L.P. Has Provided an Opinion to FKF s Board of Directors Regarding the Merger Consideration (Page 35)

Sandler O Neill & Partners, L.P. (**Sandler O Neill**) delivered its opinion to FKF s board of directors that, as of November 3, 2009 and based upon and subject to the factors and assumptions set forth therein, the per share merger consideration of 0.6973 of a share of BMBC common stock plus $2.06 in cash for each share of FKF common stock held immediately prior to the merger is fair to the holders of FKF s common stock from a financial point of view.

The full text of the written opinion of Sandler O Neill, dated November 3, 2009, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C. Sandler O Neill provided its opinion for the information and assistance of FKF s board of directors in connection with its consideration of the merger. The Sandler O Neill opinion is not a recommendation as to how any holder of FKF s common stock should vote with respect to the merger or any other matter. Pursuant to an engagement letter between FKF and Sandler O Neill, FKF has agreed to pay Sandler O Neill a transaction fee. For further information, please see the discussion under the caption The Merger Opinion of FKF s Financial Advisor, commencing on page 35.

FKF s Board of Directors Unanimously Recommends That FKF Shareholders Vote FOR Approval of the Merger Agreement and the Transactions Contemplated Thereby, Including the Merger (Page 30)

FKF s board of directors has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that FKF shareholders vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the approval of the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

For more information concerning the background of the merger, the recommendation of FKF s board of directors and the reasons for the merger and the recommendation, please see the discussions under The Merger Background of the Merger and The Merger FKF s Reasons for the Merger; Recommendation of FKF s Board of Directors, commencing on page 32 and page 33, respectively.

FKF s Directors and Executive Officers May Have Interests in the Merger that Differ From Your Interests (Page 46)

In considering the information contained in this proxy statement/prospectus, you should be aware that FKF s and FKB s executive officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of FKF shareholders. These additional interests of FKF s executive officers and directors may create potential conflicts of interest and cause these persons to view the proposed transaction differently than you may view it as a shareholder.

FKF s board of directors was aware of these interests and took them into account in its decision to declare advisable the merger agreement and the transactions contemplated thereby, including the merger. For information concerning these interests, please see the discussion under the caption The Merger Interests of FKF s Directors and Executive Officers in the Merger, commencing on page 46.

FKF Shareholders Do Not Have Dissenters Rights in the Merger (Page 44)

Under Pennsylvania law, shareholders of a Pennsylvania corporation are not entitled to exercise dissenters rights with respect to a merger if shares of the corporation are listed on a national securities exchange on the record date for determining shareholders entitled to vote on the merger. Because FKF common stock is quoted on NASDAQ (and is expected to continue to be so quoted through the record date for the special meeting and completion of the merger), FKF shareholders do not have the right to exercise dissenters rights with respect to the merger. If the merger agreement and the transactions contemplated thereby are approved and the merger is completed, FKF shareholders who voted against the approval of the merger agreement and the transactions contemplated thereby will be treated the same as FKF shareholders who voted for the approval of the merger agreement and the transactions contemplated thereby and their shares will automatically be converted into the right to receive the merger consideration.

For further information as to the special meeting and the proxy solicited by FKF s board of directors for purposes of the special meeting, please see the discussion under the caption Questions and Answers About the Merger and Special Meeting and The Merger Interests of FKF s Directors and Executive Officers in the Merger, commencing on pages 1 and 46, respectively.

BMBC and FKF Have Agreed When and How FKF Can Consider Third-Party Acquisition Proposals (Page 56)

BMBC and FKF have agreed that FKF will not solicit or encourage proposals from third parties regarding certain acquisitions of FKF, its shares, or its businesses, or engage in related discussions, negotiations or agreements. However, FKF may (1) provide information in response to a request from a person who makes an unsolicited acquisition proposal, subject to such person entering into a confidentiality agreement that is no less favorable to FKF than its confidentiality agreement with BMBC, or (2) engage or participate in discussions or negotiations with a person who makes such an unsolicited acquisition proposal; if, but only if, (A) FKF has received a bona fide unsolicited written acquisition proposal that did not result from a breach of the merger

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agreement, (B) prior to taking any such action, FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes a superior proposal compared to the transactions contemplated by the merger agreement, (C) FKF has provided BMBC with at least one (1) business day prior notice of such determination, and (D) prior to furnishing or affording access to any information or data with respect to FKF or any of its subsidiaries or otherwise relating to the unsolicited acquisition proposal, FKF receives a confidentiality agreement with terms no less favorable to FKF than those contained in the confidentiality agreement between BMBC and FKF.

Additionally, prior to the approval of the merger agreement by FKF s shareholders, upon the determination by FKF s board of directors that an unsolicited acquisition proposal constitutes a superior proposal compared to the transactions contemplated by the merger agreement, the board of directors of FKF may change its recommendation in favor of the merger agreement (but not terminate the merger agreement) if, prior to changing its recommendation, (1) FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that failure to change its recommendation would be reasonably likely to be inconsistent with its fiduciary duties to FKF s shareholders, (2) FKF provides BMBC with notice that FKF s board of directors intends to or may change its recommendation and provides an opportunity for BMBC to make an improved proposal, and (3) FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes a superior proposal compared to any such improved proposal by BMBC.

Unless the merger agreement is terminated before the FKF special meeting, FKF is required to submit the merger agreement to its shareholders.

Merger Requires the Approval of Holders of a Majority of Votes Cast (Page 30)

The merger agreement and the transactions contemplated thereby must be approved by the affirmative vote of a majority of the votes cast by all FKF shareholders entitled to vote at the special meeting. FKF s board of directors has fixed the close of business on January 8, 2010 as the record date for determining the FKF shareholders entitled to receive notice of and to vote at the special meeting. As of that date, FKF directors and executive officers and their affiliates beneficially owned approximately 501,014, or 20.6%, of the shares entitled to vote at the FKF special meeting.

FKF is calling a special meeting of the FKF shareholders to consider and vote on the proposal to approve the merger agreement and the transactions contemplated thereby, including the merger.

Conditions That Must Be Satisfied or Waived for the Merger to Occur (Page 59)

Currently, we expect to complete the merger late in the second quarter or early in the third quarter of 2010. As more fully described in this proxy statement/prospectus and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others:

- approval by the requisite vote of FKF shareholders;
- the receipt of all regulatory consents and approvals required in connection with the merger of FKF into BMBC and the merger of FKB into the Interim Bank, and the Interim Bank into BMT, which we refer to collectively as the bank merger (in each case unless the failure to obtain such consents and approvals would not reasonably be expected to have a material adverse effect on the combined enterprise of FKF, FKB and BMBC or materially impair the value of FKF or FKB to BMBC);
- the receipt by each of BMBC and FKF of a legal opinion with respect to certain United States federal income tax consequences of the merger;

- the absence of any law, statute, rule, regulation, order, decree, injunction or other order by any court or other governmental entity, which enjoins or prohibits completion of the transactions contemplated by the merger agreement;
- the effectiveness of the registration statement of which this proxy statement/prospectus is a part with respect to the BMBC common stock to be issued in the merger under the Securities Act and the absence of any stop order or proceedings initiated or threatened by the SEC or any applicable state securities commissioner for that purpose;
- the authorization for listing on the NASDAQ of the shares of BMBC common stock to be issued in the merger;
- the amount of FKF Delinquencies, as defined, do not exceed $16.5 million;
- FKF and FKB meeting certain requirements relating to risk-based capital and environmental testing as more fully described in the merger agreement;
- the truth and correctness of the representations and warranties of each other party in the merger agreement, subject to the materiality standards provided in the merger agreement; and
- the performance by each party in all material respects of their obligations under the merger agreement and the receipt by each party of certificates from the other party to that effect.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Termination of the Merger Agreement (Page 60)

The merger agreement can be terminated at any time prior to completion by mutual consent, if authorized by each of the BMBC and FKF boards of directors, or by either party in the following circumstances:

- if the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, unless the breach is capable of being cured by July 31, 2010, and is cured within 30 days of notice of the breach;
- if the merger has not been completed by July 31, 2010, unless the failure to complete the merger by that date is due to the breach of the merger agreement by the party seeking to terminate the merger agreement;
- if the FKF shareholders fail to approve the merger agreement and the transactions contemplated thereby at the special meeting; or
- if there is any final, non-appealable order permanently enjoining or prohibiting the completion of the merger or any consent, registration, approval, permit or authorization is denied such that the regulatory approval condition to the merger cannot be satisfied as of the closing date.

In addition, BMBC may terminate the merger agreement if FKF s board of directors (1) submits the merger agreement to shareholders without a recommendation for approval, or otherwise withdraws or modifies its recommendation in any manner adverse to BMBC, (2) enters into an acquisition agreement with respect to an acquisition proposal determined to be a superior proposal compared to the transactions contemplated by the merger agreement, or (3) terminates the merger agreement. BMBC may also terminate the merger agreement if FKF fails to substantially comply with its obligations with respect to acquisition proposals.

FKF may terminate the merger agreement if FKF has received an acquisition proposal determined to be a superior proposal compared to the transactions contemplated by the merger agreement, and FKF s board of directors has made a determination, in accordance with the merger agreement, to accept such superior proposal.

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If the merger agreement is terminated, it will become void, and there will be no liability on the part of BMBC or FKF, except that (1) in the event of willful breach of the merger agreement, the breaching party will remain liable for any damages, costs and expenses, including without limitation, reasonable attorneys fees incurred by the non-breaching party in connection with the enforcement of its rights under the merger agreement, and (2) designated provisions of the merger agreement, including the payment of fees and expenses and the confidential treatment of information, will survive the termination.

Termination Fee (Page 61)

FKF will pay BMBC a $1.675 million termination fee if:

- an acquisition proposal has been made or proposed to FKF and (1) BMBC terminates the merger agreement either because (A) FKF s board of directors withdraws or changes its recommendation in any manner adverse to BMBC or (B) FKF enters into an acquisition agreement with respect to a superior proposal, or (2) FKF terminates the merger agreement because its board of directors has made a determination, in accordance with the merger agreement, to accept a superior proposal; or

- FKF enters into a definitive agreement relating to an acquisition proposal within twelve (12) months after the occurrence of any of the following: (1) the termination of the merger agreement by BMBC due to FKF s willful breach, subject to the materiality standards provided in the merger agreement, of its representations, warranties, covenants or agreements under the merger agreement, or (2) the failure of FKF s shareholders to approve the merger agreement after the public disclosure or public awareness of an acquisition proposal.

Regulatory Approvals Required for the Merger (Page 44)

Each of BMBC and FKF has agreed to use its reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the merger and the bank merger. These approvals include approval from the Board of Governors of the Federal Reserve System and the Pennsylvania Department of Banking as well as various other regulatory authorities. BMBC and FKF have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals. Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

The Rights of FKF Shareholders Following the Merger Will Be Different (Page 71)

The rights of BMBC shareholders are governed by Pennsylvania law and by BMBC s amended and restated articles of incorporation and amended and restated bylaws. The rights of FKF shareholders are governed by Pennsylvania law, and by FKF s amended and restated articles of incorporation, as amended (referred to hereinafter as amended and restated articles of incorporation), and amended and restated bylaws. Upon the completion of the merger, the rights of FKF shareholders will be governed by Pennsylvania law, BMBC s amended and restated articles of incorporation and amended and restated bylaws.

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RECENT DEVELOPMENTS

BMBC. On October 29, 2009, BMBC announced its results of operations for the third quarter ended September 30, 2009. Diluted earnings per share were $0.30 in the third quarter of 2009, up from $0.26 in the year-earlier period. Net income for the third quarter of 2009 totaled $2.6 million, up from $2.3 million in the third quarter of 2008. Return on average equity (ROE) and return on average assets (ROA) for the third quarter ended September 30, 2009 were 10.39% and 0.89%, respectively. ROE was 9.55% and ROA was 0.83% for the same period last year.

Diluted earnings per share for the nine month period ended September 30, 2009 were $0.88 compared with $0.97 in the same period of 2008. Net income for the nine months ended September 30, 2009 was $7.7 million, down from $8.3 million in the same period of 2008.

Total portfolio loans and leases at September 30, 2009 were $886.5 million, a decrease of $13.1 million or 1.5% from the 2008 year-end balance of $899.6 million. Non-performing loans and leases represented 78 basis points or $6.9 million of portfolio loans and leases at September 30, 2009 and the provision for loan and lease losses for the quarter-ended September 30, 2009 was $2.3 million.

BMBC management was generally pleased with third quarter 2009 financial performance, especially given the overall softness in the economy and the difficulties many community banks experienced. BMBC s investment portfolio, loan asset quality, capital position, deposit growth and liquidity position continue to be sources of strength. Additionally, BMBC has seen steady improvement in its net interest margin and growth in wealth assets under management, administration, brokerage and supervision.

FKF. On December 8, 2009, FKF announced its results of operations for the fourth quarter and fiscal year ended September 30, 2009. FKF recorded a net loss of $359,000, or ($0.15) per diluted share, for the fourth quarter of 2009, compared with a net loss of $1.7 million, or ($0.73) per diluted share, for the same period of the prior year. The net loss recorded in the fourth quarter of 2009 was primarily due to a $1.5 million provision for loan losses recorded during the fourth quarter. For the full-year 2009, FKF recorded a net loss of $1.6 million, or ($0.68) per diluted share, compared to a net loss of $1.0 million, or ($0.43) per diluted share, for fiscal 2008. For additional information, reference is made to Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations in FKF s Annual Report on Form 10-K attached to this proxy statement/prospectus as Annex B.

FKF recently determined that it expects to record non-cash charges for the quarter ended December 31, 2009 due to other-than-temporary impairments (OTTI) of certain pooled trust preferred securities and private label collateralized mortgage obligations (CMO) held by FKF.

At September 30, 2009, FKF s pooled trust preferred securities portfolio had an aggregate recorded book value and an estimated fair value of $8.5 million and $5.6 million, respectively, and was comprised of five different pooled securities. Pooled trust preferred securities are long-term (usually 30-year maturity) instruments with characteristics of both debt and equity, mainly issued by banks or their holding companies. FKF expects to record a pre-tax, credit-related OTTI charge of approximately $520,000 in the first quarter of fiscal 2010 with respect to one of its pooled trust preferred securities which had a recorded book value and an estimated fair value at September 30, 2009 of $2.1 million and $1.3 million, respectively, and which recently began to defer interest payments rather than making interest payments in cash. In addition, FKF expects to record pre-tax credit-related OTTI charges aggregating approximately $145,000 in the first quarter of fiscal 2010 with respect to two other pooled trust preferred securities which had an aggregate recorded book value and an estimated fair value at September 30, 2009 of $1.6 million and $718,000, respectively, due to the increasing levels of deferrals and defaults by the underlying issuers. The anticipated OTTI charges described above with respect to all three of the

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specified pooled trust preferred securities reflect management s assessment of the estimated future cash flows of the subject securities. FKF has not yet determined what non-credit-related OTTI charges related to the three pooled trust preferred securities may be necessary and would be recorded as a component of FKF s other comprehensive income at December 31, 2009.

At September 30, 2009, FKF s private label CMO portfolio had an aggregate recorded book value and an estimated fair value of $14.2 million and $13.9 million, respectively. FKF expects that its investment in one private label CMO which had a recorded book value and an estimated fair value at September 30, 2009 of $1.9 million and $1.7 million, respectively, likely will be deemed to be other-than-temporarily impaired at December 31, 2009. Based on current information, FKF estimates that the amount of OTTI to be recorded with respect to this CMO will be approximately $180,000 for the quarter ended December 31, 2009. However, FKF is unable at this time to estimate what portion of such OTTI, if any, is credit-related and will be recognized as a charge to income in the quarter ended December 31, 2009 and what portion of such OTTI is non-credit-related and will be recorded as an adjustment to other comprehensive income at December 31, 2009.

FKF has not yet completed its review of the fair values of its trust preferred securities and other investment securities held in its portfolio at December 31, 2009. It is possible that additional OTTI charges may be recognized with respect to FKF s securities for the quarter ended December 31, 2009 or thereafter, which charges could be material.

FKF also has recently determined that, while it has not completed preparation of its financial statements at and for the three months ended December 31, 2009, it currently expects to report a net loss for the quarter. The primary factors for FKF s anticipated net loss for the quarter are the OTTI charges described above, the anticipated amount of FKF s provision for loan losses, which is estimated to be in the range of approximately $650,000 to $1.1 million, and the additional expenses related to the proposed merger of FKF into BMBC.

Market Developments and Economic Conditions. In recent periods, United States and global markets have experienced severe disruption and volatility, and general economic conditions have declined significantly. Adverse developments in credit quality, asset values and revenue opportunities throughout the financial services industry, as well as general uncertainty regarding the economy, industry and regulatory environment, have had a marked negative impact on the industry. These developments and conditions have also negatively impacted the financial position of FKF and results of operations of both BMBC and FKF.

The United States and the governments of other countries have taken steps to try to stabilize the financial system, including investing in certain financial institutions, and have also been working to design and implement programs to improve general economic conditions. Notwithstanding the actions of the United States and other governments, there can be no assurances that these efforts will be successful in restoring industry, economic or market conditions and that they will not result in adverse unintended consequences. Factors that could continue to pressure financial services companies, including BMBC and FKF, are numerous and include (1) continued or worsening credit quality, leading among other things to increases in loan losses and reserves, (2) continued or worsening disruption and volatility in financial markets, leading among other things to continuing reductions in assets values, (3) capital and liquidity concerns regarding financial institutions generally and our counterparties specifically, (4) limitations resulting from or imposed in connection with governmental actions intended to stabilize or provide additional regulation of the financial system, and (5) recessionary conditions that are deeper or last longer than currently anticipated. See Risk Factors beginning on page 21 for more information.

FDIC Developments. On October 11, 2009, the FDIC adopted a final rule to require insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. The prepaid assessment was due on December 30, 2009, along with each institution s regular quarterly risk-based deposit insurance assessment for the third quarter of 2009. For purposes of calculating the prepaid assessment, each institution s assessment rate was its total base assessment rate in effect on September 30, 2009. On September 29, 2009, the FDIC increased annual assessment rates uniformly by 3 basis points beginning in 2011. As a result, an institution s total base assessment rate for purposes of calculating the prepayment will be increased by an annualized 3 basis points beginning in 2011. For purposes of calculating the amount that an institution was required to pre-pay on December 30, 2009, an institution s third quarter 2009 assessment base was increased quarterly at a 5 percent annual growth rate through the end of 2012. The FDIC will begin to draw down an institution s prepaid assessments on March 30, 2010, representing payment for the regular quarterly risk-based assessment for the fourth quarter of 2009. BMBC and FKF paid to the FDIC $4.5 million and $3.5 million, respectively, on December 30, 2009. The portions of these amounts which pertain to periods beginning January 1, 2010 were recorded as prepaid expenses and drawn down by the FDIC on a quarterly basis over the next three years. Upon the completion of the merger, FKF s remaining prepaid balance with the FDIC will be credited to BMBC.

UNAUDITED CONDENSED PRO FORMA FINANCIAL INFORMATION

The following table shows information about the financial condition and results of operations, including per share data and financial ratios, after giving effect to the merger. We refer to this information as unaudited condensed pro forma financial information. The information under Pro Forma Condensed Combined Income Statement in the table below gives effect to the pro forma results for the nine months ended September 30, 2009 and for the twelve months ended December 31, 2008 as if the merger occurred at the beginning of each of the respective income statement periods. The information under Pro Forma Condensed Combined Balance Sheet in the table below assumes the merger was completed on September 30, 2009. The pro forma financial information presented herein, including per share data and financial ratios, assumes that no vested options to purchase FKF shares of common stock are exercised and that there is no adjustment in the per share merger consideration.

The pro forma data in the table assumes that the merger is accounted for using the business combination acquisition method of accounting and that BMBC is the acquirer. The historical amounts are derived from, and should be read in conjunction with the historical consolidated financial statements and related notes of BMBC and FKF which are incorporated in this document by reference (see Where You Can Find More Information on page 85 for a description of where you can find this historical information; see also Recent Developments on page 11), and the other pro forma financial information, including the related notes, appearing elsewhere in this document (see Unaudited Pro Forma Combined Financial Information, beginning on page 76).

The unaudited pro forma combined financial information includes adjustments to reflect the assets and liabilities of FKF at their estimated fair values as of September 30, 2009, and statements of income for the nine months ended September 30, 2009 and the twelve months ended December 31, 2008 as if the merger had occurred at the beginning of each reported period. Since FKF has a September 30 fiscal year end and BMBC has a December 31 fiscal year end, FKF s nine months ended September 30, 2009 information was calculated using FKF s financial information for the twelve months ended September 30, 2009 less the three months ended December 31, 2008, and FKF s twelve months ended December 31, 2008 information was calculated using FKF s financial information for the three months ended December 31, 2008 and the twelve months ended September 30, 2008 less the three months ended December 31, 2007. The pro forma financial adjustments record the assets and liabilities of FKF at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of factors that may result as a consequence of the merger or consider any potential impacts of current market conditions or the merger on revenues, expense efficiencies, asset dispositions, and share repurchases, among other factors, nor the impact of possible business model changes. As a result, the pro forma results are not necessarily indicative of what would have occurred had the acquisition taken place on the assumed dates, nor do they represent an attempt to predict or suggest future results.

In addition, as explained in more detail in the accompanying notes to the unaudited pro forma financial information found elsewhere in this proxy statement/prospectus, the allocation of the purchase price reflected in the Unaudited Pro Forma Condensed Combined Financial Information is subject to adjustment and will vary from the actual purchase price allocation that will be recorded upon completion of the merger based upon changes in the balance sheet including fair value estimates.

UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

NINE MONTH PERIOD(5)

	BMBC Nine Months Ended September 30, 2009	FKF Nine Months Ended September 30, 2009	Nine Month Period Adjustments(1)	Combined Nine Months
Net interest income	$ 29,868	$ 8,962	$ (1,725)(2)	$ 37,105
Provision for loan and lease losses	$ 5,582	$ 2,925	$	$ 8,507
Non-interest income	$ 21,929	$ 1,476	$	$ 23,405
Non-interest expense	$ 34,444	$ 9,966	$ 4,677(3)	$ 49,087
Net income (loss)	$ 7,700	$ (1,518)	$ (4,161)(4)	$ 2,021
Earnings per share:				
Basic	$ 0.88	$ (0.65)	$	$ 0.20
Diluted	$ 0.88	$ (0.65)	$	$ 0.20

(1) Assumes the merger of FKF was completed at the beginning of the period presented.
(2) The pro forma acquisition adjustment reflects the amortization/accretion of fair value adjustment related to loans, investment securities, deposits and borrowings utilizing the interest method over the estimated lives of the related assets or liabilities.
(3) The non-interest expense adjustment reflects the net amortization of core deposit intangibles, professional fees, integration costs and merger related expenses while not reflecting anticipated cost savings.
(4) The net income adjustment reflects the tax impact of the pro forma acquisition adjustments at BMBC s statutory income tax rate of 35%.
(5) See the Unaudited Pro Forma Combined Income Statements and related notes on page 79 for additional information.

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UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

FISCAL YEAR 2008[5]

	BMBC Twelve Months Ended December 31, 2008	FKF Twelve Months Ended December 31, 2008	Twelve Month Period Adjustments(1)	Combined Twelve Months
Net interest income	$ 37,138	$ 10,756	$ (2,299)(2)	$ 45,595
Provision for loan and lease losses	$ 5,596	$ 329	$	$ 5,925
Non-interest income	$ 21,472	$ 639	$	$ 22,111
Non-interest expense	$ 38,676	$ 12,560	$ 4,811(3)	$ 56,047
Net income (loss)	$ 9,325	$ (1,303)	$ (4,622)(4)	$ 3,400
Earnings per share:				
Basic	$ 1.09	$ (0.56)	$	$ 0.33
Diluted	$ 1.08	$ (0.56)	$	$ 0.33

(1) Assumes the merger of FKF was completed at the beginning of the period presented.

(2) The pro forma acquisition adjustment reflects the net amortization/accretion of fair value adjustment related to loans, investment securities, deposits and borrowings utilizing the interest method over the estimated lives of the related assets or liabilities.

(3) The non-interest expense adjustment reflects the net amortization of core deposit intangibles, professional fees, integration costs and other merger related costs, while excluding anticipated cost savings.

(4) The net income adjustement reflects the tax impact of the pro forma acquisition adjustements at BMBC s statutory income tax rate of 35%.

(5) See the Unaudited Pro Forma Combined Income Statement and related notes on page 79 for additional information.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS

As of September 30, 2009

(dollars in thousands)	BMBC	FKF	Adjustments(1)	Combined
Total assets	$ 1,195,525	$ 528,401	$ (3,003)	$ 1,720,923
Loans, net	$ 876,180	$ 306,600	$ (1,838)	$ 1,180,942
Goodwill	$ 4,824	$	$ 1,933	$ 6,757
Deposits	$ 899,476	$ 347,124	$ 2,460	$ 1,249,060
FHLB and other borrowed funds	$ 147,386	$ 130,048	$ 4,607	$ 282,041
Subordinated debt/junior subordinated debentures	$ 22,500	$ 11,646	$ (1,996)	$ 32,150
Total shareholders equity	$ 102,047	$ 33,616	$ (8,074)	$ 127,589

(1) These adjustments assume the merger was completed on September 30, 2009 and included pro forma fair value adjustments and the pro forma issuance of BMBC common stock in connection with the merger, elimination of FKF s equity and other pro forma merger adjustments. See the Unaudited Pro Forma Combined Balance Sheets and related notes on page 77 for additional information.

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Comparative Per Share Data

(Unaudited)

	For the Nine Months ended September 30, 2009(2)	For the Twelve Months ended December 31, 2008(2)
Basic net income (loss) per share:		
Byrn Mawr Bank Corporation historical	$ 0.88	$ 1.09(1)
First Keystone Financial, Inc. historical	(0.65)	(0.56)
Combined Company pro forma	0.20	0.33
Diluted net income (loss) per share:		
Byrn Mawr Bank Corporation historical	$ 0.88	$ 1.08(1)
First Keystone Financial, Inc. historical	(0.65)	(0.56)
Combined Company pro forma	0.20	0.33
Cash dividends per share:		
Byrn Mawr Bank Corporation historical	$ 0.42	$ 0.54(1)
First Keystone Financial, Inc. historical		
Combined Company pro forma	0.35	0.45

	As of September 30, 2009
Book value per share:	
Byrn Mawr Bank Corporation historical	$ 11.62
First Keystone Financial, Inc. historical	13.82
Combined Company pro forma	12.17
Tangible book value per share:	
Byrn Mawr Bank Corporation historical	$ 10.44
First Keystone Financial, Inc. historical	13.82
Combined Company pro forma	10.65

(1) Represents the audited data from BMBC s Annual Report on Form 10-K for the year ended December 31, 2008.

(2) See Unaudited Pro Forma Combined Financial Information later in this proxy statement/prospectus for an explanation of the method of calculation and additional information.

Comparative Share Prices at Quarter End

	Bryn Mawr Bank Corporation (BMTC)			First Keystone Financial, Inc. (FKFS)		
Quarter ended	**High**	**Low**	**Dividend Declared**	**High**	**Low**	**Dividend Declared**
September 30, 2009	$ 19.05	$ 17.23	$ 0.14	$ 10.49	$ 8.16	N/A
June 30, 2009	21.22	16.28	0.14	9.25	6.50	N/A
March 31, 2009	20.99	12.50	0.14	7.86	6.30	N/A
December 31, 2008	$ 24.99	$ 15.50	$ 0.14	$ 10.25	$ 7.00	N/A
September 30, 2008	28.21	16.35	0.14	10.79	7.73	N/A
June 30, 2008	22.49	17.05	0.13	10.54	8.11	N/A
March 31, 2008	23.81	19.00	0.13	13.90	8.50	N/A
December 31, 2007	$ 23.24	$ 20.50	$ 0.13	$ 14.01	$ 9.35	N/A
September 30, 2007	24.94	21.02	0.13	19.90	12.55	N/A

June 30, 2007	25.34	22.02	0.12	20.25	18.87	N/A
March 31, 2007	24.99	22.78	0.12	20.61	19.00	N/A

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF BMBC

The following table summarizes financial results achieved by BMBC for the periods and at the dates indicated and should be read in conjunction with BMBC s consolidated financial statements and the notes to the consolidated financial statements contained in reports that BMBC has previously filed with the SEC. Historical financial information for BMBC can be found in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 and its Annual Report on Form 10-K for the year ended December 31, 2008. See Where You Can Find More Information on page 85 for instructions on how to obtain the information that has been incorporated by reference. See also Recent Developments on page 11. Financial amounts as of and for the nine months ended September 30, 2009 and 2008 are unaudited (and are not necessarily indicative of the results of operations for the full year or any other interim period), but management of BMBC believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its results of operations and financial position as of the dates and for the periods indicated. You should not assume the results of operations for past periods and for the nine months ended September 30, 2009 and 2008 indicate results for any future period.

	Unaudited Nine Months ended September 30, 2009	2008	Audited for the Years ended December 31, 2008	2007	2006	2005	2004
Interest income	$ 42,701	$ 43,096	$ 57,934	$ 54,218	$ 45,906	$ 37,908	$ 31,347
Interest expense	12,833	15,489	20,796	19,976	12,607	6,600	4,553
Net interest income	29,868	27,607	37,138	34,242	33,299	31,308	26,794
Provision for loan and lease losses	5,582	2,698	5,596	891	832	762	900
Net interest income after loan loss provision	24,286	24,909	31,542	33,351	32,467	30,546	25,894
Non-interest income	21,929	16,207	21,472	21,781	18,361	18,305	19,828
Non-interest expense	34,444	28,230	38,676	34,959	31,423	31,573	31,625
Income before income taxes	11,771	12,886	14,338	20,173	19,405	17,278	14,097
Applicable income taxes	4,071	4,568	5,013	6,573	6,689	5,928	4,752
Net income	$ 7,700	$ 8,318	$ 9,325	$ 13,600	$ 12,716	$ 11,350	$ 9,345
Per share data:							
Earnings per common share:							
Basic	$ 0.88	$ 0.97	$ 1.09	$ 1.59	$ 1.48	$ 1.33	$ 1.09
Diluted	$ 0.88	$ 0.97	$ 1.08	$ 1.58	$ 1.46	$ 1.31	$ 1.07
Dividends declared	$ 0.42	$ 0.40	$ 0.54	$ 0.50	$ 0.46	$ 0.42	$ 0.40
Weighted-average shares outstanding	8,710,909	8,560,566	8,566,938	8,539,904	8,578,050	8,563,027	8,610,171
Dilutive potential common shares	19,254	31,892	34,233	93,638	113,579	101,200	110,854
Adjusted weighted-average shares	8,730,163	8,592,458	8,601,171	8,633,542	8,691,629	8,664,227	8,721,025
Selected financial ratios:							
Tax equivalent net interest margin	3.64%	3.94%	3.84%	4.37%	4.90%	5.05%	4.60%
Net income/average total assets (ROA)	0.88%	1.09%	0.89%	1.59%	1.72%	1.66%	1.45%
	10.66%	11.99%	10.01%	15.87%	15.71%	15.50%	13.73%

Net income/average shareholders equity (ROE)							
Average shareholders equity to average total assets	8.24%	9.11%	8.91%	10.04%	10.93%	10.72%	10.59%
Dividends declared per share to net income per basic common share	47.5%	41.2%	49.5%	31.4%	31.1%	31.6%	36.7%

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At December 31,	2009	2008	2008	2007	2006	2005	2004
Total assets	$ 1,195,525	$ 1,132,364	$ 1,151,346	$ 1,002,096	$ 826,817	$ 727,383	$ 683,103
Earning assets	1,131,173	1,014,814	1,061,139	874,661	733,781	664,073	627,258
Portfolio loans and leases	886,479	878,194	899,577	802,925	681,291	595,165	555,889
Deposits	899,476	856,317	869,490	849,528	714,489	636,260	600,965
Shareholders equity	102,047	94,122	92,413	90,351	82,092	77,222	70,947
Ratio of tangible common equity to assets	7.74%	7.13%	7.13%	9.02%	9.97%	10.66%	10.43%
Ratio of equity to assets	8.54%	8.31%	8.03%	9.02%	9.97%	10.66%	10.43%
Loans serviced for others	499,503	353,833	350,199	357,363	382,141	417,649	507,421
Assets under management, administration and supervision(1)	$ 2,710,867	$ 2,666,321	$ 2,146,399	$ 2,277,091	$ 2,178,777	$ 2,042,613	$ 1,887,181
Book value per share	$ 11.62	$ 10.97	$ 10.76	$ 10.60	$ 9.59	$ 9.03	$ 8.25
Tangible asset book value per share	$ 10.44	$ 10.29	$ 9.55	$ 10.60	$ 9.59	$ 9.03	$ 8.25
Allowance as a percentage of portfolio loans and leases	1.16%	1.03%	1.15%	1.01%	1.19%	1.24%	1.23%
Efficiency ratio	66.5%	64.4%	66.0%	62.4%	60.8%	63.6%	67.8%

(1) Excluded assets under management from community banks.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF FKF

The following table summarizes financial results achieved by FKF for the periods and at the dates indicated and should be read in conjunction with FKF s consolidated financial statements and the notes to the consolidated financial statements contained in reports that FKF has previously filed with the SEC. Historical financial information for FKF can be found in its Annual Report on Form 10-K for the fiscal year ended September 30, 2009 attached hereto as Annex B. You should not assume the results of operations for past periods indicate results for any future period.

	At or For the Year Ended September 30,				
(Dollars in thousands, except per share data)	**2009**	**2008**	**2007**	**2006**	**2005**
Selected Financial Data:					
Total assets	$ 528,401	$ 522,056	$ 524,881	$ 522,960	$ 518,124
Loans receivable, net	306,600	286,106	292,418	323,220	301,979
Mortgage-related securities held to maturity	19,158	25,359	31,294	38,355	46,654
Investment securities held to maturity	2,805	3,255	3,256	3,257	4,267
Assets held for sale:					
Mortgage-related securities	86,197	102,977	79,178	70,030	67,527
Investment securities	27,564	26,545	29,284	33,386	37,019
Loans				1,334	41
Real estate owned				2,450	760
Deposits	347,124	330,864	353,708	358,816	349,694
Borrowings	130,048	141,159	115,384	107,241	113,303
Junior subordinated debentures	11,646	11,639	15,264	21,483	21,520
Stockholders equity	33,616	32,296	34,694	28,659	28,193
Non-performing assets	5,417	2,420	4,685	2,727	5,812
Selected Operations Data:					
Interest income	$ 24,169	$ 26,377	$ 28,381	$ 27,493	$ 27,076
Interest expense	12,386	15,976	18,225	16,415	15,768
Net interest income	11,783	10,401	10,156	11,078	11,308
Provision for loan losses	3,000	296	375	1,206	1,780
Net interest income after provision for loan losses	8,783	10,105	9,781	9,872	9,528
Service charges and other fees	1,441	1,642	1,661	1,560	1,577
Net gain (loss) on sales of interest-earning assets	777	(6)	283	338	802
Other-than-temporary impairments	(1,177)	(1,905)			
Other non-interest income	791	1,192	1,069	1,614	1,210
Non-interest expense	13,038	12,307	12,549	12,708	12,820
Income (loss) before income taxes	(2,423)	(1,279)	245	676	297
Income tax (benefit) expense	(842)	(271)	(220)	(359)	(313)
Net income (loss)	$ (1,581)	$ (1,008)	$ 465	$ 1,035	$ 610
Per Share Data:					
Basic earnings (loss) per share	$ (0.68)	$ (0.43)	$ 0.21	$ 0.55	$ 0.33
Diluted earnings (loss) per share	(0.68)	(0.43)	0.21	0.54	0.33
Cash dividends per share				0.11	0.44

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(Dollars in thousands, except per share data)	At or For the Year Ended September 30, 2009	2008	2007	2006	2005
Selected Operating Ratios:					
Average yield earned on interest-earning assets	5.18%	5.63%	6.01%	5.72%	5.06%
Average rate paid on interest-bearing liabilities	2.70	3.46	3.90	3.40	2.96
Average interest rate spread	2.48	2.16	2.11	2.32	2.10
Net interest margin	2.53	2.22	2.15	2.30	2.11
Ratio of interest-earning assets to interest-bearing liabilities	101.55	101.58	101.05	99.67	100.52
Efficiency ratio(1)	95.76	108.68	95.29	87.10	86.06
Non-interest expense as a percent of average assets	2.61	2.44	2.47	2.46	2.26
Return on average assets	(0.32)	(0.20)	0.09	0.20	0.11
Return on average equity	(4.80)	(2.89)	1.40	3.73	2.08
Ratio of average equity to average assets	6.59	6.92	6.53	5.37	5.18
Full-service offices at end of period	8	8	8	8	8
Asset Quality Ratios:(2)					
Non-performing loans as a percent of gross loans receivable	1.74%	0.84%	1.55%	0.08%	1.65%
Non-performing assets as a percent of total assets	1.03	0.46	0.89	0.52	1.12
Allowance for loan losses as a percent of adjusted gross loans receivable(3)	1.50	1.19	1.12	1.03	1.14
Allowance for loan losses as a percent of non-performing loans	85.96	142.67	70.91	1,215.61	68.79
Net loans charged-off to average loans receivable	0.60	0.06	0.13	0.42	0.11
Capital Ratios:(2) (4)					
Tangible capital ratio	8.22%	8.45%	9.37%	9.15%	8.85%
Core capital ratio	8.23	8.46	9.38	9.15	8.85
Risk-based capital ratio	13.77	14.99	16.49	14.94	15.13

(1) Reflects non-interest expense as a percent of the aggregate of net interest income and non-interest income.

(2) Asset Quality Ratios and Capital Ratios are end of period ratios except for the ratio of loan charge-offs to average loans. With the exception of end of period ratios, all ratios are based on average daily balances during the indicated periods. Gross loans receivable are net of loans in process.

(3) Gross loans receivable includes loans receivable as well as loans held for sale, less construction and land loans in process and deferred loan origination fees and discounts.

(4) Reflects regulatory capital ratios of FKF s wholly owned subsidiary, First Keystone Bank.

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RISK FACTORS

In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the heading Cautionary Statement Regarding Forward-Looking Statements commencing on page 27 and the matters discussed under the caption Risk Factors in FKF s Annual Report on Form 10-K for the year ended September 30, 2009, and BMBC s Annual Report on Form 10-K for the year ended December 31, 2008 as updated by subsequently filed Forms 10-Q, you should carefully consider the following risk factors in deciding how to vote on the merger agreement and the transactions contemplated thereby, including the merger.

Risk Factors Related to the Merger

FKF shareholders cannot be certain of the exact amount of merger consideration they will receive as it is subject to downward adjustment in the event that FKF Delinquencies, as defined in the merger agreement, exceed $10.5 million.

Upon completion of the merger, each share of FKF common stock will be converted into the right to receive 0.6973 of a share of BMBC common stock plus $2.06 in cash. However, the amount of merger consideration to be paid for each share of FKF common stock is subject to downward adjustment if the amount of FKF Delinquencies, as defined in the merger agreement, as of the month-end immediately preceding the closing of the merger exceed $10.5 million. Depending on the amount of FKF Delinquencies as of the month-end preceding the merger, the consideration to be received upon consummation of the merger for each share of FKF common stock may be reduced in incremental amounts down to 0.6845 of a share of BMBC common stock and $1.92 in cash. The potential adjustments to the merger consideration as a result of FKF Delinquencies exceeding $10.5 million are discussed in more detail at page 48 of this proxy statement/prospectus under The Agreement and Plan of Merger Terms of the Merger.

Because the amount of merger consideration to be received by FKF shareholders is subject to change and will not be determined until the month-end immediately preceding the closing of the merger, at the time of the special meeting, shareholders will not know with certainty the exact amount of merger consideration they will receive upon consummation of the merger. As of December 31, 2009, the month-end immediately preceding the date of this proxy statement/prospectus, the amount of FKF Delinquencies, as calculated under the merger agreement, was $12.4 million and, if that date were the month-end immediately preceding the closing of the merger, based on such amount of FKF Delinquencies, the merger consideration to be received for each share of FKF common stock would be 0.6834 of a share of BMC common stock and $2.02 in cash. The merger is expected to close late in the second quarter or early in the third quarter of 2010.

Because the market price of BMBC common stock will fluctuate, FKF shareholders cannot be sure of the exact market value of the merger consideration they will receive.

Upon completion of the merger, each share of FKF common stock will be converted into the right to receive merger consideration consisting of $2.06 in cash and 0.6973 of a share of BMBC common stock, subject to adjustment pursuant to the terms of the merger agreement. The market value of the BMBC common stock included in the merger consideration may vary from the closing price of BMBC common stock on the date we announced the merger, on the date that this proxy statement/prospectus was mailed to FKF shareholders, on the date of the special meeting of the FKF shareholders and on the date we complete the merger and thereafter. Any change in the market price of BMBC common stock prior to completion of the merger will affect the market value of the merger consideration that FKF shareholders will receive upon completion of the merger. Accordingly, at the time of the special meeting, FKF shareholders will not know or be able to calculate the market value of the BMBC common stock included in the merger consideration they would receive upon completion of the merger. Neither BMBC nor FKF is permitted to terminate the merger agreement or re-solicit the vote of FKF shareholders solely because of changes in the market prices of either company s stock. There will be no adjustment to the merger consideration for changes in the market price of either shares of BMBC common stock or shares of FKF common stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of BMBC common stock and for shares of FKF common stock.

FKF will be subject to business uncertainties and contractual restrictions while the merger is pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on FKF and consequently on BMBC. These uncertainties may impair FKF s ability to attract, retain and motivate key personnel until the merger is consummated, and could cause customers and others that deal with FKF to seek to change existing business relationships with FKF. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles with BMBC. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with BMBC, BMBC s business following the merger could be harmed. In addition, the merger agreement restricts FKF from making certain acquisitions and taking other specified actions until the merger occurs without the consent of BMBC. These restrictions may prevent FKF from pursuing attractive business opportunities that may arise prior to the completion of the merger. Please see the section entitled The Agreement and Plan of Merger Covenants and Agreements commencing on page 52 of this proxy statement/prospectus for a description of the restrictive covenants to which FKF is subject.

The opinion obtained by FKF from its financial advisor will not reflect changes in circumstances between signing the merger agreement and completion of the merger.

FKF has not obtained an updated opinion as of the date of this proxy statement/prospectus from its financial advisor. Changes in the operations and prospects of FKF or BMBC, general market and economic conditions and other factors that may be beyond the control of FKF or BMBC, and on which FKF s financial advisor s opinion was based, may significantly alter the value of FKF or the prices of shares of BMBC common stock or FKF common stock by the time the merger is completed. The opinion does not speak as of the time the merger will be completed or as of any date other than the date of such opinion. Because FKF does not currently anticipate asking its financial advisor to update its opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed. FKF s board of directors recommendation that FKF shareholders vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, however, is as of the date of this proxy statement/prospectus. For a description of the opinion that FKF received from its financial advisor, please refer to The Merger Opinion of FKF s Financial Advisor, commencing on page 35. For a description of the other factors considered by FKF s board of directors in determining to declare the merger and the other transactions contemplated by the merger agreement to be advisable, please refer to The Merger Background of the Merger, and The Merger FKF s Reasons for the Merger; Recommendation of FKF s Board of Directors, commencing on page 32 and page 33, respectively.

Combining the two companies may be more difficult, costly or time-consuming than we expect.

BMBC and FKF have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees or disruption of each company s ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks. The success of the combined company following the merger may depend in large part on the ability to integrate the two businesses, business models and cultures. If we are not able to integrate our operations successfully and in a timely manner, the expected benefits of the merger may not be realized.

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Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.

Before the transactions contemplated by the merger agreement, including the merger and the bank merger, may be completed, various approvals or consents must be obtained from the Federal Reserve Board, the Pennsylvania Department of Banking, and various bank regulatory and other authorities. These governmental entities, including the Federal Reserve Board and the Pennsylvania Department of Banking, may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger agreement. Although BMBC and FKF do not currently expect that any such conditions or changes would be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the transactions contemplated by the merger agreement or imposing additional costs on or limiting the revenues of BMBC, any of which might have a material adverse effect on BMBC following the merger.

There can be no assurance as to whether the regulatory approvals will be received, the timing of those approvals, whether any non-standard and/or non-customary conditions will be imposed.

The merger agreement limits FKF s ability to pursue alternatives to the merger.

The merger agreement contains provisions that limit FKF s ability to discuss competing third-party proposals to acquire all or a significant part of FKF. These provisions, which include a $1.675 million termination fee payable under certain circumstances, might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of FKF from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire FKF than it might otherwise have proposed to pay.

If the merger is not consummated by July 31, 2010, either BMBC or FKF may choose not to proceed with the merger.

Either BMBC or FKF may terminate the merger agreement if the merger has not been completed by July 31, 2010, unless the failure of the merger to be completed has resulted from the material failure of the party seeking to terminate the merger agreement to perform its obligations.

Termination of the merger agreement could negatively impact FKF.

If the merger agreement is terminated, there may be various consequences. For example, FKF s businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger, or the market price of FKF common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed. If the merger agreement is terminated and FKF s board of directors seeks another merger or business combination, FKF shareholders cannot be certain that FKF will be able to find a party willing to pay an equivalent or more attractive price than the price BMBC has agreed to pay in the merger. Additionally, the restrictions currently imposed upon FKF and FKB pursuant to the supervisory agreements in place with the Office of Thrift Supervision (**OTS**) would remain in place and continue to be binding upon FKF and FKB. Furthermore, FKF will be required to pay a termination fee of $1.675 million if the merger agreement is terminated in certain instances. See The Agreement and Plan of Merger Termination of the Merger Agreement and The Agreement and Plan of Merger Termination Fee.

Some of the directors and executive officers of FKF may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the merger.

The interests of some of the directors and executive officers of FKF may be different from those of FKF shareholders, and directors and officers of FKF may be participants in arrangements that are different from, or in addition to, those of FKF shareholders. These interests are described in more detail in the section of this proxy statement/prospectus entitled The Merger Interests of FKF s Directors and Executive Officers in the Merger beginning on page 46.

The shares of BMBC common stock to be received by FKF shareholders as a result of the merger will have different rights from the shares of FKF common stock currently held by them.

The rights associated with FKF common stock are different from the rights associated with BMBC common stock. See the section of this proxy statement/prospectus entitled Comparison of BMBC and FKF Shareholder Rights commencing on page 71.

The market price of BMBC common stock after the merger may be affected by factors different from those affecting FKF common stock or BMBC common stock currently.

The businesses of BMBC and FKF differ in some respects and, accordingly, the results of operations of the combined company and the market price of BMBC s shares of common stock after the merger may be affected by factors different from those currently affecting the independent results of operations of each of BMBC or FKF. For a discussion of the businesses of BMBC and FKF and of certain factors to consider in connection with those businesses, with respect to BMBC, see the documents incorporated by reference into this proxy statement/prospectus and referred to under Where You Can Find More Information on page 85, and with respect to FKF, see FKF s Annual Report on Form 10-K for the year ended September 30, 2009 attached hereto as Annex B.

We may fail to realize the cost savings estimated for the merger.

BMBC expects to achieve cost savings from the merger when the two companies have been fully integrated. While BMBC continues to be comfortable with these expectations as of the date of this proxy statement/prospectus, it is possible that the estimates of the potential cost savings could turn out to be incorrect. The cost savings estimates also assume our ability to combine the businesses of BMBC and FKF in a manner that permits those cost savings to be realized. If the estimates are incorrect, integration is delayed, or BMBC is not able to combine successfully the two companies, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

FKF shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

FKF s shareholders currently have the right to vote in the election of the board of directors of FKF and on other matters affecting FKF. Upon the completion of the merger, each FKF shareholder that receives shares of BMBC common stock will become a shareholder of BMBC with a percentage ownership of the combined organization that is much smaller than the shareholder s percentage ownership of FKF. The former shareholders of FKF as a group will receive shares in the merger constituting less than 20% of the outstanding shares of BMBC common stock immediately after the merger. Because of this, FKF s shareholders may have less influence on the management and policies of BMBC than they now have on the management and policies of FKF.

A continuation of recent turmoil in the financial markets could have an adverse effect on the financial position or results of operations of BMBC, FKF and/or the combined company.

In recent periods, United States and global markets, as well as general economic conditions, have been disrupted and volatile. Concerns regarding the financial strength of financial institutions have led to distress in credit markets and issues relating to liquidity among financial institutions. Some financial institutions around the world have failed; others have been forced to seek acquisition partners. The United States and other governments have taken steps to try to stabilize the financial system, including investing in financial institutions. BMBC and FKF s businesses and financial condition and results of operations could be adversely affected by (1) continued disruption and volatility in financial markets, (2) continued capital and liquidity concerns regarding financial

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institutions generally and our counterparties specifically, (3) limitations resulting from governmental action in an effort to stabilize or provide additional regulation of the financial system, or (4) recessionary conditions that are deeper or last longer than currently anticipated. Further, there can be no assurance that action by Congress, governmental agencies and regulators, including the enacted legislation authorizing the U.S. government to invest in financial institutions, or changes in tax policy, will help stabilize the U.S. financial system and any such action, including changes to existing legislation or policy, could have an adverse effect on the financial position or results of operation of BMBC, FKF and/or the combined company.

Impairments in the value of BMBC and FKF s respective securities portfolios or other assets could further affect each of their results of operations or the results of operations of the combined company.

Under accounting principles generally accepted in the United States, each of BMBC and FKF is required to review its investment portfolio periodically for the presence of other-than-temporary impairment, taking into consideration current market conditions, the extent and nature of change in fair value, issuer rating changes and trends, volatility of earnings, current analysts evaluations, as well as other factors. Adverse developments with respect to one or more of the foregoing factors may require BMBC and FKF to deem particular securities to be other-than-temporarily impaired, with the reduction in the value recognized as a charge to BMBC and FKF s respective earnings as it relates to the credit portion of the impairment. Recent market volatility has made it extremely difficult to value certain securities. In addition, FKF recently determined that it expects to record pre-tax credit-related OTTI charges of approximately $665,000 in the aggregate for the quarter ended December 31, 2009 with respect to certain pooled trust preferred securities. FKF also recently determined that a private label CMO owned by FKF likely will be deemed to be other-than-temporarily impaired at December 31, 2009 and, based on current information, will require an OTTI of approximately $180,000 at such date. See Recent Developments FKF on page 11. Subsequent valuations, in light of factors prevailing at that time, may result in significant changes in the values of these securities in future periods. Any of these factors could require either BMBC or FKF to recognize other-than-temporary impairments in the value of its securities portfolio, which may have an adverse effect on its results of operations in future periods. Similarly, either BMBC or FKF may be required to recognize other-than-temporary impairments in the value of other intangibles or goodwill, any of which may have an adverse effect on its results of operations in future periods.

The merger may fail to qualify as a tax-free reorganization under the Internal Revenue Code.

The merger of FKF into BMBC has been structured to qualify as a tax-free reorganization under Section 368(a) of the Internal Revenue Code. The closing of the merger is conditioned upon the receipt by each of BMBC and FKF of an opinion of its respective tax advisor, each dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in that opinion (including factual representations contained in certificates of officers of FKF and BMBC) which are consistent with the state of facts existing as of the effective date of the merger, the merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code. The tax opinions to be delivered in connection with the merger are not binding on the Internal Revenue Service (**IRS**) or the courts, and neither FKF nor BMBC intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger. If the merger fails to qualify as a tax-free reorganization, an FKF shareholder would likely recognize gain or loss on each share of FKF surrendered in the amount of the difference between the shareholder s basis in the FKF shares and the fair market value of the BMBC common stock and cash received by the FKF shareholder in exchange. For a more detailed discussion of the federal income tax consequences of the transaction, see United States Federal Income Tax Consequences of the Merger on page 62.

The FKF shareholders may recognize a gain with respect to the cash portion of the merger consideration.

The merger consideration to an FKF shareholder consists of a combination of cash and BMBC common stock. Accordingly, an FKF shareholder generally will not recognize loss but will recognize gain, if any, to the extent of the lesser of (i) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the BMBC common stock received pursuant to the merger over such shareholder s adjusted tax basis in the shares of FKF common stock surrendered) and (ii) the amount of cash received pursuant to the merger. In addition, FKF shareholders generally will have to recognize gain or loss in connection with cash received instead of a fractional share of BMBC common stock.

Holders of FKF stock options should discuss with their tax advisors the tax results of each course of action available to them.

For a more detailed discussion of the federal income tax consequences of the transaction to you, see United States Federal Income Tax Consequences of the Merger on page 62.

Risk Factors Related to the Operations of FKF on a Stand-Alone Basis

If the merger with BMBC is not completed, FKF will continue to face certain risk factors related to its on-going operations.

In the event that the proposed merger with BMBC is not completed, FKF will continue its operations as an independent entity and, as such, would continue to face certain risks in its on-going operations, as described below. Even if the merger is completed as expected in the second quarter or early in the third quarter of 2010, FKF will face these risks on an independent basis until the time of the merger.

If the merger is not completed, FKF will have incurred substantial expenses without realizing the expected benefits of the merger.

FKF has incurred substantial expenses in connection with the merger. The completion of the merger depends on the satisfaction of specified conditions and the receipt of regulatory approvals and the approval of FKF s shareholders. FKF cannot guarantee that these conditions will be met. If the merger is not completed, these expenses could have a material adverse impact on FKF s financial condition and results of operations on a stand-alone basis. In addition, the market price of FKF s common stock could decline in the event that the merger is not consummated as FKF s current market price may reflect an assumption that the merger will be completed.

If the merger is not completed, we may have to revise our business strategy.

During the past several months, management of FKF has been focused on, and has devoted significant resources to, the merger. This focus is continuing and FKF has not pursued certain business opportunities which may have been beneficial to FKF on a stand-alone basis. If the merger is not completed, FKF will have to revisit its business strategy in an effort to determine what changes may be required in order for FKF to operate on an independent, stand-alone basis. We may need to consider raising additional capital in order to continue as an independent entity if the merger is not completed. No assurance can be given whether we would be able to successfully raise capital in such circumstances or, if so, under what terms.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this filing that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the **Act**), notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in the future filings of BMBC and FKF with the SEC, in press releases and in oral and written statements made by or with the approval of BMBC or FKF that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to:

- statements about the benefits of the merger between BMBC and FKF, including future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the merger;
- statements of plans, objectives and expectations of BMBC or FKF or their managements or boards of directors;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Words such as expect, intend, project, estimate, anticipate, will, plan, believe, continue, predict, contemplate, forecast, probably, outlook or similar expressions or future or conditional verbs such as may, will, should, would, could, and other similar expre intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- the businesses of BMBC and FKF will not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected;
- material differences in the actual financial results of merger and acquisition activities compared with expectations, such as with respect to the full realization of anticipated cost savings and revenue enhancements within the expected time frame, including as to the merger;
- revenues following the merger may be lower than expected;
- deposit attrition, operating costs, customer loss and business disruption following the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than expected;
- the ability to obtain governmental approvals required for the transactions contemplated by the merger agreement, including the merger and the bank merger, on the proposed terms and schedule;
- the failure of FKF s shareholders to approve the merger agreement and the transactions contemplated thereby;

local, regional, national and international economic conditions and the impact they may have on BMBC and FKF and their customers and BMBC s and FKF s assessment of that impact;

the significant downturn in the residential real estate market that began in 2007 has continued in 2008 and in 2009, and may continue in 2010, resulting in declining home prices, higher foreclosures and loan charge-offs, and lower market prices on investment securities backed by residential real estate, all of which could negatively impact BMBC s and FKF s results of operations;

a downturn in the commercial real estate and retail space markets could negatively impact BMBC s and FKF s results of operations;

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lower demand for BMBC s and FKF s products and services and lower revenues and earnings could result from an economic recession;

lower earnings could result from other-than-temporary impairment charges related to BMBC s and FKF s investment securities portfolios or other assets;

higher FDIC insurance costs due to bank failures that have caused the FDIC Deposit Insurance Fund to fall below minimum;

absence of any assurance that the Emergency Economic Stabilization Act of 2008 will improve the condition of the financial markets;

changes in the level of non-performing assets and charge-offs;

changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;

other changes in accounting requirements or interpretations;

the accuracy of assumptions underlying the establishment of provisions for loan and lease losses and estimates in the value of collateral, and various financial assets and liabilities;

inflation, securities market and monetary fluctuations;

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

changes in interest rates, spreads on earning assets and interest-bearing liabilities, and interest rate sensitivity;

changes the value of loan collateral and securities;

prepayment speeds, loan originations and credit losses;

sources of liquidity and financial resources in the amounts, at the times and on the terms required to support BMBC s and FKF s or the combined company s future businesses;

legislation or other governmental action affecting the financial services industry as a whole, participants in the Troubled Asset Relief Program (**TARP**) Capital Purchase Program or other programs, BMBC, FKF and/or BMBC or FKF s subsidiaries individually or collectively, including changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which BMBC and FKF must comply;

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

BMBC s and FKF s common shares outstanding and common stock price volatility;

fair value of and number of stock-based compensation awards to be issued in future periods;

BMBC s and FKF s success in continuing to generate new business in their respective existing markets, as well as their success in identifying and penetrating targeted markets and generating a profit in those markets in a reasonable time;

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

changes in consumer and business spending, borrowing and savings habits and demand for financial services in the relevant market areas;

rapid technological developments and changes;

- the effects of competition from other commercial banks, thrifts, mortgage companies, finance companies, credit unions, securities brokerage firms, insurance companies, money-market and mutual funds and other institutions operating in BMBC s and FKF s market areas and elsewhere including institutions operating locally, regionally, nationally and internationally together with such competitors offering banking products and services by mail, telephone, computer and the internet;
- BMBC s and FKF s ability to continue to introduce competitive new products and services on a timely, cost-effective basis and the mix of those products and services;
- containing costs and expenses;
- protection and validity of intellectual property rights;
- reliance on large customers;
- technological, implementation and cost/financial risks in contracts;
- the outcome of pending and future litigation and governmental proceedings;
- any extraordinary event (such as the September 11, 2001 events, the war on terrorism and the U.S. Government s response to those events including the war in Iraq);
- ability to retain key employees and members of senior management;
- the ability of key third-party providers to perform their obligations to BMBC, BMT, FKF and FKB; and
- success in managing the risks involved in the foregoing.

Additional factors that could cause BMBC s or FKF s results to differ materially from those described in the forward-looking statements can be found in BMBC s and FKF s Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the SEC. See Where You Can Find More Information on page 85 for a description of where you can find this information. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to BMBC or FKF or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to within this proxy statement/prospectus. Forward-looking statements speak only as of the date on which such statements are made. BMBC and FKF undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

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FKF SPECIAL MEETING

This section contains information from FKF for FKF shareholders about the special meeting FKF has called for its shareholders to consider and approve the merger agreement and the transactions contemplated thereby. We are mailing this proxy statement/prospectus to you, as an FKF shareholder, on or about January 25, 2010. Together with this proxy statement/prospectus, we are also sending to you a notice of the special meeting of FKF shareholders and a form of proxy card that FKF s board of directors is soliciting for use at the special meeting and at any adjournments or postponements of the special meeting. The special meeting will be held on March 2, 2010, at 2.00 p.m. local time, at the Towne House Restaurant located at 117 Veterans Square, Media, Pennsylvania.

This proxy statement/prospectus is also being furnished by BMBC to FKF shareholders as a prospectus in connection with the issuance of shares of BMBC common stock upon completion of the merger.

Matters to Be Considered

The only matter to be considered at the FKF special meeting is the approval of the merger agreement and the transactions contemplated thereby. You are also being asked to vote upon a proposal to adjourn or postpone the special meeting, if necessary. FKF could use any adjournment or postponement of the special meeting for the purpose, among others, of allowing more time to solicit votes in favor of the merger agreement.

Recommendation of FKF s Board of Directors

FKF s board of directors has unanimously approved the merger agreement and the transactions contemplated thereby, including the merger, and recommends that FKF shareholders vote FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the approval of the adjournment or postponement of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

Record Date

FKF s board of directors has fixed the close of business on January 8, 2010 as the record date for determining the FKF shareholders entitled to receive notice of and to vote at the special meeting. Only FKF shareholders of record as of the record date are entitled to and are being requested to vote at the special meeting. As of the record date, 2,432,998 shares of FKF common stock were issued and outstanding and held by approximately 369 record holders. FKF shareholders are entitled to one vote on each matter considered and voted on at the special meeting for each share of FKF common stock held of record at the close of business on the record date. The presence, in person or by properly executed proxy, of the holders of a majority of the shares of FKF common stock entitled to vote at the special meeting is necessary to constitute a quorum at the special meeting. For purposes of determining the presence of a quorum, abstentions and broker non-votes will be counted as shares present. Abstentions and broker non-votes will have the same effect as votes against approval of the merger agreement and the transactions contemplated thereby, including the merger.

Action Required

The merger agreement and the transactions contemplated thereby must be approved by the affirmative vote of a majority of the votes cast by all FKF shareholders entitled to vote at the special meeting. The merger agreement and the consummation of the transactions contemplated therein will not require the approval of the holders of BMBC common stock under the Pennsylvania Business Corporation Law or the rules of the NASDAQ.

As of the record date, FKF directors and executive officers and their affiliates beneficially held approximately 501,014 shares (or 20.6% of the outstanding shares) of FKF common stock entitled to vote at the special meeting. See The Merger Interests of FKF s Directors and Executive Officers in the Merger.

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As of the record date, BMBC and its subsidiaries held no shares of FKF common stock (other than shares held as fiduciary, custodian or agent as described below) and its directors and executive officers or their affiliates held no shares of FKF common stock. As of the record date, subsidiaries of BMBC, as fiduciaries, custodians or agents, held a total of approximately 1,000 shares of FKF common stock, representing less than 1% of the shares entitled to vote at the FKF special meeting, and maintained no voting power over those shares.

Solicitation of Proxies

The cost of the solicitation of proxies will be borne by FKF. FKF has retained Regan & Associates, Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies. Such firm will be paid a fee not to exceed approximately $8,000. FKF will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending the proxy materials to the beneficial owners of FKF s common stock. In addition to solicitations by mail, directors, officers and employees of FKF may solicit proxies personally or by telephone without additional compensation.

Shares of FKF common stock represented by properly executed proxies will be voted in accordance with the instructions indicated on the enclosed proxy cards. If proxy cards are signed and returned, but no instructions are indicated, such proxies will be voted FOR approval of the merger agreement and the transactions contemplated thereby, including the merger, and FOR the proposal to adjourn or postpone the special meeting, if necessary, to another time and/or place for the purpose of soliciting additional proxies or otherwise.

Revocation of Proxies

An FKF shareholder who has given a proxy may revoke it at any time before its exercise at the special meeting by (i) giving written notice of revocation to FKF s Corporate Secretary, (ii) properly submitting to FKF a duly executed proxy bearing a later date, or (iii) attending the special meeting and voting in person (note that the mere presence, without notifying the Corporate Secretary, of an FKF shareholder at the special meeting will not constitute revocation of a previously given proxy). All written notices of revocation and other communications with respect to revocation of proxies should be addressed to FKF as follows: Carol Walsh, Corporate Secretary, 22 West State Street, Media, Pennsylvania 19063.

THE MERGER

Terms of the Merger

Each of the BMBC board of directors and FKF board of directors has approved and adopted or declared advisable the merger agreement, which provides for the merger of FKF into BMBC, with BMBC being the surviving corporation in the merger. Each share of FKF common stock, par value $0.01 per share, issued and outstanding immediately prior to the completion of the merger, except for specified shares of FKF common stock held by FKF or BMBC, will be converted into the right to receive $2.06 in cash and 0.6973 of a share of BMBC common stock, subject to adjustment pursuant to the terms of the merger agreement.

FKF shareholders are being asked to approve the merger agreement and the transactions contemplated thereby.

Background of the Merger

Over the past several years, the board of directors and executive officers of FKF have periodically discussed and reviewed FKF s business, performance and prospects, including its strategic alternatives. The strategic alternatives considered by the board have included, among other things, continuing its on-going operation as an independent institution, selling off a portion of its branch operations, and entering into a merger or acquisition transaction with a similarly sized or larger institution. In recent periods, the board also considered the effects on its operating results of the significant operating restrictions imposed on FKF and FKB by virtue of the supervisory agreements entered into with the OTS in February 2006. The FKF board of directors also considered the prospect of having to raise additional capital in view of FKF s financial condition either through a possible private placement or by participating in the Capital Purchase Program under the TARP operated by the United States Department of the Treasury. The board of directors and management have also been aware in recent years of changes in the financial services industry and the regulatory environment as well as the competitive challenges facing a financial institution such as FKF. These challenges have included increasing government regulations, increasing expense burdens and commitments for technology and training, an interest rate environment which has resulted in a significant compression in the interest rate spread and margin, a deep and long recession which has created issues with respect to FKF s asset quality, and increasing competition in the delivery of financial products and services combined with increased customer expectations for the availability of sophisticated financial products and services from financial institutions.

As a result of several discussions conducted during the early part of 2009 with Sandler O Neill, FKF s financial advisor, concerning FKF s strategic alternatives, the FKF board of directors directed Sandler O Neill in May 2009 to identify those banks that might have an interest in entering into a business combination transaction with FKF. At that time, the board had not made a determination whether or not to remain independent or undertake a merger or acquisition transaction involving FKF. In June 2009, a list of potential business combination partners was presented to and discussed with the FKF board by Sandler O Neill. As a result of such discussion, in early July 2009, the FKF board authorized Sandler O Neill to contact eight institutions on FKF s behalf to determine whether any of these institutions were interested in conducting discussions about engaging in a business combination transaction with FKF. As a result of such inquiries, eight institutions were sent information packages containing public information about FKF. Sandler O Neill also facilitated introductory meetings or calls between representatives of the interested institutions and FKF, including a meeting with representatives of BMBC on July 20, 2009.

In early August 2009, FKF entered into confidentiality agreements with three of these institutions, including BMBC, based upon preliminary expressions of interest by these parties. Over the next several weeks, FKF provided these institutions with confidential information to assist them in conducting a confidential preliminary due diligence review of FKF. FKF asked each party to submit specific written indications of interest by the second week of

September 2009. To facilitate the bid process, FKF invited the parties to conduct a limited on-site due diligence review of FKF s loan portfolio. During late August and early September, on-site due diligence of the loan portfolio was conducted by BMBC and one other interested institution. The third potential interested party decided at such time to withdraw from the process. Written indications of interest were received from BMBC and the other institution by September 10, 2009. BMBC s indication of interest letter set forth a specific price per share and provided that the merger consideration would be all stock with the per share merger consideration to be established upon execution of a definitive agreement. The other party s indication of interest stated the merger consideration for the transaction would be all cash and that per share consideration would be determined upon completion of its due diligence review based upon a mutually agreed to definition of tangible equity.

On September 15, 2009, the FKF board met to discuss and evaluate the two indications of interest. Representatives of Sandler O Neill and Elias, Matz, Tiernan & Herrick L.L.P., FKF s legal counsel, were present telephonically or in person at this meeting. As a result of these discussions, the FKF board determined to invite BMBC to conduct further due diligence of FKF. The other institution was informed that it was not being invited to conduct further due diligence due to significant uncertainty with respect to the proposed consideration to be paid and uncertainty as to the structure of the transaction set forth in its indication of interest. From late September to late October 2009, BMBC conducted extensive due diligence of FKF. In late October 2009, FKF conducted on-site due diligence of BMBC.

On October 9, 2009, BMBC presented FKF with a draft of the proposed merger agreement. Over the next three weeks, FKF, BMBC and their respective financial and legal advisors negotiated the terms of the merger agreement. In connection with such negotiation, it was determined to adjust the composition of the merger consideration from 100% stock to a mixture of approximately 85% stock and 15% cash.

On November 3, 2009, FKF s board of directors held a special meeting to review the merger proposal as set forth in the definitive merger agreement and related documents negotiated by FKF and BMBC and their respective financial and legal advisors. The FKF board received presentations regarding the merger from its financial advisor, Sandler O Neill, and the merger agreement from its legal counsel, Elias, Matz Tiernan & Herrick L.L.P. Management of FKF also briefed the board on the results of the due diligence conducted on BMBC. Representatives of Elias, Matz, Tiernan & Herrick L.L.P. and Sandler O Neill responded to questions from FKF s board. At the meeting, Sandler O Neill provided its oral opinion that the merger consideration, including as potentially adjusted under the terms of the merger agreement, was fair to the shareholders of FKF from a financial point of view (which opinion was subsequently confirmed in writing by Sandler O Neill). After careful and deliberate consideration of these presentations as well as the interests of FKF s shareholders, customers, employees and communities served by FKF, the FKF board unanimously approved the merger agreement and the related documents.

After the transaction was approved by both the FKF board and the BMBC board, FKF and BMBC signed the merger agreement and the related voting agreements and non-solicitation agreements. The transaction was publicly announced after the close of the market on November 3, 2009.

FKF s Reasons for the Merger; Recommendation of FKF s Board of Directors

After careful consideration, the FKF board of directors determined that it was advisable and in the best interests of FKF and its shareholders for FKF to enter into the merger agreement with BMBC. Accordingly, FKF s board unanimously recommends that FKF s shareholders vote FOR the adoption of the merger agreement.

The board of directors of FKF has considered the terms and provisions of the merger agreement and concluded that they are fair to the shareholders of FKF and that the merger is in the best interests of FKF and its shareholders. FKF s board believes that the merger will provide FKF shareholders the opportunity to realize increased long-term value.

The board of directors of FKF believes that the merger will provide the resulting institution with additional resources necessary to compete more effectively in the southeastern Pennsylvania market. In addition, the board of FKF believes that the customers and communities served by FKF will benefit from the resulting institution s enhanced abilities to meet their banking needs.

In reaching its decision to approve the merger agreement, the FKF board consulted with management, as well as with FKF s financial and legal advisors, and considered a variety of factors, including the following:

- The consideration (including the premium) being offered to FKF s shareholders in relation to the market value, dividend rate, earnings per share and projected earnings per share of FKF;
- The current and prospective environment in which FKF operates, including national, regional and local economic conditions, the competitive environment for financial institutions, the increased regulatory burdens on financial institutions, the effects of the expected continued operation under extensive regulatory restrictions imposed by the supervisory agreements, and the uncertainties in the regulatory climate going forward;
- The results that could be expected to be obtained by FKF if it continued to operate independently and the trading value of FKF common stock compared to the value of the merger consideration offered by BMBC;
- The process conducted by Sandler O Neill, FKF s financial advisor, to identify potential merger partners and to assist the FKF board of directors in structuring the proposed merger with BMBC;
- The form of merger consideration offered by BMBC, including the opportunity for FKF shareholders to receive shares of BMBC common stock on a tax-free basis for a significant portion of their shares of FKF common stock;
- The anticipated accretion for FKF shareholders of the projected dividend rate and earnings per share;
- The scale, scope, strength and diversity of operations, product lines and delivery systems that could be achieved by combining FKF and BMBC;
- The complementary geographic locations of the FKF and BMBC branch networks in southeastern Pennsylvania;
- BMBC s assets size and capital position, which would give the resulting institution approximately $1.7 billion in assets;
- The additional products offered by BMBC to its customers, particularly trust and wealth management services, and the ability of the resulting institution to provide comprehensive financial services to its customers;
- The potential for operating synergies and cross marketing of products in light of the fact that FKF and BMBC serve contiguous market areas with similar and complementary customer bases;

FKF s and BMBC s shared community banking philosophies; and

The presentation by Sandler O Neill, FKF s financial advisor, as to the fairness of the merger consideration, from a financial point of view, to FKF s shareholders. In this regard, FKF s board of directors has received from Sandler O Neill a written opinion dated November 3, 2009 that, as of such date, the merger consideration was fair to FKF s shareholders from a financial point of view. The opinion is attached as Annex C to this document. For a summary of the presentation of Sandler O Neill, see Opinion of FKF s Financial Advisor below.

Other factors considered by FKF s board of directors included:

The reports of FKF s management and the financial presentation by Sandler O Neill to FKF s board of directors concerning the operations, financial condition and prospects of BMBC and the expected financial impact of the merger on the combined company, including pro forma assets, earnings, deposits and capital ratios;

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The proposed board arrangements of the combined company, including the inclusion of one of FKF s directors on BMBC s board and the creation of an advisory board composed of FKF s other directors;

The likelihood of successful integration and the successful operation of the combined company;

The likelihood that the regulatory approvals needed to complete the transaction will be obtained;

The potential cost-saving opportunities;

The effects of the merger on FKF s employees, including the prospects for continued employment and the severance and other benefits agreed to be provided to FKF employees; and

Review by the FKF board of directors with its legal and financial advisors of the structure of the merger and the financial and other terms of the merger, including the per share merger consideration and the condition to the transaction that the merger qualify as a transaction of a type that will permit FKF shareholders to receive BMBC shares in exchange for a substantial portion of their FKF shares on a tax-free basis for federal income tax purposes.

The FKF board of directors also considered potential risks associated with the merger in connection with its deliberation of the proposed transaction, including the risk that the amount of FKF Delinquencies, as defined, may increase, the challenges of integrating FKF s businesses, operations and employees with those of BMBC, the need to obtain FKF shareholder approval as well as regulatory approvals in order to complete the transaction, and the risks associated with achieving the anticipated cost savings. FKF s board also considered that the fixed per share merger consideration, by its nature, would not adjust upwards to compensate for declines, or downwards to compensate for increases, in BMBC s stock price prior to completion of the merger. The board also considered the structural protections included in the merger agreement such as the ability of FKF to terminate the merger agreement in the event of any change or development affecting BMBC which has, or is reasonably likely to have, a material adverse effect on BMBC and which is not cured within 30 days after notice or cannot be cured prior to consummation of the merger.

The foregoing discussion of the information and factors considered by FKF s board of directors is not exhaustive, but includes all material factors considered by FKF s board. In view of the wide variety of factors considered by the FKF board of directors in connection with its evaluation of the merger and the complexity of these matters, the FKF board of directors did not consider it practical to, and did not attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. FKF s board of directors evaluated the factors described above, including asking questions of FKF s management and FKF s legal and financial advisors. In considering the factors described above, individual members of FKF s board of directors may have given different weights to different factors. The FKF board of directors relied on the experience and expertise of its financial advisors for quantitative analysis of the financial terms of the merger. See Opinion of FKF s Financial Advisor below. It should also be noted that this explanation of the reasoning of FKF s board of directors and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading Cautionary Statement Regarding Forward-Looking Statements on page 27.

Opinion of FKF s Financial Advisor

By letter dated August 12, 2009, FKF retained Sandler O Neill to act as its financial advisor in connection with FKF s consideration with a possible business combination. Sandler O Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O Neill acted as financial advisor to FKF in connection with the proposed transaction and participated in certain of the negotiations leading to the execution of the merger agreement. At the November 3, 2009 meeting at which FKF s board considered and approved the merger agreement, Sandler O Neill delivered

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to the board its oral opinion, that, as of such date, the merger consideration was fair to FKF from a financial point of view. Sandler O Neill subsequently provided the FKF board of directors its written opinion dated as November 3, 2009. **The full text of Sandler O Neill s opinion is attached as Annex C to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Sandler O Neill urges FKF s shareholders to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O Neill s opinion speaks only as of the date of the opinion. The opinion was directed to FKF s board and is directed only to the fairness of the merger consideration to FKF from a financial point of view. It does not address the underlying business decision of FKF to engage in the merger or any other aspect of the merger and is not a recommendation to any FKF shareholder as to how such shareholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its November 3, 2009 opinion, Sandler O Neill reviewed and considered, among other things:

(1) the merger agreement;

(2) certain publicly available financial statements and other historical financial information of FKF that Sandler O Neill deemed relevant;

(3) certain publicly available financial statements and other historical financial information of BMBC that Sandler O Neill deemed relevant;

(4) internal financial projections for FKF for the calendar years ending December 31, 2009 through December 31, 2014 as prepared by and discussed with senior management of FKF;

(5) consensus analyst estimates for BMBC for the years ending December 31, 2009 through 2010 and financial projections for BMBC for the years ending December 31, 2011 through 2014 as discussed with senior management of BMBC;

(6) the pro forma financial impact of the merger on BMBC based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies as discussed with the senior management of BMBC and FKF;

(7) the publicly reported historical price and trading activity for FKF s and BMBC s common stock, including a comparison of certain financial and stock market information for FKF and BMBC with similar publicly available information for certain other companies the securities of which are publicly traded;

(8) to the extent publicly available, the financial terms of certain recent business combinations in the commercial banking industry;

(9) the current market environment generally and the commercial banking environment in particular; and

(10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O Neill considered relevant.

Sandler O Neill also discussed with certain members of senior management of FKF the business, financial condition, results of operations and prospects of FKF and held similar discussions with certain members of senior management of BMBC regarding the business, financial condition, results of operations and prospects of BMBC.

In performing its review, Sandler O Neill has relied upon the accuracy and completeness of all of the financial and other information that was available to us from public sources, that was provided to us by FKF and BMBC or its respective representatives or that was otherwise reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. Sandler O Neill has further relied on the assurances of

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management of each of FKF and BMBC that it is not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O Neill has not been asked to and has not undertaken an independent verification of any of such information and we do not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of FKF and BMBC or any of their subsidiaries, or the collectibility of any such assets, nor have we been furnished with any such evaluations or appraisals.

Sandler O Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of FKF and BMBC and has not reviewed any individual credit files relating to FKF and BMBC. Sandler O Neill has assumed, with FKF s consent, that the respective allowances for loan losses for both FKF and BMBC are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

With respect to the internal financial projections prepared by the senior management of FKF and BMBC, respectively, and the anticipated transaction costs, purchase accounting adjustments, expected cost savings and other synergies and other information prepared by and/or reviewed with the management of FKF and BMBC and, in each case, used by Sandler O Neill in its analyses, FKF and BMBC management confirmed to Sandler O Neill that they reflected the best currently available estimates and judgments of such management with respect thereto and Sandler O Neill assumed that such performances would be achieved. Sandler O Neill expresses no opinion as to such financial projections or the assumptions on which they are based. Sandler O Neill has also assumed that there has been no material change in FKF s and BMBC s assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements and other financial information made available to Sandler O Neill. Sandler O Neill has assumed in all respects material to its analysis that FKF and BMBC will remain as going concerns for all periods relevant to the analyses, that each party to the merger agreement will perform all of the material covenants required to be performed by such party under the merger agreement, that the conditions precedent in the merger agreement are not waived and that the merger will qualify as a tax-free reorganization for federal corporate income tax purposes. Sandler O Neill expresses no opinion as to any of the legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

Sandler O Neill s opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler O Neill as of, the date of its opinion. Events occurring after the date thereof could materially affect the opinion. Sandler O Neill has not undertaken to update, revise, reaffirm or withdraw the opinion or otherwise comment upon events occurring after the date thereof. Sandler O Neill is expressing no opinion herein as to what the value of BMBC s common stock will be when issued to FKF s shareholders pursuant to the merger agreement or the prices at which FKF s and BMBC s common stock may trade at any time.

Sandler O Neill s opinion is directed to the board of directors of FKF in connection with its consideration of the merger and does not constitute a recommendation to any shareholder of FKF as to how such shareholder should vote at any meeting of shareholders called to consider and vote upon the merger. Sandler O Neill s opinion is directed only to the fairness, from a financial point of view, of the merger consideration to holders of FKF common stock and does not address the underlying business decision of FKF to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for FKF or the effect of any other transaction in which FKF might engage. Sandler O Neill does not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by FKF s officers, directors, or employees, or class of such persons, relative to the compensation to be received in the merger by any other shareholders of FKF. Sandler O Neill s opinion was approved by Sandler O Neill s fairness opinion committee.

Summary of Proposal*.* Sandler O Neill reviewed the financial terms of the proposed transaction. Using the fixed exchange ratio of 0.6973 shares of BMBC common stock for each share of FKF common stock and $2.06

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per share in cash, with a minimum exchange ratio of 0.6485 and $1.92 per share in cash, based upon BMBC s 20 day average stock price as of October 30, 2009 of $16.76, Sandler O Neill calculated a transaction value of $13.75 per share, or an aggregate transaction value of $33.5 million, with a minimum of $12.79 per share and $31.1 million in aggregate. The minimum per share and aggregate transaction values are based on the amount of FKF Delinquencies, as such term is defined in merger agreement, at the month-end immediately preceding the month in which the merger is closed, whereby if the FKF Delinquencies exceed $16.5 million (the amount of delinquencies at which the transaction value would be the minimum $12.79 per share and $31.1 million in aggregate), BMBC has the option to terminate the transaction. Based upon financial information for FKF as or for the three month period ended June 30, 2009, Sandler O Neill calculated the following transaction ratios:

Transaction Ratios

Transaction value/Tangible book value	102%
Transaction value/Stated book value per share	102%
Transaction value/LTM EPS	NM*
Tangible book premium/ Core deposits	0.2%
Transaction value/ Current market value	55.4%

* NM means not meaningful.

The aggregate transaction value was approximately $33.5 million, based upon the offer price per share of $13.75 and 2,432,998 FKF common shares outstanding.

Comparable Company Analysis. Sandler O Neill used publicly available information to perform a comparison of selected financial and market trading information for FKF and BMBC.

Sandler O Neill also used publicly available information to compare selected financial and market trading information for FKF and a group of financial institutions selected by Sandler O Neill. The FKF peer group consisted of the following publicly traded Mid Atlantic thrifts between $250 million and $1.0 billion in total assets:

BCSB Bancorp, Inc.	Rome Bancorp, Inc
Elmira Savings Bank, FSB	TF Financial Corporation
Fidelity Bancorp, Inc.	WSB Holdings, Inc.
Harleysville Savings Financial Corporation	WVS Financial Corp.

The analysis compared publicly available financial information for FKF and the high, low, mean, and median financial and market trading data for the FKF peer group as of and for the quarter ended September 30, 2009. The table below sets forth the data for FKF as of and for the quarter ended June 30, 2009 and the median data for the FKF peer group as of and for the quarter ended September 30, 2009, with pricing data as of October 30, 2009.

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Comparable Group Analysis

	FKF	Comparable Group Median Result
Total Assets *(in millions)*	$ 525	$ 538
Tangible Common Equity/Tangible Assets	6.22%	8.46%
Total Risk Based Capital Ratio[(1)]	13.6%	14.9%
Non-performing Assets/Loans + OREO	1.05%	1.00%
Loan Loss Reserve/Gross Loans	1.14%	0.90%
Loan Loss Reserve/Non-performing Assets	109%	99%
Net Interest Margin	2.55%	2.82%
Efficiency Ratio	102.6%	68.3%
Return on Average Assets	(0.28%)	0.54%
Price/Tangible Book Value	66%	80%
Price/LTM Core Earnings per Share	NM	12.1x
Price/52 Week High	84.4%	79.3%
Dividend Yield	0.00%	4.14%
Market Capitalization *(in millions)*	$ 21.5	$ 29.4

(1) Risk-based capital of FKB.

BMBC peer group consisted of publicly traded banks and thrifts between $1.0 billion and $2.0 billion in total assets with Non-interest Income/ Operating Revenue greater than 30% and Non-performing Assets/Assets less than 1.25%:

Alliance Financial Corporation	Security National Corporation
Cardinal Financial Corporation	Simmons First National Corporation
City Holding Company	S.Y. Bancorp, Inc
Orrstown Financial Services, Inc.	Washington Trust Bancorp, Inc.

The analysis compared publicly available financial and market trading information for BMBC and the median data for BMBC peer group as of and for the quarter ended September 30, 2009. The table below sets forth the data for BMBC and the median data for BMBC peer group as of and for the quarter ended September 30, 2009, with pricing data as of October 30, 2009.

Comparable Group Analysis

	BMBC	Comparable Group Median Result
Total Assets *(in millions)*	$ 1,196	$ 1,828
Tangible Equity/Tangible Assets	7.74%	8.46%
Tangible Common Equity/Tangible Assets	7.74%	8.46%
Total Risk Based Capital Ratio	12.4%	13.6%
Non-performing Assets/Assets	0.71%	0.64%
Loan Loss Reserve/Gross Loans	1.16%	1.28%
Loan Loss Reserve/Non-performing Assets	149%	151%
Net Interest Margin	3.64%	3.55%
Efficiency Ratio	67.2%	61.9%
Return on Average Assets	0.75%	0.96%
Return on Average Equity	9.1%	10.3%
Price/Tangible Book Value	153%	160%
Price/52 Week High	72.3%	79.6%
Price/LTM Core Earnings per Share	16.1x	15.3x
Price/2009 Estimated Earnings per Share	13.9x	15.8x

Market Capitalization *(in millions)*	$ 140.5	$ 237.3

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Stock Trading History. Sandler O Neill reviewed the history of the publicly reported trading prices of BMBC s common stock for the one-year period ended October 30, 2009. Sandler O Neill also reviewed the relationship between the movements in the price of BMBC s common stock and the movements in the prices of the Standard & Poor s Bank Index, the NASDAQ Bank Index, and the median performance of a composite peer group of publicly traded commercial banks selected by Sandler O Neill for BMBC. The composition of the respective peer groups for BMBC is discussed under the relevant section under Comparable Group Analysis above.

During the one-year period ended October 30, 2009, BMBC s common stock outperformed the Standard & Poor s Bank Index and the NASDAQ Bank Index, and underperformed the composite peer group.

BMBC s One-Year Stock Performance

	Beginning Index Value October 30, 2008	Ending Index Value October 30, 2009
BMBC	100.00%	(13.5%)
Selected Peer Group(1)	100.00	(11.2)
S&P Bank Index	100.00	(22.2)
NASDAQ Bank Index	100.00	(27.6)

(1) Refers to the peer group outlined in the Comparable Group Analysis section above.

Net Present Value Analysis. Sandler O Neill performed an analysis that estimated the present value per share of BMBC common stock through December 31, 2013. Sandler O Neill based the analysis on BMBC s projected earnings and dividend stream. To approximate the terminal value of BMBC s common stock at December 31, 2013, Sandler O Neill applied price to last twelve month s earnings multiples of 12.0x to 20.0x and multiples of tangible book value ranging from 130% to 200%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9.5% to 12.5% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of BMBC common stock. In addition, the terminal value of BMBC s common stock at December 31, 2013 was calculated using the same range of price to last twelve month s earnings multiples (12.0x 20.0x) applied to a range of discounts and premiums to management s budget projections. The range applied to the budgeted net income was 25% under budget to 25% over budget, using a discount rate of 11.05% for the analysis.

As illustrated in the following tables, the analysis indicated an imputed range of values per share for BMBC s common stock of $16.72 to $29.39 when applying the price/earnings multiples to the matched budget, $13.96 to $22.49 when applying multiples of tangible book value to the matched budget, and $13.92 to $33.89 when applying the price/earnings multiples to the -25% / +25% budget range.

Earnings Per Share Multiples

Discount Rate	12.0x	13.6x	15.2x	16.8x	18.4x	20.0x
9.50%	$ 18.75	$ 20.88	$ 23.01	$ 25.13	$ 27.26	$ 29.39
10.00%	18.39	20.47	22.56	24.64	26.73	28.81
10.50%	18.04	20.08	22.12	24.17	26.21	28.25
11.00%	17.70	19.70	21.70	23.70	25.70	27.71
11.50%	17.36	19.32	21.29	23.25	25.21	27.17
12.00%	17.04	18.96	20.88	22.80	24.73	26.65
12.50%	16.72	18.60	20.49	22.37	24.26	26.14

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Earnings Per Share Multiples

Budget Variance	12.0x	13.6x	15.2x	16.8x	18.4x	20.0x
-25.0%	$ 13.92	$ 15.42	$ 16.91	$ 18.41	$ 19.91	$ 21.41
-20.0%	14.67	16.26	17.86	19.46	21.06	22.66
-15.0%	15.42	17.11	18.81	20.51	22.21	23.91
-10.0%	16.16	17.96	19.76	21.56	23.36	25.15
-5.0%	16.91	18.81	20.71	22.61	24.51	26.40
0.0%	17.66	19.66	21.66	23.66	25.65	27.65
5.0%	18.41	20.51	22.61	24.70	26.80	28.90
10.0%	19.16	21.36	23.56	25.75	27.95	30.15
15.0%	19.91	22.21	24.51	26.80	29.10	31.40
20.0%	20.66	23.06	25.45	27.85	30.25	32.65
25.0%	21.41	23.91	26.40	28.90	31.40	33.89

Tangible Book Value Per Share Multiples

Discount Rate	130%	144%	158%	172%	186%	200%
9.50%	$ 15.63	$ 17.00	$ 18.38	$ 19.75	$ 21.12	$ 22.49
10.00%	15.34	16.68	18.02	19.37	20.71	22.06
10.50%	15.05	16.36	17.68	19.00	20.32	21.63
11.00%	14.77	16.06	17.35	18.64	19.93	21.22
11.50%	14.49	15.76	17.02	18.29	19.55	20.82
12.00%	14.22	15.46	16.70	17.94	19.18	20.42
12.50%	13.96	15.18	16.39	17.61	18.82	20.04

Sandler O Neill performed an analysis that estimated the future stream of after-tax dividend flows of FKF through December 31, 2013, assuming FKF s projected dividend stream and that FKF performed in accordance with the 2009 net income projection and earnings per share growth rate projections for 2009 through 2013 provided by management. To approximate the terminal value of FKF s common stock at December 31, 2013, Sandler O Neill applied price to last twelve month s earnings multiples of 10.0x to 17.0x and multiples of tangible book value ranging from 70% to 150%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9.5% to 12.5% chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of FKF common stock. In addition, the terminal value of FKF s common stock at December 31, 2013 was calculated using the same range of price to last twelve month s earnings multiples (10.0x 17.0x) applied to a range of discounts and premiums to management s budget projections. The range applied to the budgeted net income was 25% under budget to 25% over budget, using a discount rate of 11.05% for the tabular analysis. As illustrated in the following tables, this analysis indicated an imputed range of values per share for FKF s common stock of $5.07 to $9.74 when applying the price/earnings multiples to the matched budget, $6.78 to $16.40 when applying multiples of tangible book value to the matched budget, and $4.03 to $11.43 when applying the price/earnings multiples to the -25% / +25% budget range.

Earnings Per Share Multiples

Discount Rate	10.0x	11.4x	12.8x	14.2x	15.6x	17.0x
9.50%	$ 5.73	$ 6.53	$ 7.33	$ 8.14	$ 8.94	$ 9.74
10.00%	5.61	6.40	7.18	7.97	8.76	9.54
10.50%	5.50	6.27	7.04	7.81	8.58	9.35
11.00%	5.39	6.14	6.90	7.65	8.41	9.16
11.50%	5.28	6.02	6.76	7.50	8.24	8.98
12.00%	5.18	5.90	6.62	7.35	8.07	8.80
12.50%	5.07	5.78	6.49	7.20	7.91	8.62

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Earnings Per Share Multiples

Budget Variance	10.0x	11.0x	12.0x	13.0x	14.0x	15.0x
-25.0%	$ 4.03	$ 4.60	$ 5.16	$ 5.73	$ 6.29	$ 6.86
-20.0%	4.30	4.90	5.51	6.11	6.71	7.31
-15.0%	4.57	5.21	5.85	6.49	7.13	7.77
-10.0%	4.84	5.52	6.20	6.87	7.55	8.23
-5.0%	5.11	5.82	6.54	7.25	7.97	8.69
0.0%	5.38	6.13	6.88	7.64	8.39	9.14
5.0%	5.65	6.44	7.23	8.02	8.81	9.60
10.0%	5.92	6.74	7.57	8.40	9.23	10.06
15.0%	6.18	7.05	7.92	8.78	9.65	10.51
20.0%	6.45	7.36	8.26	9.16	10.07	10.97
25.0%	6.72	7.66	8.60	9.55	10.49	11.43

Tangible Book Value Per Share Multiples

Discount Rate	70%	86%	102%	118%	134%	150%
9.50%	$ 7.65	$ 9.40	$ 11.15	$ 12.90	$ 14.65	$ 16.40
10.00%	7.50	9.21	10.92	12.64	14.35	16.06
10.50%	7.35	9.02	10.70	12.38	14.06	15.74
11.00%	7.20	8.84	10.49	12.13	13.78	15.42
11.50%	7.05	8.67	10.28	11.89	13.50	15.11
12.00%	6.91	8.49	10.07	11.65	13.23	14.81
12.50%	6.78	8.32	9.87	11.42	12.97	14.52

In connection with its analyses, Sandler O Neill considered and discussed with the FKF board how the present value analyses would be affected by changes in the underlying assumptions, including variations with respect to net income. Sandler O Neill noted that the discounted dividend stream and terminal value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Analysis of Selected Merger Transactions. Sandler O Neill reviewed 10 merger transactions announced from June 30, 2008 through October 30, 2009 involving nationwide banks and thrifts with announced transaction values greater than $10.0 million and transaction values less than $400.0 million and with the target s non performing assets to total assets greater than or equal to 1%. Sandler O Neill reviewed the following multiples: transaction price at announcement to last twelve months earnings per share, transaction price to stated book value, transaction price to stated tangible book value, tangible book premium to core deposits, and current market price premium. As illustrated in the following table, Sandler O Neill compared the proposed merger multiples to the median multiples of comparable transactions.

Comparable Transaction Multiples

	BMBC / FKF	Median Group Multiple
Transaction price/LTM EPS	NM	23.8x
Transaction price/Book value	102%, minimum 95%	103%
Transaction price/Tangible book value	102%, minimum 95%	115%
Tangible book premium/Core deposits	0.2%, minimum (0.5%)	1.1%
Premium to current market	55.4%, minimum 44.5%	17.5%

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Pro Forma Merger Analysis. Sandler O Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger closes in the second quarter of 2010; (2) 85.0% of FKF shares are exchanged for BMBC common stock at a fixed exchange ratio of 0.6973 and approximately 15% cash for $2.06 per share, with a minimum exchange ratio of 0.6485 and $1.92 per share in cash; (3) internal financial projections for FKF for the years ending December 31, 2009 through 2013 as prepared by senior management of FKF and discussed with senior management of BMBC and FKF; (5) financial projections for BMBC for the years ending December 31, 2009 through 2013 as discussed with senior management of BMBC; (6) accounting adjustments, including a preliminary $14.0 million credit mark against FKF s loan portfolio in aggregate, including the reversal of FKF s loan loss reserve, cost savings of 35%, or $11.7 million, fully phased in by 2011 and approximately $4.6 million in pre-tax transaction costs and expenses associated with the merger, determined by the senior management of each of BMBC and FKF.

For each of the years 2010, 2011, 2012 and 2013, Sandler O Neill compared the earnings per share of BMBC common stock to the earnings per share, as calculated in accordance with generally accepted accounting principles, of the combined company common stock using the foregoing assumptions. The following table sets forth the results of the analysis:

	GAAP Basis Accretion / (Dilution)
2011 Estimated EPS	8.06%
2012 Estimated EPS	8.55%
2013 Estimated EPS	6.90%

The analyses indicated that the merger would be accretive to BMBC s projected 2010, 2011 and 2012 earnings per share. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Sandler O Neill s Cooperation and Other Relationships with FKF and BMBC. FKF has agreed to pay Sandler O Neill a transaction fee in connection with the merger of 1.5% of the aggregate transaction value**,** of which $100,000 has been paid, and the balance of which is contingent, and payable, upon closing of the merger. FKF has also agreed to reimburse certain of Sandler O Neill reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler O Neill and its affiliates and their respective partners, directors, officer, employees, agents and controlling persons against certain expenses and liabilities, including liabilities under the securities laws.

Sandler O Neill has provided certain other investment banking services to FKF in the past and has received compensation for such services.

In the ordinary course of their respective broker and dealer businesses, Sandler O Neill may purchase securities from and sell securities to FKF and BMBC and their affiliates. Sandler O Neill may also actively trade the debt and/or equity securities of FKF or BMBC or their affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Board of Directors and Management of BMBC Following Completion of the Merger

Upon completion of the merger, the current directors and officers of BMBC are expected to continue in their current positions. At the closing of the merger, BMBC will expand and cause BMT to expand the size of each of their respective boards by one member and will appoint Mr. Donald S. Guthrie as a director on each such board in the class of directors whose terms expire at the 2011 annual meeting of shareholders of BMBC. Pursuant to the Merger Agreement, at the end of his initial term on each board, Mr. Guthrie is to be re-nominated for an additional four-year term on each of BMBC s and BMT s board, subject to the fiduciary duties of the board of directors and any applicable eligibility requirements set forth in BMBC s or BMT s amended and restated articles of incorporation or amended and restated bylaws. In the event that Mr. Guthrie is unable or unwilling to serve as a director pursuant to the terms of the merger agreement, the board of directors of FKF (or the members of the BMT advisory board (described below) after consummation of the merger) shall substitute another member of the board of directors of FKF or FKB (or the BMT advisory board if this occurs after the merger), who shall be reasonably acceptable to BMBC and BMT, to serve as a member of the BMBC and BMT boards of directors under the same terms and conditions described immediately above.

Upon the completion of the merger, BMT will also form an advisory board comprised of those members of FKF s and FKB s boards of directors immediately prior to the closing who do not become directors of BMBC and BMT.

Information about the current BMBC directors and executive officers can be found in BMBC s proxy statement dated March 17, 2009, which is incorporated by reference into this proxy statement/prospectus and information about Mr. Guthrie can be found in FKF s Annual Report on Form 10-K for the year ended September 30, 2009, which is attached to this proxy statement/prospectus as Annex B. See Where You Can Find More Information on page 85.

Public Trading Markets

BMBC common stock is listed on NASDAQ under the symbol BMTC. FKF common stock is quoted on NASDAQ under the symbol FKFS. Upon completion of the merger, FKF common stock will be delisted from NASDAQ and thereafter will be deregistered under the Exchange Act. The BMBC common stock issuable in the merger will be listed on NASDAQ.

FKF Shareholders Do Not Have Dissenters Rights in the Merger

Under Pennsylvania law, shareholders of a Pennsylvania corporation are not entitled to exercise dissenters rights with respect to a merger if shares of the corporation are listed on a national securities exchange on the record date for determining shareholders entitled to vote on the merger. Because FKF common stock is quoted on NASDAQ (and is expected to continue to be so quoted through the record date for the special meeting and completion of the merger), FKF shareholders do not have the right to exercise dissenters rights with respect to the merger. If the merger agreement and the transactions contemplated thereby are approved and the merger is completed, FKF shareholders who voted against the approval of the merger agreement and the transactions contemplated thereby will be treated the same as FKF shareholders who voted for the approval of the merger agreement and the transactions contemplated thereby and their shares will automatically be converted into the right to receive the merger consideration.

For further information as to the special meeting and the proxy solicited by FKF s board of directors for purposes of the special meeting, please see the discussion under the caption Questions and Answers About the Merger and Special Meeting and The Merger Interests of FKF s Directors and Executive Officers in the Merger, commencing on pages 1 and 46, respectively.

Regulatory Approvals Required for the Merger

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the merger and the other transactions contemplated by the merger agreement. These approvals include approval from the Board of Governors of the Federal Reserve System and the Pennsylvania Department of Banking. BMBC and FKF have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

Each of BMBC and FKF have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval

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from the Board of Governors of the Federal Reserve System, under the Federal Bank Merger Act, and the Pennsylvania Department of Banking under the Pennsylvania Banking Code of 1965, as well as various other regulatory authorities. The transaction is also subject to the non-objection of the Federal Reserve Bank of Philadelphia, because the merger involves an acquisition by a bank holding company, and the OTS because the merger involves an institution under its jurisdiction. FKF and BMBC have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals.

FKF and BMBC believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that they will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on FKF or BMBC. In connection with obtaining any required regulatory approvals, BMBC and FKF are not required to agree to any restriction or condition that would have a material adverse effect on BMBC, FKF or the resulting institution in the merger.

Neither FKF nor BMBC is aware of any material governmental approvals or actions that are required for completion of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought.

We cannot assure you that all of the regulatory approvals described above will be obtained, and, if obtained, we cannot assure you as to the date of any approvals or the absence of any litigation challenging such approvals. Likewise, we cannot assure you that the Antitrust Division of the Justice Department, the Federal Trade Commission or any state attorney general will not attempt to challenge the transactions contemplated by the merger agreement on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

Pursuant to the Bank Holding Company Act, a transaction approved by the Federal Reserve Board may not be completed until 30 days after approval is received, during which time the Antitrust Division may challenge the transactions on antitrust grounds. The commencement of an antitrust action would stay that is, suspend the effectiveness of an approval unless a court were to order specifically otherwise. With the approval of the Federal Reserve Board and the concurrence of the Antitrust Division, the waiting period may be reduced to no less than 15 days.

BMBC and FKF believe that the transactions contemplated by the merger agreement do not raise substantial antitrust or other significant regulatory concerns and that they will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on BMBC or FKF. The parties obligations to complete the transactions contemplated by the merger agreement are subject to a number of conditions, including the receipt of all required regulatory consents and approvals, unless the failure to obtain such consents and approvals would not reasonably be expected to have a material adverse effect on the combined enterprise of FKF, FKB and BMBC or materially impair the value of FKF or FKB to BMBC. We are not aware of any material governmental approvals or actions that are required for completion of the transactions other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

Dividends

The payment, timing and amount of dividends with respect to BMBC after the merger is subject to the determination of BMBC s board of directors and may change at any time. In its third quarter of fiscal 2009, BMBC declared a dividend of $0.14 per share of BMBC common stock. FKF declared no dividends in fiscal 2009. For comparison, if the merger had occurred prior to the dividend paid in BMBC s third quarter of 2009, FKF shareholders in receipt of the merger consideration (based on the per share merger consideration) would hypothetically have received a dividend in BMBC s third quarter of 2009 equivalent to $0.098 per share of FKF common stock.

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The merger agreement permits BMBC to continue to pay regular quarterly cash dividends to its shareholders prior to merger completion. Pursuant to the merger agreement, FKF and its subsidiaries may not declare or pay any dividend, other than dividends paid by any wholly owned FKF subsidiary to FKF consistent with past practice, prior to the completion of the merger. The payment, timing and amount of dividends by BMBC or FKF on their common stock in the future, either before or after the merger is completed, are subject to the determination of the respective BMBC and FKF boards of directors and depend on cash requirements, the financial condition and earnings of BMBC and FKF, legal and regulatory considerations and other factors.

For further information, please see Comparative Market Prices and Dividends on page 65 and Recent Developments on page 11.

Interests of FKF s Directors and Executive Officers in the Merger

In considering the recommendation of FKF s board of directors that you vote to approve the merger agreement and the transactions contemplated thereby, you should be aware that some of FKF s directors and executive officers have financial interests in the merger that are different from, or in addition to, those of FKF s shareholders generally. The independent members of FKF s board of directors were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that FKF s shareholders approve the merger agreement and the transactions contemplated thereby. For purposes of all of the FKF agreements and plans described below, the consummation of the transactions contemplated by the merger agreement will constitute a change in control.

Equity Compensation Awards. Upon consummation of the merger, all outstanding options to acquire shares of FKF common stock will, to the extent not already vested, fully vest (subject in certain cases to the approval or non-objection of the OTS) and be converted into an option to purchase a number of shares of BMBC common stock equal to the product (rounded down to the nearest whole share and subject to adjustment as provided in the merger agreement) of (x) the number of shares of FKF common stock subject to the FKF stock option as of immediately prior to the completion of the merger, and (y) 0.8204, at an exercise price per share of BMBC common stock (rounded up to the nearest whole cent and subject to adjustment as provided in the merger agreement) equal to (x) the exercise price per share of the FKF stock option as of immediately prior to the completion of the merger divided by (y) 0.8204.

Based on FKF equity compensation holdings as of January 8, 2010, and assuming that the merger is consummated on June 1, 2010 and that no adjustment in the merger consideration occurs, upon consummation of the merger, (1) the aggregate number of unvested FKF stock options on a converted basis (at a converted exercise price of $10.36) held by FKF s directors and executive officers that would vest is 10,501 (with such unvested options having a total in the money value of approximately $51,875 based upon the assumed closing price on June 1, 2010 that is equal to BMBC s closing price on January 19, 2010 multiplied by 0.8204).

Retention and Severance Payments. FKF proposes to pay certain officers and employees that FKF believes are essential to the management and operation of FKF retention or severance payments at the close of the merger. Under the terms of the merger agreement, FKF has agreed that such retention and severance payments in aggregate will not exceed $658,000. As a general matter, the specific officers and employees who will receive payments have not been determined. In connection with the completion of the merger, Mr. Donald S. Guthrie, the Chairman of the Board of FKF, will receive a payment of $150,000, and Ms. Carol Walsh, Senior Vice President and Corporate Secretary of FKF, will receive either $105,000, in the event the non-objection of the OTS is not received relating to Ms. Walsh s amended and restated severance agreements with FKF and FKB, or, in the event the non-objection of the OTS is received, an amount equal to one times Ms. Walsh s annual compensation (less the value of the benefits to be provided) plus one year of continued participation in all individual and group insurances or the cash equivalency of such benefits. In addition, FKF proposes to pay in the aggregate $253,000 to senior officers (senior vice president and above) and approximately $150,000 to other employees. The payments are subject to receipt of approval or non-objection of the OTS and will be accrued on the effective date of the merger.

In addition, employees of FKF and its subsidiaries, if not a party to an employment, severance or change-in-control agreement, who are terminated on or after the date of merger agreement and prior to one year after completion of the merger will be entitled to receive cash severance benefits in an amount equal to two weeks of salary for each year of service not to exceed 26 weeks.

Employee Stock Ownership Plan. FKF maintains an employee stock ownership plan (the **ESOP**). Upon completion of the merger, the ESOP will terminate and, after the payment of all outstanding loans under the ESOP, any remaining assets will be allocated to participants. To the extent a participant is not fully vested in his or her account balance in the ESOP, he or she will become fully vested upon completion of the merger. Executive officers of FKF participate in the ESOP on the same basis as all other participants.

Membership on BMBC s and BMT s Boards. Upon the successful consummation of the merger, Mr. Donald S. Guthrie will become a member of each of BMBC s and BMT s board of directors. For more information concerning the BMBC and BMT boards of directors following completion of the merger, see The Merger Board of Directors and Management of BMBC Following Completion of the Merger on page 43.

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THE AGREEMENT AND PLAN OF MERGER

The following describes certain aspects of the merger, including certain material provisions of the merger agreement. The following description of the merger agreement is subject to, and qualified in its entirety by reference to, the merger agreement, which is attached to this proxy statement/prospectus as Annex A and is incorporated by reference into this proxy statement/prospectus. We urge you to read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.

Terms of the Merger

Each of BMBC s board of directors and FKF s board of directors has approved the merger agreement, which provides for the merger of FKF into BMBC, with BMBC being the surviving corporation in the merger. Each share of FKF common stock, par value $0.01 per share, issued and outstanding immediately prior to the completion of the merger, except for shares of FKF common stock held in treasury or shares that are held under the FKF Amended and Restated 1995 Recognition and Retention Plan and Trust Agreement that are not subject to awards, will be converted into the right to receive $2.06 in cash and 0.6973 of a share of BMBC common stock, which we refer to herein as the per share merger consideration. If the number of shares of common stock of BMBC changes before the merger is completed because of a reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, or other similar change in capitalization, then a proportionate adjustment will be made to the per share merger consideration.

In addition, the per share merger consideration of 0.6973 of a share of BMBC common stock and $2.06 in cash to be received by FKF shareholders in the merger is subject to downward adjustment in the event that the amount of FKF Delinquencies, as defined in the merger agreement, exceed $10.5 million as of the month-end immediately preceding the closing date for the merger. The term FKF Delinquencies is defined generally in the merger agreement to mean all FKF loans delinquent 30 days or more, non-accruing loans, other real estate owned, troubled debt restructurings and the aggregate amount of net loans charged-off by FKF between October 1, 2008 and the month-end immediately preceding closing in excess of $2.5 million. Under the terms of the merger agreement, Administrative Delinquencies, as defined, are not included in the calculation of FKF Delinquencies. Administrative Delinquencies generally are defined in the merger agreement as loans which are current and have matured but, pursuant to the terms of the supervisory agreements which FKF and FKB previously entered into with the OTS, have not yet been extended, and loans secured by deposit accounts at FKB or marketable securities in the possession of FKB that have been properly margined at 70% or less.

Below is a tabular presentation of the potential adjustments to the merger consideration based upon the amount of FKF Delinquencies as of the month-end preceding the merger.

Amount of FKF Delinquencies as of month-end preceding closing	Adjusted amount of BMBC stock to be received for each FKF share	Adjusted per share cash consideration to be received for each FKF share
$10.5 million $12.5 million	0.6834	$ 2.02
$12.5 million $14.5 million	0.6718	$ 1.98
$14.5 million $16.5 million	0.6589	$ 1.95
$16.5 million or more	0.6485	$ 1.92

In addition, if the amount of FKF Delinquencies as of the month-end immediately preceding the closing date of the merger exceeds $16.5 million, BMBC has the right not to proceed with the merger. As of December 31, 2009 the amount of FKF Delinquencies was $12.4 million and, if December 31, 2009 were the month-end immediately preceding the closing of the merger, based on such amount of FKF Delinquencies at such date, the merger consideration to be received for each share of FKF common stock would be 0.6834 of a share of BMBC common stock and $2.02 in cash. Because the merger is not expected to close until late in the second quarter or early in the third quarter of 2010, shareholders will not know with certainty at the time of the FKF special meeting of shareholders the exact amount of merger consideration to be received.

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BMBC will not issue any fractional shares of BMBC common stock in the merger. FKF shareholders who would otherwise be entitled to a fractional share of BMBC common stock will instead receive an amount in cash, rounded to the nearest whole cent and without interest, equal to the product of (i) the fraction of a share to which such holder would otherwise have been entitled, and (ii) the average of the daily closing sales prices of a share of BMBC common stock as reported on the NASDAQ Global Market for the five consecutive trading days immediately preceding the closing date of the merger.

The BMBC articles of incorporation as in effect at the time of the merger will be the articles of incorporation of the surviving corporation (the name of the surviving corporation will be Bryn Mawr Bank Corporation), and the bylaws of BMBC, as then in effect, will be the bylaws of the surviving corporation.

Closing and Effective Time of the Merger

The merger will be completed only if all conditions to the merger discussed in this proxy statement/prospectus and set forth in the merger agreement are either satisfied or waived. See Conditions to Complete the Merger below.

The merger will become effective when articles of merger are filed with the Pennsylvania Department of State. However, we may agree to a later time for completion of the merger and specify that time in accordance with Pennsylvania law. In the merger agreement, we have agreed to cause the completion of the merger to occur no later than the fifth business day following the satisfaction or waiver of the last of the conditions specified in the merger agreement, or on another mutually agreed date. It currently is anticipated that the completion of the merger will occur late in the second quarter or early in the third quarter of 2010, but we cannot guarantee when or if the merger will be completed.

Treatment of FKF Stock Options

Under the terms of the merger agreement, upon completion of the merger, the outstanding and unexercised stock options to acquire FKF common stock will, to the extent not vested, subject in certain cases to the approval or non-objection of the OTS, fully vest and be converted automatically into stock options to acquire BMBC common stock adjusted to reflect the exchange ratio applicable to FKF stock options (which we refer to as the **option exchange ratio**) generally as follows:

- the number of shares of BMBC common stock subject to the converted FKF stock option will equal: (1) the number of shares of FKF common stock subject to the FKF stock option immediately prior to the completion of the merger, multiplied by (2) the option exchange ratio of 0.8204, rounded down to the nearest whole share and subject to adjustment as provided for in the merger agreement; and

- the exercise price per share of the converted FKF stock option will equal: (1) the exercise price per share of the FKF stock option immediately prior to the completion of the merger, divided by (2) the option exchange ratio of 0.8204, rounded up to the nearest whole cent and subject to adjustment as provided for in the merger agreement.

Conversion of Shares; Exchange of Certificates

The conversion of FKF common stock into the right to receive the merger consideration will occur automatically upon completion of the merger. As promptly as reasonably practicable after the completion of the merger, an exchange agent will exchange certificates representing shares of FKF stock for the merger consideration, without interest, to be received by holders of FKF stock in the merger pursuant to the terms of the merger agreement. BMBC will appoint The Bank of New York Mellon as exchange agent in the merger to exchange certificates for the merger consideration and perform other duties as explained in the merger agreement.

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If any BMBC shares are to be issued, or cash payment made, in a name other than that in which the FKF stock certificates surrendered in exchange for the merger consideration are registered, the person requesting the exchange must pay any transfer or other taxes required by reason of the issuance of the new BMBC shares or the payment of the cash in lieu of fractional shares in a name other than that of the registered holder of the FKF stock certificate surrendered, or must establish to the satisfaction of BMBC or the exchange agent that any such taxes have been paid or are not applicable.

Letter of Transmittal

As soon as reasonably practicable after the completion of the merger, the exchange agent will mail a letter of transmittal to those persons who were FKF shareholders immediately prior to the completion of the merger. This mailing will contain instructions on how to surrender shares of FKF stock in exchange for the merger consideration the holder is entitled to receive under the merger agreement.

If a certificate for FKF stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification.

Withholding

Each of BMBC and the exchange agent will be entitled to deduct and withhold from the consideration payable to any FKF shareholder such amounts as it is required to deduct and withhold under any federal, state, local or foreign tax law. If either of them withholds any such amounts, these amounts will be treated for all purposes of the merger as having been paid to the shareholders from whom they were withheld.

Dividends and Distributions

Until FKF shares of common stock are surrendered for exchange, any dividends or other distributions declared after the effective time with respect to BMBC common stock into which shares of FKF common stock may have been converted will accrue but will not be paid. BMBC will pay to former FKF shareholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their FKF stock certificates.

Prior to the completion of the merger, FKF and its subsidiaries may not declare or pay any dividend or distribution on its capital stock or repurchase any shares of its capital stock, other than dividends paid by any wholly owned FKF subsidiary to FKF consistent with past practice.

Representations and Warranties

The merger agreement contains customary representations and warranties of FKF and BMBC relating to their respective businesses. With the exception of certain representations that must be true and correct in all material respects, no representation or warranty will be deemed untrue or incorrect, and FKF will not be deemed to have breached any such representation or warranty, in any case, as a consequence of the existence of any fact, event or circumstance except to the extent such fact, circumstance or event, individually or in the aggregate with all other facts, events or circumstances inconsistent with the representation or warranty, has had or would be reasonably likely to have an effect that is material and adverse to the financial condition, results of operations or business of BMBC and its subsidiaries taken as a whole, or FKF and its subsidiaries taken as a whole, respectively, or does or would materially impair the ability of either FKF, on the one hand, or BMBC, on the other hand, to perform its obligations under the merger agreement on a timely basis or otherwise materially threaten or materially impede the consummation of the transactions contemplated by the merger agreement. In determining whether any such material adverse effect has occurred or is reasonably likely to occur, the parties

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will disregard effects resulting from (1) changes in laws and regulations affecting banks or thrift institutions or their holding companies generally, or interpretations thereof by courts or governmental entities, (2) changes in GAAP or regulatory accounting principles generally applicable to financial institutions and their holding companies, (3) changes after the date of the merger agreement in general economic and market conditions (including prevailing interest rates, currency exchange rates or other economic or monetary conditions) affecting banks or bank holding companies generally, (4) actions and omissions of a party (or any of its subsidiaries) taken with the prior written consent of the other party, (5) the announcement of the merger agreement and the transactions contemplated thereby, and compliance with the merger agreement on the business, financial condition or results of operations of the parties and their respective subsidiaries, including the expenses incurred by the parties in consummating the transactions contemplated by the merger agreement, (6) any modifications or changes to valuation policies and practices or restructuring charges taken pursuant to the merger agreement, in each case in accordance with GAAP, or (7) changes in national or international political or social conditions including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States. However, effects attributable to or resulting from any of the developments referred to in items (1) to (7) of the preceding sentence need not be excluded from the material adverse effect determination if such effect uniquely affects either or both of BMBC and FKF or any of their subsidiaries. The representations and warranties in the merger agreement will not survive the effective time of the merger.

Each of BMBC and FKF has made representations and warranties to the other regarding, among other things:

- corporate matters, including due organization and qualification;
- capitalization;
- power and authority to execute, deliver and perform its obligations under the merger agreement;
- required government filings and consents;
- the absence of conflicts with, or violations of, (1) organizational documents, (2) applicable law, or (3) material agreements, indentures or other instruments, in each case as a result of the merger or entry into the merger agreement;
- absence of material adverse effects;
- legal proceedings;
- compliance with applicable law;
- brokers, finders and financial advisors fees payable in connection with the merger;
- employee benefit plans;
- environmental matters;

- tax matters;
- information supplied by each party;
- investment securities and commodities;
- ownership of property;
- insurance coverage; and
- securities documents.

In addition, FKF has made other representations and warranties about itself to BMBC as to:

- its subsidiaries;

- material contracts, leases, and defaults;
- financial reports and statements and regulatory matters;
- registration obligations;
- trust accounts;
- loan portfolio;
- deposits;
- risk management instruments;
- fairness opinion;
- intellectual property;
- subordinated debentures and trust preferred securities;
- the inapplicability of state takeover laws;
- shareholder vote requirement;
- labor matters; and
- related party transactions;

and BMBC has made other representations and warranties about itself to FKF as to:

- financial statements;
- the authorization and valid issuance of the BMBC common stock to pay the merger consideration; and

BMBC not being an interested shareholder under the Pennsylvania Business Corporation Law of 1988 (Act of December 21, 1988, P.L. 1444) as amended (**PBCL**).

The representations and warranties described above and included in the merger agreement were made by each of BMBC and FKF to the other. These representations and warranties were made as of specific dates, may be subject to important qualifications and limitations agreed to by BMBC and FKF in connection with negotiating the terms of the merger agreement, and may have been included in the merger agreement for the purpose of allocating risk between BMBC and FKF rather than to establish matters as facts. The merger agreement is described in, and included as Annex A to, this proxy statement/prospectus only to provide you with information regarding its terms and conditions, and not to provide any other factual information regarding FKF, BMBC or their respective businesses. Accordingly, the representations and warranties and other provisions of the merger agreement should not be read alone, but instead should be read only in conjunction with the information provided elsewhere in this proxy statement/prospectus and in the documents incorporated by reference into this proxy statement/prospectus. See Where You Can Find More Information on page 85.

Covenants and Agreements

Each of FKF and BMBC has undertaken customary covenants that place restrictions on it and its subsidiaries until the completion of the merger.

In general, each of BMBC and FKF agreed to operate its business, only in the ordinary course of business, use reasonable efforts to preserve its business organization and assets and maintain its rights and franchises, and take no voluntary action that would (1) be reasonably likely to adversely affect the ability of the parties to obtain any regulatory approvals or other approvals of governmental entities required for the merger or bank mergers or increase the period of time necessary to obtain such approvals, (2) adversely affect its ability to perform its covenants and agreements under the merger agreement, or (3) result in any of its representations and warranties becoming untrue or any of the closing conditions not being satisfied, except, in the case of FKF, as may be required by applicable law.

FKF has agreed that, with certain exceptions and except with BMBC s prior written consent (which is not to be unreasonably withheld, delayed or conditioned), FKF will not, and will not permit any of its subsidiaries to, among other things, undertake the following actions:

- change or waive any provision of its articles of incorporation, charter or bylaws, except as required by law, appoint a new director to the board of directors, or allow dissenters rights to its shareholders as authorized by Pennsylvania law;

- change the number of authorized or issued shares of its capital stock, or issue any shares of common stock, including any shares that are held as treasury stock as of the date of the merger agreement, except upon the exercise of existing options under its option plan;

- issue or grant any right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock;

- make any grant or award under its option plans or the Amended and Restated 1995 Recognition and Retention Plan and Trust Agreement;

- split, combine or reclassify any shares of capital stock;

- declare, set aside or pay any dividend or other distribution in respect of capital stock, or, except as permitted by the merger agreement, redeem or otherwise acquire any shares of capital stock, except that (1) FKF may issue shares of FKF common stock upon the valid exercise of presently outstanding options issued under the its option plan, and (2) any subsidiary may pay dividends to its parent company (as permitted under applicable law or regulations) consistent with past practice;

- except in the ordinary course of business, enter into, amend or terminate any contract or agreement (including without limitation any settlement agreement with respect to litigation);

- subject to certain limitations, make application for the opening or closing of any, or open or close any, branch or automated banking facility;

- undertake certain actions relating to directors, officers or employee agreements, compensation, stock options and benefits plans, hiring and promotion;

- undertake certain corporate actions, such as mergers and acquisitions, or other transactions, such as sales of assets or incurrence or waivers of indebtedness except in the ordinary course of business consistent with past practice;

- change any method, practice or principle of accounting, except as may be required from time to time by GAAP (without regard to any optional early adoption date), any bank regulator responsible for regulating FKF or FKB, or FKF s independent accounting firm;

- waive, release, grant or transfer any material rights of value or modify or change any existing material agreement or indebtedness to which FKF or any FKF Subsidiary is a party;

purchase any equity securities, or purchase any debt securities other than (1) debt securities with a credit quality rating of A or better by either Standard & Poor s Ratings Services or Moody s Investors Service for corporate bonds having a face amount of not more than $1,500,000 per issue with a maximum remaining maturity of five years or less, (2) bank qualified municipal general obligation bonds issued by authorities located in the Commonwealth of Pennsylvania with a maximum remaining maturity of 15 years, a $1,500,000 aggregate limit per yearly maturity, and an underlying credit quality rating of A or better by either Standard & Poor s Ratings Services or Moody s Investors Service, and (3) any other debt security that is rated AAA by either Standard & Poor s Ratings Services or Moody s Investors Service having a face amount of not more then $1,500,000;

subject to certain limitations, issue or sell any equity or debt securities;

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subject to certain limitations and qualifications, make any new loan or other credit facility commitment (including without limitation, lines of credit and letters of credit) in an amount in excess of $750,000 for a commercial real estate loan or $250,000 for a commercial business loan, or in excess of $417,000 for a residential loan;

subject to certain limitations, enter into, renew, extend or modify any other transaction (other than a deposit transaction) with any affiliate of FKF;

enter into any futures contract, option, interest rate caps, interest rate floors, interest rate exchange agreement or other agreement or take any other action for purposes of hedging the exposure of its interest-earning assets and interest-bearing liabilities to changes in market rates of interest;

borrow any new amounts from the Federal Home Loan Bank of Pittsburgh (**FHLB**) other than overnight borrowings or borrowings with bullet maturities of not more than 6 months, increase the amount of any existing FHLB borrowings or take any actions that will result in increased FHLB stock holding requirements;

subject to certain limitations, take any action that would give rise to a right of payment to any individual under any employment agreement;

make any change in policies in existence on the date of the merger agreement with regard to: the extension of credit, or the establishment of reserves with respect to the possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; or other banking policies except as may be required by changes in applicable law or regulations or GAAP or by a bank regulator;

enter into any new line of business;

subject to certain limitations, make any capital expenditures in excess of $25,000 individually or $50,000 in the aggregate, other than pursuant to binding commitments existing on the date hereof and other than expenditures necessary to maintain existing assets in good repair;

incur any discretionary expense in excess of $25,000 individually that is not otherwise addressed by the merger agreement;

participate in any programs implemented under TARP;

materially increase or decrease above or below the average market rate offered by peer banks and savings associations located in Delaware County, Pennsylvania, the rate of interest paid on time deposits or on certificates of deposit;

undertake, enter into or renew (including by automatic renewal) any lease, contract or other commitment for its account, other than in the normal course of providing credit to customers as part of its banking business, involving a payment by FKF or FKB of more than $25,000 annually, or containing any financial commitment extending beyond November 3, 2010;

pay, discharge, settle, modify, or compromise any claim, loan, action, litigation, arbitration or proceeding, other than in the ordinary course of business consistent with past practice that does not exceed $25,000 individually or $50,000 in the aggregate, and that do not create negative precedent for other pending or potential claims; provided that FKF may charge-off through settlement, compromise or discharge up to 10% of the outstanding principal balance of any loan that is 90 or more days contractually past due;

institute any new litigation or other legal or regulatory proceedings (excluding loan foreclosure or collection actions);

foreclose upon or take a deed or title to any (i) commercial real estate or (ii) residential real estate on which the presence of materials of environmental concern could be reasonably expected, without first conducting a Phase I of the property and confirming that such Phase I does not indicate the presence of a materials of environmental concern;

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- purchase or sell any mortgage loan servicing rights;

- issue any broadly distributed communication of a general nature to employees or customers, except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the merger or other transactions contemplated by the merger agreement; or

- agree to do any of the actions prohibited by the preceding bullets.

FKF has also agreed to:

- maintain the insurance policies it had in place as of the date of the merger agreement;

- use all commercially reasonable efforts to obtain consents and approvals of certain third parties;

- allow BMBC access to its owned real estate in order to perform Phase I and Phase II environmental site assessments;

- terminate its employee stock ownership plan;

- enter into a supplemental indenture related to its outstanding fixed-rate junior subordinated deferrable interest debentures in order to evidence succession of BMBC as of the closing of the merger;

- liquidate and dissolve certain inactive subsidiaries; and

- use its best efforts to obtain confirmation from the OTS that FKF s and FKB s supervisory agreements with the OTS will be deemed terminated as of the closing of the merger.

Additionally, each individual director of FKF or FKB who will not be appointed to the board of directors of BMBC and BMT has been invited and agreed to join the BMT advisory board, and has executed a non-solicitation agreement with a two (2) year term (except in one case, six months) in a form acceptable to BMBC and BMT. See The Merger Board of Directors and Management of BMBC Following Completion of the Merger.

BMBC has agreed to:

- list the shares of BMBC common stock to be issued in the merger on NASDAQ;

- maintain sufficient liquid accounts and borrowing capacity to fulfill its obligations under the merger agreement;

- cause its own board of directors and the board of directors of BMT to expand the size of each of their respective boards by one member and appoint Mr. Donald S. Guthrie as a director on each such board (see The Merger Board of Directors and Management of BMBC Following Completion of the Merger);

- cause BMT to form an advisory board consisting of FKF s and FKB s directors;

- take the steps required to exempt under Rule 16b-3 under the Securities Exchange Act of 1934, as amended, the acquisitions of BMBC common stock by any officers or directors of FKF who become subject to Section 16(a) reporting requirements resulting from the transactions contemplated by the merger agreement; and

- take all reasonable action so that continuing employees of FKF and its subsidiaries will be entitled to the BMBC compensation and benefit plans to the same extent as similarly-situated employees of BMBC and its subsidiaries.

The merger agreement also contains mutual covenants relating to the preparation of this proxy statement/prospectus and the holding of the special meeting of FKF shareholders, access to financial statements and other information of the other company, notification to the other party of certain matters and public announcements with respect to the transactions contemplated by the merger agreement. FKF and BMBC have also agreed to use reasonable best efforts to prepare as promptly as possible all documentation, to effect all filings and to obtain all third party and governmental permits, consents, approvals and authorizations necessary to consummate the transactions contemplated by the merger agreement. BMBC and FKF will also cooperate and take all actions reasonably necessary to facilitate the integration of their respective businesses and operating systems, effective as of the completion of the transactions contemplated by the merger agreement, including by causing their respective employees and officers, and their respective outside vendors and contractors, to provide information, data and support and to assist in performing such tasks reasonably required to result in a successful integration and conversion of FKB into BMT as of the date of completion (see the following section captioned Bank Merger).

Bank Merger

BMBC and FKF have agreed to enter into a merger agreement pursuant to which FKB will merge in a two step merger process into BMT. First, FKB will be merged into Interim Bank, a newly chartered interim Pennsylvania stock savings bank, to be formed as a wholly owned subsidiary of BMBC. Second, the Interim Bank will be merged into BMT with BMT surviving the merger. The bank merger is intended to become effective after the completion of the merger of FKF into BMBC.

Reasonable Best Efforts of FKF to Obtain the Required FKF Shareholder Vote

FKF has agreed to take all actions necessary to hold a meeting of its shareholders as promptly as practicable for the purpose of obtaining FKF shareholder approval of the merger agreement and the transactions contemplated thereby. FKF s board of directors may withdraw, modify, or condition its recommendation that FKF shareholders approve the merger agreement and the transactions contemplated thereby only if FKF s board of directors determines, in good faith after consultation with its outside financial and legal advisors, that the failure to take such action would be reasonably likely to be inconsistent with its fiduciary duties to FKF s shareholders. As discussed below, additional requirements apply to any change in recommendation with respect to certain acquisition proposals. Notwithstanding the foregoing, the merger agreement requires FKF to submit the merger agreement and transactions contemplated thereby to a shareholder vote even if its board of directors no longer recommends approval of the merger agreement and the transactions contemplated thereby, in which event the board may communicate its basis for its lack of a recommendation to shareholders.

Agreement Not to Solicit Other Offers

FKF also has agreed that it will not and it will cause its subsidiaries and their respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, affiliates and other agents (referred to collectively as **representatives**) not to, directly or indirectly, initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an acquisition proposal (as described below), engage in any discussions or negotiations concerning, provide confidential information with respect to, an acquisition proposal, release any person from or waive any provisions of a confidentiality agreement or standstill agreement to which FKF is a party, or enter into or approve or resolve to enter into any agreement or letter of intent with respect to an acquisition proposal.

The restrictions apply to any **acquisition proposal**, meaning any inquiry, offer or proposal (other than the merger), whether or not in writing, relating to or that could reasonably be expected to lead to any of the following:

- any merger, consolidation, recapitalization, share exchange, liquidation, dissolution, or other similar transaction involving FKF or any of its subsidiaries;

- any sale, lease, exchange, pledge, transfer or other disposition of 15% or more of the consolidated assets of FKF and its subsidiaries;

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- any issuance, sale or other disposition of 15% or more of the votes attached to the outstanding securities of FKF or any of its subsidiaries; or
- any tender offer or exchange offer for 15% or more of any class of equity securities of FKF or any of its subsidiaries; or
- any transaction similar in form, substance or purpose to any of the actions (individually or in combination with each other) listed in the foregoing bullets.

A **superior proposal** is bona fide written proposal made by a third party to enter into any of the above listed transactions on terms that the board of directors of FKF in its good faith judgment, after consultation with and having considered the advice of outside legal counsel and its financial advisor, determines (1) would result in a person (other than pursuant to the merger agreement) becoming the beneficial owner, directly or indirectly, of all or substantially all of the assets of FKF and its subsidiaries (on a consolidated basis), or total voting power of the equity securities of FKF, (2) is reasonably likely to be consummated in accordance with its terms, (3) is not conditioned upon obtaining additional financing, and (4) taking into account the nature of the consideration being offered and any regulatory approvals or other risks associated with the timing of the proposed transaction beyond or in addition to those specifically contemplated by the merger agreement, would from a financial point of view result in a transaction more favorable to FKF s shareholders than the transactions contemplated by the merger agreement, in each case taking into account all legal, financial, regulatory and other aspects of the proposal.

Prior to the required shareholder vote being obtained and subject to FKF taking the steps and making the required determinations described below:

- FKF may provide information in response to a request from a person who makes an unsolicited acquisition proposal, subject to such person entering into a confidentiality agreement that is no less favorable to FKF than its confidentiality agreement with BMBC; and
- FKF may engage or participate in any discussions or negotiations with any person who has made such an unsolicited bona fide written acquisition proposal,

if, but only if:

- prior to taking any such action, FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes a superior proposal compared to the transactions contemplated by the merger agreement;
- FKF has provided BMBC with at least one (1) business day prior notice of such determination; and
- prior to furnishing or affording access to any information or data about the acquisition proposal, FKF or any of its subsidiaries, FKF receives a confidentiality agreement with terms no less favorable to FKF than those contained in the confidentiality agreement between BMBC and FKF.

Additionally, prior to the date of FKF s special meeting, upon the determination by FKF s board of directors that an unsolicited acquisition proposal constitutes a superior proposal, the board of directors of FKF may approve or recommend to FKF s shareholders such superior proposal and withdraw, qualify or modify its recommendation of the transactions contemplated by the merger agreement (but not terminate the merger agreement) if, prior to changing its recommendation, (1) FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that failure to change its recommendation would be reasonably likely to be inconsistent with its fiduciary duties to FKF s shareholders, (2) FKF provides BMBC notice that FKF s board of directors intends to or may change its recommendation and provides an opportunity for BMBC to make an improved proposal, and (3) FKF s board of directors determines, in good faith, after consultation with its outside legal and financial advisors, that the acquisition proposal constitutes a superior proposal compared to any such improved proposal by BMBC.

FKF s board of directors has agreed to promptly (but in no event later than 24 hours) advise BMBC, orally and in writing, of (1) the receipt by it, its subsidiaries or any representatives of any acquisition proposal, any proposals or offers in connection with any acquisition proposal, (2) any information is requested from, or any negotiations or discussions sought to be initiated or continued with, FKF, its subsidiaries or any representatives. The notice must indicate the (1) identity of the person making any such proposal or inquiry, and (2) the terms and conditions of such proposal or inquiry (whether written or oral) unless such disclosure would (A) constitute confidential information of the party making the offer or proposal under an effective confidentiality agreement, (B) jeopardize attorney-client privilege, or (C) contravene a law, rule, regulation, order, judgment or decree. FKF has also agreed to keep BMBC fully informed of the status and details of any such proposal or inquiry and any developments with respect thereto.

FKF has further agreed to, and agreed to cause all subsidiaries and representatives to, cease and cause to be terminated any and all existing discussions, negotiations, and communications with respect to any existing or potential acquisition proposal.

Expenses and Fees

Except in the event that the merger agreement is terminated under certain conditions (see The Agreement and Plan of Merger Termination of the Merger Agreement), each of BMBC and FKF will be responsible for all expenses incurred by it in connection with the negotiation and completion of the transactions contemplated by the merger agreement.

Employee Matters

Subject to certain limitations, BMBC has agreed to honor the terms of FKF s compensation and benefit plans and to take all reasonable action so that the employees of FKF and its subsidiaries who become employees of BMBC or its subsidiaries (**continuing employees**) will be entitled to participate in each of BMBC s compensation and benefit plans to the same extent as similarly-situated employees of BMBC and its subsidiaries (it being understood that inclusion of the employees of FKF and its Subsidiaries in the BMBC Compensation and Benefit Plans may occur at different times with respect to different plans and that any grants to any continuing employee under any BMBC Stock Plan shall be at the discretion of BMBC). BMBC may in its discretion continue any of the employee benefit plans, programs or arrangements of FKF or any its subsidiaries for continuing employees in lieu of offering participation in the BMBC compensation and benefit plans providing similar benefits (e.g., medical and hospitalization benefits), to terminate any of such benefit plans, or to merge any such benefit plans with the corresponding BMBC compensation and benefit plans, provided the result is the provision of benefits to continuing employees that are substantially similar to the benefits provided to the employees of BMBC and its subsidiaries generally.

In addition, BMBC has agreed, to the extent any FKF employee participates in BMBC compensation and benefit plans following the merger, to recognize each such employee s service with FKF prior to the completion of the merger for purposes of eligibility, vesting and all other purposes except for the accrual of benefits. BMBC will only recognize an employee s service with FKF prior to the completion of the merger for benefit accrual purposes with respect to calculation of BMBC vacation and other leave policies or programs, and severance benefits in accordance with BMBC s standard severance policies. Any employee of FKF or any of its subsidiaries who is not a party to an employment, consulting, change in control or severance agreement or contract providing severance payments and whose employment is terminated on or after November 3, 2009 and at or before the consummation of the merger or within twelve (12) months thereafter, will receive severance benefits in an amount equal to two weeks of salary for each year of service, subject to a maximum of 26 weeks of severance.

BMBC has agreed to waive any coverage limitations for pre-existing conditions under any BMBC health plans, to the extent such limitation would have been waived or satisfied under a corresponding FKF plan, to

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honor any deductible, co-payment and out-of-pocket expenses incurred by the employees and their dependents under the health plans of FKF and its subsidiaries during the portion of the plan year prior to participation in the corresponding health plan of BMBC and its subsidiaries, and to waive any waiting period limitation or evidence of insurability requirement which would otherwise be applicable to the continuing employees and their dependents on or after the consummation of the merger, in each case to the extent such employee or dependent had satisfied any similar limitation or requirement under an analogous health plan of FKF or its subsidiaries prior to the merger.

However, BMBC has no obligation to continue the employment of any FKF employee for any period following the merger and may review, amend, convert, discontinue or otherwise change its employee benefit programs from time to time as it deems appropriate.

Retention Bonuses

BMBC and FKF have agreed that retention bonuses will be paid to certain FKF officers, directors and employees in an amount not to exceed $658,000 so long as such persons remain employed by or provide services to FKF or FKB as of the completion of the merger. Other than with respect to the payments to Mr. Donald S. Guthrie and Ms. Carol Walsh, the specific recipients of such retention bonuses have not been determined. See The Merger Interests of FKF s Directors and Executive Officers in the Merger Retention and Severance Payments.

Indemnification and Insurance

The merger agreement requires BMBC to indemnify and advance expenses to present and former directors and officers of FKF and its subsidiaries (and such future directors and officers who become directors or officers prior to the consummation of the merger) against all losses, claims, damages, costs, expenses (including attorney s fees), liabilities or judgments or amounts that are paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation (each, a **claim**) arising out of the fact that such person is or was a director or officer of FKF or an FKF subsidiary if it pertains to any matter of fact arising, existing or occurring at or before the consummation of the merger and the transactions contemplated by the merger agreement, regardless of when such claim is asserted, to the extent provided under FKF s amended and restated articles of incorporation or amended and restated bylaws, or the equivalent governing documents of any FKF subsidiary, in effect on the date of the merger agreement.

The merger agreement also provides that, for a period of three years after completion of the merger, BMBC will use its reasonable best efforts to provide directors and officers liability insurance to reimburse current and former directors and officers with respect to claims arising at or prior to the completion of the merger. The insurance will contain at least the same coverage and amounts and contain terms and conditions that are not less advantageous than the current coverage provided by FKF, except that BMBC is not required to incur annual premium expense greater than 150% of FKF s current annual directors and officers liability insurance premium.

Conditions to Complete the Merger

BMBC s and FKF s respective obligations to complete the merger are subject to the fulfillment or waiver of certain conditions, including:

- the approval of the merger agreement and the transactions contemplated thereby by the requisite vote of FKF shareholders;

- the receipt of all regulatory consents and approvals required in connection with the merger of FKF into BMBC and the merger of FKB into the Interim Bank, and the Interim Bank into BMT, which we refer to collectively as the bank merger (in each case unless the failure to obtain such consents and approvals would not reasonably be expected to have a material adverse effect on the combined enterprise of FKF, FKB and BMBC or materially impair the value of FKF or FKB to BMBC);

- the receipt by each of BMBC and FKF of a legal opinion with respect to certain United States federal income tax consequences of the merger;
- the absence of any law, statute, rule, regulation, order, decree, injunction or other order by any court or other governmental entity, which enjoins or prohibits completion of the transactions contemplated by the merger agreement;
- the effectiveness of the registration statement of which this proxy statement/prospectus is a part with respect to the BMBC common stock to be issued in the merger under the Securities Act and the absence of any stop order or proceedings initiated or threatened by the SEC or any applicable state securities commissioner for that purpose;
- the authorization for listing on the NASDAQ of the shares of BMBC common stock to be issued in the merger;
- the amount of FKF Delinquencies, as defined, do not exceed $16.5 million;
- FKF and FKB meeting certain requirements relating to risk-based capital and environmental testing as more fully described in the merger agreement;
- the truth and correctness of the representations and warranties of each other party in the merger agreement, subject to the materiality standards provided in the merger agreement; and
- the performance by each party in all material respects of their obligations under the merger agreement and the receipt by each party of certificates from the other party to that effect.

We cannot provide assurance as to when or if all of the conditions to the merger can or will be satisfied or waived by the appropriate party. As of the date of this proxy statement/prospectus, we have no reason to believe that any of these conditions will not be satisfied.

Termination of the Merger Agreement

The merger agreement can be terminated at any time prior to completion by mutual consent, if authorized by each of the BMBC and FKF boards of directors, or by either party in the following circumstances:

- if the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, unless the breach is capable of being cured by July 31, 2010, and is cured within 30 days of notice of the breach;
- if the merger has not been completed by July 31, 2010, unless the failure to complete the merger by that date is due to the breach of the merger agreement by the party seeking to terminate the merger agreement;
- if the FKF shareholders fail to approve the merger agreement and the transactions contemplated thereby at the special meeting; or
- if there is any final, non-appealable order permanently enjoining or prohibiting the completion of the merger or any consent, registration, approval, permit or authorization is denied such that the regulatory approval condition to the merger cannot be satisfied

as of the closing date.

In addition, BMBC may terminate the merger agreement if FKF s board of directors (1) submits the merger agreement to shareholders without a recommendation for approval, or otherwise withdraws or modifies its recommendation in any manner adverse to BMBC, (2) enters into an acquisition agreement with respect to an acquisition proposal determined to be a superior proposal compared to the transactions contemplated by the merger agreement, or (3) terminates the merger agreement. BMBC may also terminate the merger agreement if FKF fails to substantially comply with its obligations with respect to acquisition proposals.

FKF may terminate the merger agreement if FKF has received an acquisition proposal determined to be a superior proposal compared to the transactions contemplated by the merger agreement, and FKF s board of directors has made a determination, in accordance with the merger agreement, to accept such superior proposal.

If the merger agreement is terminated, it will become void, and there will be no liability on the part of BMBC or FKF, except that (1) in the event of willful breach of the merger agreement, the breaching party will remain liable for any damages, costs and expenses, including without limitation, reasonable attorneys fees incurred by the non-breaching party in connection with the enforcement of its rights under the merger agreement, and (2) designated provisions of the merger agreement, including the payment of fees and expenses and the confidential treatment of information, will survive the termination.

Termination Fee

FKF will pay BMBC a $1.675 million termination fee if:

- an acquisition proposal has been made or proposed to FKF and (1) BMBC terminates the merger agreement either because (A) FKF s board of directors withdraws or changes its recommendation in any manner adverse to BMBC, or (B) FKF enters into an acquisition agreement with respect to a superior proposal, or (2) FKF terminates the merger agreement because its board of directors has made a determination, in accordance with the merger agreement, to accept a superior proposal; or

- FKF enters into a definitive agreement relating to an acquisition proposal within twelve (12) months after the occurrence of any of the following: (1) the termination of the merger agreement by BMBC due to FKF s willful breach, subject to the materiality standards provided in the merger agreement, of its representations, warranties, covenants or agreements under the merger agreement; or (2) the failure of FKF s shareholders to approve the merger agreement after the public disclosure or public awareness of an acquisition proposal.

Amendment, Waiver and Extension of the Merger Agreement

Subject to applicable law, at any time prior to the completion of the merger, the parties may, in writing, amend the merger agreement, extend the time for performance of any obligations of the other party in the merger agreement, waive any inaccuracies in the representations and warranties of the other party, or waive compliance with any agreements or conditions to that party s obligation to complete the merger; *provided, however,* that after any approval by FKF s shareholders of the merger agreement and the transactions contemplated thereby, no amendment may be made without the approval of such shareholders which would reduce the amount or value or change the form of the merger consideration.

ACCOUNTING TREATMENT

The merger will be accounted for as a business combination, as that term is used under GAAP, for accounting and financial reporting purposes, with BMBC treated as the acquiror. Under the acquisition method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of FKF as of the effective time of the merger will be recorded at their respective fair values and added to those of BMBC. Any excess of purchase price over the fair values of net identifiable, tangible and intangible assets and liabilities is recorded as goodwill. Consolidated financial statements of BMBC issued after the merger would reflect these fair values and would not be restated retroactively to reflect the historical financial position or results of operations of FKF.

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UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following discussion addresses the material United States federal income tax consequences of the merger to an FKF shareholder who holds shares of FKF common stock as a capital asset. This discussion is based upon the Internal Revenue Code. Treasury regulations promulgated under the Internal Revenue Code, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change (possibly with retroactive effect) and to differing interpretations. This discussion does not address all aspects of United States federal income taxation that may be relevant to FKF shareholders in light of their particular circumstances and does not address aspects of United States federal income taxation that may be applicable to FKF shareholders subject to special treatment under the Internal Revenue Code (including banks, tax-exempt organizations, insurance companies, dealers in securities, traders in securities that elect to use a mark-to-market method of accounting, investors in pass-through entities, FKF shareholders who hold their shares of FKF common stock as part of a hedge, straddle or conversion transaction, FKF shareholders who acquired their shares of FKF common stock pursuant to the exercise of employee stock options or otherwise as compensation, FKF directors, officers and employees that hold options to acquire FKF common stock, and FKF shareholders who are not United States persons as defined in section 7701(a)(30) of the Internal Revenue Code). In addition, the discussion does not address any aspect of state, local or foreign taxation. No assurance can be given that the IRS would not assert, or that a court would not sustain a position contrary to any of the tax aspects set forth below.

The closing of the merger is conditioned upon the receipt by each of BMBC and FKF of legal opinions each dated as of the effective date of the merger, substantially to the effect that, on the basis of facts, representations and assumptions set forth or referred to in that opinion (including factual representations contained in certificates of officers of FKF and BMBC) which are consistent with the state of facts existing as of the effective date of the merger, the merger constitutes a reorganization under Section 368(a) of the Internal Revenue Code.

FKF shareholders are urged to consult their tax advisors with respect to the particular United States federal, state, local and foreign tax consequences of the merger to them.

The tax opinions to be delivered in connection with the merger are not binding on the IRS or the courts, and neither FKF nor BMBC intends to request a ruling from the IRS with respect to the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the IRS will not assert, or that a court would not sustain, a position contrary to any of those set forth below. In addition, if any of the facts, representations or assumptions upon which the opinions are based is inconsistent with the actual facts, the United States federal income tax consequences of the merger could be adversely affected.

Effect of Merger on Exchange of FKF Common Stock for BMBC Common Stock and Cash

Based on representations contained in representation letters provided by BMBC and FKF and on certain customary factual assumptions, all of which must continue to be true and accurate in all material respects as of the effective time of the merger, it is the opinion of Stradley Ronon Stevens & Young, LLP, counsel to BMBC, and Elias, Matz, Tiernan & Herrick L.L.P., counsel to FKF, that the material United States federal income tax consequences of the merger, under currently applicable law, are as follows:

- The merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

- An FKF shareholder generally will recognize gain (but not loss) in an amount equal to the lesser of (i) the amount of gain realized (i.e., the excess of the sum of the amount of cash and the fair market value of the BMBC common stock received pursuant to the merger over such shareholder s adjusted tax basis in the shares of FKF common stock surrendered) and (ii) the amount of cash received pursuant to the merger.

- The aggregate tax basis of BMBC common stock received by an FKF shareholder will be equal to the aggregate adjusted tax basis of the shares of FKF common stock surrendered for BMBC common stock and cash, reduced by the amount of cash received by the FKF shareholder pursuant to the merger, and increased by the amount of gain (including any portion of the gain that is treated as a dividend as described below), if any, recognized by the FKF shareholder on the exchange.

The holding period of the BMBC common stock will include the holding period of the shares of FKF common stock surrendered, provided the FKF common stock surrendered is held as a capital asset at the time of the exchange.

For this purpose, gain or loss must be calculated separately for each identifiable block of shares surrendered in the exchange, and loss realized on one block of shares may not be used to offset gain realized on another block of shares. Any recognized gain generally will be long-term capital gain if the FKF shareholder s holding period with respect to the FKF common stock surrendered is more than one year. If, however, the cash received has the effect of the distribution of a dividend (see discussion below), the cash received will be treated as a dividend to the extent of the FKF shareholder s ratable share of accumulated earnings and profits as calculated for United States federal income tax purposes. If an FKF shareholder has more than one basis or holding period in respect of his or her shares of FKF common stock, such shareholder should consult his or her tax advisor prior to the exchange with regard to identifying the bases or holding periods of the particular shares of BMBC common stock received in the exchange.

Possible Treatment of Cash as a Dividend

In general, the determination of whether the gain recognized in the exchange will be treated as capital gain or has the effect of a distribution of a dividend depends upon whether and to what extent the exchange reduces the FKF shareholder s deemed percentage stock ownership of BMBC. For purposes of this determination, FKF shareholders will be treated as if they first exchanged all of their shares of FKF common stock solely for BMBC common stock and then BMBC immediately redeemed (the **deemed redemption**) a portion of the BMBC common stock in exchange for the cash actually received. The gain recognized in the exchange followed by a deemed redemption will be treated as capital gain if (i) the deemed redemption is substantially disproportionate with respect to the FKF shareholder (and the shareholder actually or constructively owns after the deemed redemption less than 50% of the total combined voting power of the outstanding BMBC common stock) or (ii) the deemed redemption is not essentially equivalent to a dividend.

The deemed redemption generally will be substantially disproportionate with respect to an FKF shareholder if the percentage described in (b) below is less than 80% of the percentage described in (a) below. In general, the determination requires a comparison of (a) the percentage of the outstanding stock of BMBC that the shareholder is deemed actually and constructively to have owned immediately before the deemed redemption and (b) the percentage of the outstanding stock of BMBC that is actually and constructively owned by the shareholder immediately after the deemed redemption. In applying the above tests, an FKF shareholder may, under the constructive ownership rules, be deemed to own stock that is owned by other persons or otherwise in addition to the stock actually owned by the shareholder. Based on the value of the merger consideration, number of shares of FKF and BMBC common stock outstanding and share price of BMBC common stock as of the date of this prospectus/proxy statement, it does not appear that the deemed redemption with respect to the cash portion of the merger consideration would be substantially disproportionate.

Whether the deemed redemption is not essentially equivalent to a dividend with respect to an FKF shareholder will depend upon the shareholder s particular circumstances. In order for the deemed redemption to be not essentially equivalent to a dividend, the deemed redemption must generally result in a meaningful reduction in the shareholder s deemed percentage stock ownership of BMBC. The IRS has ruled that a minority shareholder in a publicly held corporation whose relative stock interest is minimal and who exercises no control with respect to corporate affairs is considered to have a meaningful reduction if the shareholder has a relatively minor reduction in such shareholder s percentage stock ownership under the above analysis.

As these rules are complex and dependent upon an FKF shareholder s specific circumstances, each shareholder that may be subject to these rules should consult his or her tax advisor.

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Cash Received Instead of Fractional Shares

Cash received by an FKF shareholder instead of a fractional share of BMBC common stock generally will be treated as received in exchange for the fractional share, and gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the portion of the shareholder s aggregate adjusted tax basis of the shares of FKF common stock surrendered that is allocable to the fractional share. The gain or loss generally will be long-term capital gain or loss if the holding period for the shares of FKF common stock is more than one year.

Backup Withholding

The receipt of cash by an FKF shareholder in exchange for surrendering shares of FKF common stock could result in the shareholder being subject to backup withholding at a rate of 28% if the shareholder is a non-corporate United States person and (i) fails to provide an accurate taxpayer identification number; (ii) is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns, or (iii) in certain circumstances, fails to comply with applicable certification requirements. Amounts withheld under the backup withholding rules will be allowed as a refund or credit against a shareholder s United States federal income tax liability provided that the shareholder furnishes the required information to the IRS.

Holders of Options to Purchase FKF Shares

Holders of FKF stock options should discuss with their tax advisors the tax results of each course of action available to them.

This discussion is not intended to be a complete analysis or description of all potential United States federal income tax consequences of the merger. In addition this discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. It also does not address any federal estate tax or state, local or foreign tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to an FKF shareholder will depend upon the facts of his or her particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular tax consequences to you of the merger, as well as to any later sale of shares of BMBC common stock received by you in the merger.

Limitations on Net Operating Loss Carryforwards

Subject to special rules that may apply to banks and to certain losses incurred in a tax year ending between December 31, 2007 and January 1, 2010, net operating losses can generally be carried back two (2) years and carried forward to each of the twenty (20) years succeeding the loss year to offset taxable income. However, the amount of taxable income that may be offset may be subject to a Section 382 limitation (**Section 382 limitation**) if, as of any testing date, there is an ownership change of more than 50 percent during a 3-year look-back period. The merger will result in an ownership change in the case of FKF. The Section 382 limitation generally would equal the aggregate fair market value of FKF s stock on the testing date multiplied by the long-term tax-exempt rate for ownership changes during the month in which the change of ownership occurs, with certain adjustments. In addition, the Section 382 limitation could also apply to BMBC if the merger, along with other ownership changes of BMBC, result in a more than 50% ownership change during the 3-year look-back period. Whether any such Section 382 limitation would be material depends on the existence of any net operating losses and other facts on the date of the merger.

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COMPARATIVE MARKET PRICES AND DIVIDENDS

BMBC

BMBC common stock is traded on NASDAQ under the symbol BMTC. The following table sets forth the high and low reported intra-day sales prices as reported by NASDAQ per share of BMBC common stock for the periods indicated and the cash dividends declared per share.

FKF

FKF common stock is traded on NASDAQ under the symbol FKFS. The following table sets forth the high and low reported intra-day sales prices as reported by NASDAQ per share of FKF common stock for the periods indicated. No cash dividends were declared by FKF during fiscal years 2008 and 2009.

	Bryn Mawr Bank Corporation (BMTC)			First Keystone Financial, Inc. (FKFS)		
Quarter ended	**High**	**Low**	**Dividend Declared**	**High**	**Low**	**Dividend Declared**
December 31, 2009	$ 17.55	$ 14.49	$ 0.14	$ 12.24	$ 8.85	N/A
September 30, 2009	19.05	17.23	0.14	10.49	8.16	N/A
June 30, 2009	21.22	16.28	0.14	9.25	6.50	N/A
March 31, 2009	20.99	12.50	0.14	7.86	6.30	N/A
December 31, 2008	$ 24.99	$ 15.50	$ 0.14	$ 10.25	$ 7.00	N/A
September 30, 2008	28.21	16.35	0.14	10.79	7.73	N/A
June 30, 2008	22.49	17.05	0.13	10.54	8.11	N/A
March 31, 2008	23.81	19.00	0.13	13.90	8.50	N/A

On October 30, 2009, the trading day on which the per share merger consideration was calculated, the high and low sales prices of shares of BMBC common stock as reported on NASDAQ were $16.45 and $15.95, respectively. On November 2, 2009, the last full trading day before the public announcement of the merger agreement, the high and low sales prices of shares of BMBC common stock as reported on NASDAQ were $16.60 and $16.07, respectively. On January 19, 2010, the last practicable trading day before the date of this proxy statement/prospectus, the high and low sale prices of shares of BMBC common stock as reported on NASDAQ were $15.49 and $15.04, respectively.

On October 30, 2009, the trading day on which the per share merger consideration was calculated, the high and low sales prices of shares of FKF common stock as reported on NASDAQ were $8.85 and $8.85, respectively. On November 2, 2009, the last full trading day before the public announcement of the merger agreement, the high and low sales prices of shares of FKF common stock as reported on NASDAQ were $8.85 and $8.85, respectively. On January 19, 2010, the last practicable trading day before the date of this proxy statement/prospectus, the high and low sale prices of shares of FKF common stock as reported on NASDAQ were $11.90 and $11.82, respectively.

As of the record date, the last date prior to printing this proxy statement/prospectus for which it was practicable to obtain this information, there were approximately 290 registered holders of BMBC common stock and approximately 369 registered holders of FKF common stock.

Past price performance is not necessarily indicative of likely future performance. Because market prices of BMBC and FKF common stock will fluctuate, you are urged to obtain current market prices for shares of BMBC and FKF common stock. The market price of BMBC common stock and FKF common stock will fluctuate between the date of this proxy statement/prospectus and the effective date of the merger. No assurance can be given concerning the market price of BMBC common stock or FKF common stock before or after the effective date of the merger. BMBC may repurchase shares of its common stock in accordance with applicable legal

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guidelines. The actual amount of shares repurchased will depend on various factors, including: market conditions; legal limitations and considerations affecting the amount and timing of repurchase activity; the company s capital position; internal capital generation; and alternative potential investment opportunities. Federal law prohibits BMBC from purchasing shares of its common stock from the date this proxy statement/prospectus is first disseminated to shareholders until completion of the special meeting of FKF shareholders.

BMBC s timing, payment and amount of dividends (when, as and if declared by BMBC s board of directors out of funds legally available) remains subject to determination by BMBC s board of directors. BMBC has previously paid regular quarterly cash dividends of $0.14 per share. In the ordinary course of business, BMBC is dependent upon dividends from BMT to provide funds for the payment of dividends to shareholders and to provide for other cash requirements. Banking regulations may limit the amount of dividends that may be paid. Approval by regulatory authorities is required if the effect of dividends declared would cause the regulatory capital of BMT to fall below specified minimum levels. Approval is also required if dividends declared exceed the net profits for that year combined with the retained net profits for the preceding two years. Under Federal Reserve Board regulations, the Federal Reserve Board has the authority to prohibit bank holding companies from engaging in activities that the Federal Reserve Board considers unsafe or unsound banking practices. Under certain circumstances, the Federal Reserve Board may take the position that payment of dividends by BMBC would constitute an unsafe or unsound banking practice in light of its financial condition. Under Federal Reserve Board policies, a bank holding company should pay cash dividends on its common stock only out of income available over the past year and should not pay cash dividends if such payment would undermine its ability to serve as a source of strength to its banking subsidiaries. BMBC s ability to pay cash dividends is further limited by its obligation to maintain adequate levels of capital in accordance with the Federal Reserve Board s capital adequacy guidelines.

Pursuant to the merger agreement, FKF and its subsidiaries may not declare or pay any dividend, other than dividends paid by any wholly owned FKF subsidiary to FKF consistent with past practice, prior to the completion of the merger.

The payment, timing and amount of dividends by BMBC or FKF on their common stock in the future, either before or after the merger is completed, are subject to the determination of each company s respective board of directors and depend on cash requirements, contractual restrictions, its financial condition and earnings, legal and regulatory considerations and other factors. See Recent Developments on page 11 for more information concerning dividends.

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INFORMATION ABOUT BMBC AND FKF

BMBC

BMBC is a Pennsylvania corporation incorporated in 1986 and registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. BMBC is the sole stockholder of BMT, a Pennsylvania chartered bank. As of September 30, 2009, BMBC and its subsidiaries had consolidated total assets of $1.2 billion, deposits of $899 million and stockholders equity of $132 million. As of December 31, 2008, BMBC and its subsidiaries had 237 full-time and 29 part-time employees, equaling 252 full-time equivalent staff.

BMT is BMBC s sole bank subsidiary. BMT operates primarily in the greater Philadelphia region including in Montgomery, Delaware and Chester counties and is engaged in commercial and retail banking business, providing basic banking services, including the acceptance of demand, time and savings deposits and the making of commercial, real estate and consumer loans and other extensions of credit including leases. BMT also provides a full range of wealth management services including trust administration and other related fiduciary services, custody services, investment management and advisory services, employee benefit account and IRA administration, estate settlement, tax services, financial planning and brokerage services.

BMBC regularly evaluates merger and acquisition opportunities and conducts due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur. Acquisitions may involve the payment of a premium over book and market value, and, therefore, some dilution of BMBC s tangible book value and net income per common share may occur in connection with any future transaction.

BMBC s principal executive offices are located at 801 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010.

FKF

FKF is a Pennsylvania corporation incorporated in September 1989 and is registered as a savings and loan holding company under the Home Owners Loan Act, as amended. FKF is the sole stockholder of FKB, a federally chartered stock savings bank. As of September 30, 2009, FKF and its subsidiaries had consolidated total assets of $528.4 million, deposits of $347.1 million and stockholders equity of $33.6 million. FKF and its subsidiaries had 88 full-time and 13 part-time employees as of September 30, 2009.

FKB s primary business is attracting deposits from the general public and using those funds together with other available sources of funds, primarily borrowings, to originate loans. FKB operates in the primary market areas of Delaware and Chester counties in Pennsylvania.

FKF s principal executive offices are located at 22 West State Street, Media, Pennsylvania 19063.

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DESCRIPTION OF BMBC CAPITAL STOCK

As a result of the merger, FKF shareholders who receive shares of BMBC common stock in the merger will become shareholders of BMBC. Your rights as shareholders of BMBC will be governed by Pennsylvania law and the amended and restated articles of incorporation and amended and restated bylaws of BMBC. The following description of the material terms of BMBC s common stock to be issued in the merger, reflects the anticipated state of affairs upon completion of the merger. We urge you to read the applicable provisions of Pennsylvania law, BMBC s amended and restated articles of incorporation and amended and restated bylaws, and federal law governing bank holding companies carefully and in their entirety.

Authorized Common Stock

As of December 14, 2009, BMBC s authorized common stock, $1.00 stated value per share, was 100,000,000 shares, of which 8,785,266 shares were issued and outstanding. Shares of BMBC s common stock to be issued pursuant to the merger agreement, when issued in accordance with the terms of the merger agreement, will be duly authorized, validly issued, fully paid and nonassessable and subject to no preemptive rights.

General

The holders of BMBC s common stock are entitled to:

- one vote for each share of common stock held;
- receive dividends if and when declared by BMBC s board of directors from BMBC s unreserved and unrestricted earned surplus or BMBC s unreserved and unrestricted net earnings for the current fiscal year; and
- share ratably in BMBC s net assets legally available to BMBC s shareholders in the event of BMBC s liquidation, dissolution or winding up, after payment in full of all amounts required to be paid to creditors and preferred shareholders, if any, or provision for such payment.

BMBC common stock is neither redeemable nor convertible into another security of BMBC. Because BMBC is a holding company, BMBC s rights and the rights of BMBC s creditors and shareholders to participate in the distribution of assets of a subsidiary on its liquidation or recapitalization may be subject to prior claims of the subsidiary s creditors, except to the extent that the Corporation itself may be a creditor having recognized claims against the subsidiary.

Holders of BMBC s common stock have no preemptive, subscription, redemption, conversion or cumulative voting rights. BMBC s outstanding common stock is fully paid and nonassessable.

BMBC s common stock is listed on the NASDAQ Global Market under the symbol BMTC. The transfer agent for BMBC s common stock is BNY Mellon Shareholder Services, 480 Washington Blvd., Newport Office Center VII, Jersey City, New Jersey 07310.

BMBC s board of directors consists of nine directors divided into four classes. The directors in the divided classes each serve staggered four-year terms unless selected to fill a vacancy (in which case, such director serves for a term expiring with the next annual meeting of shareholders), and until their successors are elected and take office.

Anti-Takeover Provisions and Other Shareholder Protections

On November 18, 2003, BMBC adopted a Rights Agreement (**Rights Agreement**) for its shareholders designed to protect the rights of the shareholders and discourage unwanted or hostile takeover attempts that are not approved by BMBC s board of directors. The Rights Agreement allows holders of BMBC s common stock to purchase shares in either BMBC or an acquirer of BMBC at a discount to market value in response to specified takeover events that are not approved in advance by BMBC s board of directors.

The Rights. On November 18, 2003, BMBC s board of directors declared a dividend of a right to acquire one one-fourths (1/4) of a share of BMBC s common stock for each share of BMBC s common stock outstanding. The rights currently trade with and are inseparable from BMBC s common stock.

Exercise Price. Each right allows its holder to purchase from BMBC one one-fourths (1/4) of a share of its common stock for $22.50, subject to adjustment pursuant to the Rights Agreement.

Exercisability. The rights will not be exercisable until the earlier of:

Ten business days (or such later date as may be determined by BMBC s board of directors and publicly announced by BMBC) after a public announcement by BMBC that a person or group, has obtained beneficial ownership of 20% or more of BMBC s outstanding common stock; or

Ten business days (or such later date as may be determined by BMBC s board of directors and publicly announced by BMBC) after a person or group begins a tender or exchange offer that, if completed, would result in that person or group becoming the beneficial owner of 20% or more of BMBC s outstanding common stock.

The date when the rights become exercisable is referred to in the Rights Agreement as the distribution date. After that date, the rights will be evidenced by rights certificates that BMBC will mail to all eligible holders of its common stock. A person or a member of the group that has obtained beneficial ownership of 20% or more of BMBC s outstanding common stock may not exercise any rights even after the distribution date.

Consequences of A Person or Group Becoming an Acquiring Person. A person or group that acquires beneficial ownership of 20% or more of BMBC s outstanding common stock is called an acquiring person.

Flip-In. When BMBC publicly announces that a person has acquired 20% or more of its outstanding common stock, BMBC can allow for rights holders, other than acquiring persons, to buy $45.00 worth of its common stock for $22.50 (the foregoing numbers are for example only; the actual purchase price will be contingent upon the then-current market value of the stock to be purchased upon exercise of the rights, and the exercise price set forth on the rights certificates issued). This is called a flip-in. Alternatively, BMBC may elect to exchange one share of its common stock for each right, other than rights owned by acquiring persons, thus terminating the rights.

Flip Over. If after a person or group becomes an acquiring person, BMBC merges or consolidates with another entity or 50% or more of BMBC s consolidated assets or earning power is sold to another entity, all holders of rights, other than acquiring persons, may purchase shares of such entity at 50% of their market value.

BMBC s board of directors may elect to terminate the rights at any time before a flip-in occurs. Otherwise, the rights are currently scheduled to terminate in 2013.

The rights will not prevent a takeover of BMBC. However, the rights may cause a substantial dilution to a person or group that acquires 20% or more of BMBC s common stock, unless the board of directors first terminates the rights. Nevertheless, the rights should not interfere with a transaction that is in BMBC s and its shareholders best interest because the rights can be terminated by the board of directors before the transaction is completed.

The complete terms of the rights are contained in the Rights Agreement. The foregoing description of the rights and the Rights Agreement is qualified in its entirety by reference to the Rights Agreement.

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Pennsylvania Law Considerations. The PBCL also contains certain provisions applicable to BMBC that may have the effect of deterring or discouraging an attempt to take control of BMBC. These provisions, among other things:

- require that, following any acquisition by any person or group of 20% of a public corporation s voting power, the remaining shareholders have the right to receive payment for their shares, in cash, from such person or group in an amount equal to the fair value of the shares, including an increment representing a proportion of any value payable for control of the corporation (Subchapter 25E of the PBCL);

- prohibit for five years, subject to certain exceptions, a business combination (which includes a merger or consolidation of the corporation or a sale, lease or exchange of assets) with a person or group beneficially owning 20% or more of a public corporation s voting power (Subchapter 25F of the PBCL);

- expand the factors and groups (including shareholders) which a corporation s board of directors can consider in determining whether an action is in the best interests of the corporation;

- eliminates the preemptive right to subscribe to purchase, on a pro rata basis, additional shares of stock issued or sold by the corporation, unless provided for in the corporation s articles of incorporation;

- provide that a corporation s board of directors need not consider the interests of any particular group as dominant or controlling;

- provide that a corporation s directors, in order to satisfy the presumption that they have acted in the best interests of the corporation, need not satisfy any greater obligation or higher burden of proof with respect to actions relating to an acquisition or potential acquisition of control;

- provide that actions relating to acquisitions of control that are approved by a majority of disinterested directors are presumed to satisfy the directors standard, unless it is proven by clear and convincing evidence that the directors did not assent to such action in good faith after reasonable investigation; and

- provide that the fiduciary duty of a corporation s directors is solely to the corporation and may be enforced by the corporation or by a shareholder in a derivative action, but not by a shareholder directly.

The PBCL explicitly provides that the fiduciary duty of directors does not require them to:

- redeem any rights under, or to modify or render inapplicable, any shareholder rights plan;

- render inapplicable, or make determinations under, provisions of the PBCL relating to control transactions, business combinations, control-share acquisitions or disgorgement by certain controlling shareholders following attempts to acquire control; or

- act as the board of directors, a committee of the board or an individual director, solely because of the effect such action might have on an acquisition or potential acquisition of control of BMBC or the consideration that might be offered or paid to shareholders in such an acquisition.

For more information regarding the rights of holders of BMBC common stock, please see the description captioned Comparison of BMBC and FKF Shareholder Rights, commencing below.

COMPARISON OF BMBC AND FKF SHAREHOLDER RIGHTS

The rights of BMBC shareholders are governed by the PBCL, and BMBC s amended and restated articles of incorporation, amended and restated bylaws and BMBC s Rights Agreement. The rights of FKF shareholders are governed by the PBCL, and FKF s amended and restated articles of incorporation and amended and restated bylaws. After the merger, the rights of FKF s shareholders that receive BMBC shares will be governed by the PBCL and BMBC s amended and restated articles of incorporation and amended and restated bylaws. The following discussion summarizes the material differences between the rights of FKF shareholders and the rights of BMBC s shareholders. We urge you to read BMBC s amended and restated articles of incorporation and amended and restated bylaws, BMBC s Rights Agreement, FKF s amended and restated articles of incorporation and amended and restated bylaws, the PBCL, and federal law governing bank and savings and loan holding companies carefully and in their entirety.

Authorized Capital Stock

BMBC. BMBC s amended and restated articles of incorporation authorizes it to issue up to 100,000,000 shares of common stock, par value $1.00 per share. As of the record date, there were 8,866,526 shares of BMBC common stock issued and outstanding.

FKF. FKF s amended and restated articles of incorporation authorize FKF to issue up to 20,000,000 shares of common stock, par value $0.01 per share, and 10,000,000 shares of preferred stock, par value $0.01 per share. As of the record date, there were 2,432,998 shares of FKF common stock issued and outstanding. As of the record date, there were no shares of FKF preferred stock outstanding.

Size of Board of Directors

BMBC. BMBC s amended and restated bylaws provide that its board of directors shall consist of at least 8 and no more than 13 directors. The exact number of directors may be determined from time to time by a majority of the entire BMBC board of directors. The BMBC board of directors currently has 9 directors. Following the merger, Donald S. Guthrie will be added to BMBC s board of directors.

FKF. FKF s amended and restated bylaws provide that its board shall consist of at least 6 and no more than 15 directors. The directors may set the number of directors by resolution of a majority of the entire board, provided that such a resolution may not shorten the term of office of any director. FKF s board of directors currently has 9 directors.

Classes of Directors

BMBC. BMBC s board of directors is classified. BMBC s amended and restated bylaws provide that the board shall be divided into four classes, as nearly equal in number as possible, with the divided classes to hold office in staggered four-year terms. BMBC s board of directors currently has 9 directors.

FKF. FKF s board of directors is classified. FKF s amended and restated bylaws and amended and restated articles of incorporation provide that the board shall be divided into four classes, as nearly equal in number as possible, with the divided classes to hold office in staggered four-year terms. FKF s board of directors currently has 9 directors.

Vacancies and Removal of Directors

BMBC. BMBC s amended and restated bylaws provide that unexcused absence for six months, conviction of a felony, adjudication of incompetence, and any other grounds set forth in the PBCL will create a vacancy on the board of directors. Pursuant to Section 1726(a)(1) of the PBCL, the entire board of directors, any class of the board, or any individual director may be removed from office *for cause* by a majority of the votes cast by all BMBC shareholders entitled to vote. Additionally, pursuant to Section 1726(b) of the PBCL, the board of directors may declare vacant the office of a director who has been judicially declared of unsound mind, or who has been convicted of an offense punishable by imprisonment for a term of more than one year. BMBC s amended and restated bylaws provide that the board of directors, by majority vote, is to be the sole judge as to when a vacancy in the board has occurred.

FKF. FKF s amended and restated articles of incorporation provide that any director may be removed from office *without cause* by an affirmative vote of not less than 75% of the total votes eligible to be cast by shareholders at a duly constituted meeting of shareholders called expressly for the purpose of removing such director. Any director may be removed from office *with cause* by an affirmative vote of not less than a majority of the total votes eligible to be cast by shareholders. *Cause* for removal only exists if the director has been either declared of unsound mind by a court of competent jurisdiction, convicted of a felony or of an offense punishable by imprisonment for a term of more than one year by a court of competent jurisdiction, or deemed liable by a court of competent jurisdiction for gross negligence or misconduct in the performance of such director s duties to the FKF. Directors may also be removed from office in the manner provided in Sections 1726(b) and 1726(c) of the PBCL, or any successors to such sections.

Filling Vacancies on the Board of Directors

BMBC. Under BMBC s amended and restated bylaws, vacancies may be filled by a majority of the directors then in office, whether or not a quorum exists. Directors who fill vacancies occurring before the record date preceding the annual meeting will remain in office until the next annual meeting, at which time a director is to be elected by the shareholders to fill the unexpired term. Directors who fill vacancies occurring on or after the record date preceding the annual meeting shall continue until a successor is duly chosen and qualified. Each director filling a vacancy shall remain in office for the remainder of the unexpired term. Pursuant to BMBC s amended and restated articles of incorporation, BMBC shareholders are not entitled to cumulative voting rights in the election of directors.

FKF. Under FKF s amended and restated articles of incorporation any vacancy occurring in FKF s board of directors, including any vacancy created by reason of an increase in the number of directors, is to be filled by a majority vote of the directors then in office, whether or not a quorum is present, and any director filling a vacancy shall serve until the expiration of the term of the class to which he was appointed and until his successor is elected and qualified. When the number of directors is changed, FKF s board of directors may determine into which class the new director position is added or from which class the director position is removed, provided that no decrease in the number of directors may shorten the term of any incumbent director. FKF s shareholders are not entitled to cumulative voting rights in the election of directors.

Nomination of Director Candidates by Shareholders

BMBC. Pursuant to BMBC s Nominating Committee Policies, BMBC will consider written proposals from shareholders for nominees for director received not less than 120 days before the date its proxy statement was released to shareholders in connection with the previous year s annual meeting provided any written proposal sets forth: (a) the name and address of the shareholder nominating a candidate; (b) the number of BMBC shares beneficially owned by the shareholder (and if the shares are held in street name, the name of the brokerage firm holding the shares); (c) the name, age, business address and residence address of each proposed nominee; (d) the principal occupation or employment of the proposed nominee; (e) the number of shares of BMBC common stock beneficially owned by the proposed nominee; (f) a description of all arrangements or understandings between the shareholder and each proposed nominee and any other persons pursuant to which the shareholder is making the nomination; and (g) any other information required to be disclosed in solicitation of proxies for election of directors or other information required pursuant to Regulation 14A under the Exchange Act, relating to the proposed nominee, including the proposed nominee s written consent to being named in the proxy statement as a nominee and to serving as a director, if elected.

FKF. FKF s amended and restated articles of incorporation provide any shareholder entitled to vote in the election of directors may nominate directors by delivering notice to the principal executive office of FKF not less than 60 days prior to the anniversary of the immediately preceding annual meeting of shareholders. The notice must set forth certain specified information, including (1) with respect to the nominee (A) the name, age, business and residence address, (B) the principal occupation or employment of such person, (C) the class and number of shares of stock beneficially owned by the nominee, (D) and all information required to be disclosed under the Exchange Act, including such nominee s consent to being named in the attendant proxy statement and to serving as a director, and (2) the name and address of the shareholder and any other known shareholders supporting such nominee.

Calling Special Meetings of Shareholders

BMBC. Under BMBC s amended and restated bylaws, a special meeting of shareholders may be called by a majority of BMBC s board of directors or by written request of shareholders representing at least 20% of the outstanding BMBC shares entitled to vote.

FKF. Under FKF s amended and restated articles of incorporation, a special meeting of shareholders may be called by the Chairman of FKF s board of directors, by the President of FKF, or by a majority of the board.

Shareholder Proposals

BMBC. BMBC s amended and restated bylaws provide that any BMBC shareholder making a proposal to be included in BMBC s proxy statement must give notice in accordance with applicable law at least 120 days prior to the annual meeting date. Pursuant to Rule 14a-8 of the Exchange Act and subject to certain limitations and eligibility requirements, a shareholder desiring to submit a proposal to BMBC for inclusion in the proxy statement for an annual shareholder meeting must submit the proposal in writing not less than 120 calendar days before the anniversary of the date BMBC s proxy statement was mailed to shareholders in connection with the previous year s annual meeting. The notice is to be mailed to the Corporate Secretary at BMBC s executive office at 801 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010. With respect to shareholder proposals to be considered at the annual meeting of shareholders but not included in BMBC s proxy materials, pursuant to Rule 14a-4(c)(1) of the Exchange Act and subject to certain limitations and eligibility requirements, the shareholder s notice must be received at BMBC s executive office at least 45 days before the anniversary of the date on which BMBC first sent its proxy materials for the prior year s annual meeting of shareholders (or the date specified by an advance notice provision).

FKF. For shareholder proposals to be included in FKF s proxy materials, the shareholder must comply with all the timing and informational requirements of Rule 14a-8 of the Exchange Act (or any successor regulation). Pursuant to Rule 14a-8 of the Exchange Act and subject to certain limitations and eligibility requirements, a shareholder desiring to submit a proposal to FKF for inclusion in the proxy statement for an annual shareholder meeting must submit the proposal in writing not less than 120 calendar days before the anniversary of the date FKF s proxy statement was mailed to shareholders in connection with the previous year s annual meeting. The notice is to be mailed to the Corporate Secretary at FKF s executive offices at 22 West State Street, Media, Pennsylvania 19063. With respect to shareholder proposals to be considered at the annual meeting of shareholders but not included in FKF s proxy materials, the shareholder notice must be received at FKF s executive offices not later than 60 days prior to the anniversary date of the immediately preceding annual meeting of shareholders of FKF. Such shareholder s notice must set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address

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of the shareholder proposing such business and any other shareholders known by such shareholder to be supporting such proposal, (c) the class and number of shares of FKF stock beneficially owned by the shareholder and by any other shareholders known by such shareholder to be supporting such proposal, and (d) any financial interest of the shareholder in such proposal (other than interests which all shareholders would have).

Notice of Shareholder Meetings

BMBC. BMBC s amended and restated bylaws provide that BMBC must give notice at least 5 days prior to a meeting of shareholders unless a greater period of notice is required by law. Section 1704(b) of the PBCL requires notice to be given at least ten days prior to the date of a meeting that will consider a fundamental change (including amendment to the articles of incorporation, merger, consolidation, share exchanges and sale of assets, division, conversion, voluntary dissolution and winding up, involuntary liquidation and dissolution, and post-dissolution provision for liabilities), or five days prior to the date of the meeting in any other case. Section 1702(a)(2) and 1704(c) of the PBCL provide that the notice shall state the place, date and hour, and in the case of a special meeting, the general nature of the business to be transacted at the meeting.

FKF. FKF s amended and restated bylaws provide that FKF must give notice at least 10 and not more than 60 days before any shareholders meeting to each shareholder entitled to vote at such a meeting. The notice shall state the place, date and time of the meeting, and in the case of a special meeting, the purpose or purposes of the meeting.

Indemnification of Directors and Officers

BMBC. BMBC s amended and restated articles of incorporation and amended and restated bylaws provide that BMBC shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of BMBC, because such person is or was a director, officer, employee or agent of BMBC, or is or was serving at the request of BMBC as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Such indemnification is furnished to the full extent provided by Pennsylvania law against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding unless the act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness. The indemnification provisions also permit BMBC to pay reasonable expenses in advance of the final disposition of any action, suit or proceeding as authorized by the BMBC s board of directors, provided that the indemnified person undertakes to repay BMBC if it is ultimately determined that such person was not entitled to indemnification. Any amendment to the bylaws which adversely affects the rights of indemnification or advancement of expenses set forth in the bylaws will only be effective with regard to indemnification or advancement of expenses arising from transactions, acts or omissions occurring on or after the effective date of such amendment.

FKF. FKF s amended and restated articles of incorporation provide that FKF shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, because such person is or was a director, officer, employee or agent of FKF, or is or was serving at the request of FKF as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise. Such indemnification is furnished to the full extent provided by Pennsylvania law against expenses (including attorneys fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding. The indemnification provisions also permit FKF to pay reasonable expenses in advance of the final disposition of any action, suit or proceeding as authorized by the FKF s board of directors, provided that the indemnified person undertakes to repay FKF if it is ultimately determined that such person was not entitled to indemnification.

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Amendments to Articles/Articles of Incorporation and Bylaws

BMBC. BMBC s amended and restated articles of incorporation generally provide that any amendment to BMBC s articles of incorporation or bylaws requires the affirmative vote of at least a majority of the outstanding shares of BMBC common stock entitled to vote. BMBC s amended and restated bylaws indicate that BMBC s board of directors may amend the bylaws, except to change the qualifications required or the classification or the term of office of a director, or if the amendment would take place within thirty days prior to an annual meeting of shareholders. Any amendment to the bylaws adopted by BMBC s board of directors must be ratified by BMBC s shareholders at the first meeting of shareholders after the adoption of the amendment in order for the amendment to be effective.

FKF. Article 11 of FKF s amended and restated articles of incorporation generally provides that any amendment of the articles of incorporation must be first approved by a majority of the board of directors and then by the holders of a majority of the shares of FKF entitled to vote in an election of directors, except that the approval of 75% of the shares of FKF entitled to vote in an election of directors is required for any amendment to Articles 6 (directors), 7 (preemptive rights), 8 (indemnification), 9 (meetings of shareholders and shareholder proposals), 10 (restrictions on acquisitions) and 11 (amendments). The amended and restated bylaws of FKF may, to the extent permitted by law, be amended by a majority of FKF board of directors, or by the affirmative vote of a majority of the total shares entitled to vote in an election of directors, except that the affirmative vote of at least 75% of the total shares entitled to vote in an election of directors is required to amend, adopt, alter, change or repeal any provision inconsistent with certain specified provisions of the FKF bylaws.

FKF s amended and restated articles of incorporation provide that an amendment of the articles of incorporation requires the approval of the affirmative vote of two-thirds of the issued and outstanding capital stock; except that any amendment concerning certain specified matters including the removal of directors, fixation of the number of directors, and classification of the board, requires the affirmative vote of 80% of the issued and outstanding shares of capital stock.

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following unaudited pro forma combined balance sheet as of September 30, 2009, and the unaudited pro forma combined statements of income for the nine months ended September 30, 2009, and for the year ended December 31, 2008, have been prepared to reflect the merger of FKF into BMBC as if the merger had occurred on September 30, 2009, with respect to the balance sheet, and as of January 1, 2008 and January 1, 2009, with respect to each of the statements of income, in each case giving effect to the pro forma adjustments described in the accompanying notes. Based on the assumptions indicated in the accompanying notes, both of the pro forma income statements for the nine month and twelve month periods include similar adjustments related to income and expense. These pro forma income statements should therefore be viewed as distinct and stand-alone pro formas.

The pro forma adjustments are based on estimates made for the purpose of preparing these pro forma financial statements. The actual adjustments to the accounts of BMBC will be made based on the underlying historical financial data at the time the transaction is consummated. BMBC s management believes that the estimates used in these pro forma financial statements are reasonable under the circumstances. However, circumstances including changes in interest rates or changes in the general economics could cause actual fair values at the time the transaction is consummated to be significantly different than the fair values used in these pro forma financial statements. BMBC intends to engage a valuation specialist to assist in the process of developing fair values as of the transaction closing date for financial reporting purposes. Since FKF has a September 30 fiscal year end and BMBC has a December 31 fiscal year end, FKF s nine months ended September 30, 2009 information was calculated using FKF s financial information for the twelve months ended September 30, 2009 less the three months ended December 31, 2008, and FKF s twelve months ended December 31, 2008 information was calculated using FKF s financial information for the three months ended December 31, 2008 and the twelve months ended September 30, 2009 less the three months ended December 31, 2007.

The unaudited pro forma combined financial information has been prepared based on the acquisition method of accounting assuming 1,696,531 BMBC common shares will be issued, and cash consideration of $5.0 million will be paid, in the merger. This assumes that no vested options to purchase FKF shares of common stock are exercised and that there is no adjustment in the per share merger consideration. For a discussion of the acquisition method of accounting, see Accounting Treatment at page 61 of this proxy statement/prospectus.

The unaudited pro forma combined balance sheet as of September 30, 2009 is not necessarily indicative of the combined financial position had the merger been effective at that date. The unaudited pro forma combined statements of income are not necessarily indicative of the results of operations that would have occurred had the merger been effective at the beginning of the periods indicated, or of the future results of operations of BMBC. These pro forma combined financial statements should be read in conjunction with the historical financial statements and the related notes incorporated elsewhere in this proxy statement/prospectus.

These pro forma combined financial statements do not include the effects of any potential cost savings which management believes will result from operating the FKF banking business as branches and combining certain operating procedures.

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UNAUDITED PRO FORMA

COMBINED BALANCE SHEETS

(dollars in thousands)	BMBC September 30, 2009	FKF September 30, 2009(1)	Adjustments September 30, 2009(16)	Combined September 30, 2009
Assets				
Cash and due from banks	$ 9,381	$ 2,277	$	$ 11,658
Interest bearing deposits with banks	48,351	45,356	(9,400)(2)	84,307
Federal funds sold				
Money market funds	18,140	25		18,165
Trading securities	5,316			5,316
Investment and mortgage-backed securities available for sale	168,754	113,761	(1,146)(3)	281,369
Investment and mortgage-backed securities held to maturity		21,963	(290)(3)	21,673
Loans held for sale	4,133			4,133
Portfolio loans	886,479	311,257	(6,495)(4)	1,191,241
Less: Allowance for loan and lease losses	(10,299)	(4,657)	4,657(5)	(10,299)
Net portfolio loans	876,180	306,600	(1,838)	1,180,942
Premises and equipment, net	21,310	4,200	3,000(6)	28,510
Accrued interest receivable	4,359	2,343		6,702
FHLB stock, at cost	7,916	7,060		14,976
Deferred income taxes	5,253	3,660	1,040(9)	9,953
Mortgage servicing rights	3,794	314		4,108
Bank-owned life insurance		18,381		18,381
Goodwill	4,824		1,933(7)	6,757
Amortizable intangible assets	5,498			5,498
Core deposit intangible			3,698(8)	3,698
Other investments	3,074	887		3,961
OREO	1,521			1,521
Other assets	7,721	1,574		9,295
Total assets	$ 1,195,525	$ 528,401	$ (3,003)	$ 1,720,923
Liabilities				
Deposits:				
Non-interest-bearing demand	$ 167,991	$ 18,971	$	$ 186,962
Savings, NOW, Market Rate	436,314	159,585		595,899
Wholesale deposits	118,783			118,783
Time deposits	176,388	168,568	2,460(10)	347,416
Total deposits	899,476	347,124	2,460	1,249,060
FHLB and other borrowed funds	147,386	130,048	4,607(11)	282,041
Subordinated debt/junior subordinated debentures	22,500	11,646	(1,996)(12)	32,150
Mortgage payable	2,076			2,076
Accrued interest payable	2,892	2,110		5,002
Other liabilities	19,148	3,857		23,005
Total liabilities	1,093,478	494,785	5,071	1,593,334

Shareholders equity				
Common stock	11,703	27	1,670(13)	13,400
Paid-in capital in excess of par value	16,506	12,565	14,180(13)	43,251
Accumulated other comprehensive (income) loss, net of taxes	(6,114)	87	(87)(13)	(6,114)
Retained earnings	109,884	27,932	(30,832)(13)	106,984
	131,979	40,611	(15,069)	157,521
Less: Common stock in treasury at cost	(29,932)	(4,244)	4,244(13)	(29,932)
Employee stock ownership plan		(2,751)	2,751(13)	
Total shareholders equity	102,047	33,616	(8,074)	127,589
Total liabilities and shareholders equity	$ 1,195,525	$ 528,401	$ (3,003)	$ 1,720,923
Book value per share(14)	$ 11.62	$ 13.82	$	$ 12.17
Tangible book value per share(15)	$ 10.44	$ 13.82	$	$ 10.65
Common shares outstanding	8,783,130	2,432,998	(736,467)	10,479,661

(footnotes begin on the following page)

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(1) Represents assets acquired and liabilities assumed in the merger with FKF at amounts recorded in FKF s financial reports.
(2) Cash paid for transaction and the merger related expenses includes $5.0 million in cash paid for transaction expenses and $4.4 million of merger related costs such as legal, accounting, investment banking, conversion related expenditures and other.
(3) The purchase accounting adjustment on investments relates to the estimated fair value adjustment, which includes both an interest rate component, a credit adjustment for the estimated lifetime losses and a liquidity component.
(4) The purchase accounting adjustment on loans relates to the estimated fair value adjustment, which includes both an interest rate component and a credit adjustment for the estimated lifetime losses. BMBC s due diligence analysis calculated a fair value adjustment for credit that was approximately 4.4% of FKF s September 30, 2009 portfolio loans. BMBC has not yet determined the method of accounting that will be applied to the loans acquired in the merger. However, the pro forma balance sheet and income statement reflect prescribed accounting under ASC-310 (formerly American Institute of Certified Public Accountants Statement of Position 03-3) for impaired loans, and for all other loans, BMBC generally follows the standard methodology (formerly Financial Accounting Standards Board Statement No. 91) which amortizes the balance sheet fair value adjustment through the income statement as an adjustment to yield.
(5) Reversal of allowance for loan losses as credit risk is included in the fair value adjustment in (4) above.
(6) The pro forma adjustment includes increase in fair value of property.
(7) Purchase accounting adjustment to record value of goodwill.
(8) Represents the estimated fair value of the core deposit intangible asset associated with the deposit liabilities assumed, which was based on comparable transactions.
(9) Pro forma adjustment represents the net deferred tax assets associated with the fair value adjustment related to acquired assets and liabilities.
(10) The purchase accounting adjustment on deposits relates to the estimated fair value adjustments of the certificate of deposits liabilities.
(11) The purchase accounting adjustment on FHLB and other borrowed funds relates to the estimated fair value adjustment of the borrowing liabilities.
(12) The purchase accounting adjustment on subordinated debt and junior subordinated debentures relates to the estimated fair value adjustment of these liabilities.
(13) The pro forma adjustment represents the net impact of the issuance of BMBC common stock in connection with the merger, the elimination of FKF s stockholders equity, the after-tax integration expense of approximately $2.9 million (after tax).
(14) Pro forma combined shares outstanding at September 30, 2009 equals the sum of BMBC s 8,783,130 outstanding shares and FKF s 2,432,998 outstanding shares multiplied by 0.6973 (2,432,998 x 0.6973 = 1,696,531) which equals 10,479,661. Pro forma combined book value per share was calculated by dividing shareholders equity of $127.6 million by the 10,479,661 shares outstanding.
(15) Pro forma combined tangible common equity was calculated by subtracting goodwill, intangible assets and core deposit intangibles of $16.0 million from pro forma combined total shareholders equity of $111.6 million ($127.6 million less $16.0 million) divided by pro forma combined shares outstanding of $10,479,661.
(16) This interest rate component of the fair value adjustment discussed in Notes (3), (4), (10), (11) and (12) above were derived in part from FKF s September 30, 2009 OTS Interest Rate Risk Exposure report under the +50 basis point scenario.

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UNAUDITED PRO FORMA

COMBINED INCOME STATEMENT

(dollars in thousands, except per share data)	BMBC Nine Months Ended September 30, 2009	FKF Nine Months Ended September 30, 2009(1)	Adjustments Nine Month Periods(1)	Combined Nine Month Periods
Net interest income:				
Interest income:				
Interest and fees on loans	$ 34,475	$ 12,607	$ 1,202(2)	$ 48,284
Interest and fees on leases	4,398		0	4,398
Interest on cash and cash equivalents	231	29	0	260
Interest and dividends on investment securities	3,597	5,309	231(2)	9,137
Total interest and dividend income	42,701	17,945	1,433	62,079
Interest expense:				
Interest expense on deposits	8,200	4,235	1,710(2)	14,145
Interest expense on borrowings	3,808	3,892	1,536(2)	9,236
Interest expense on subordinated debt and junior subordinated debentures	825	856	(88)(2)	1,593
Total interest expense	12,833	8,983	3,158	24,974
Net interest income	29,868	8,962	(1,725)	37,105
Loan and lease loss provision	5,582	2,925		8,507
Net interest income after loan and lease loss provision	24,286	6,037	(1,725)	28,598
Non-interest Income				
Fees for wealth management services	10,581			10,581
Service charges on deposits	1,447	864		2,311
Loan servicing and late fees	1,001	242		1,243
Net gain on sale of loans	5,153	117		5,270
Net gain on trading investment	240			240
Net gain on sale of investments	1,320	463		1,783
Total other than temporary impairment losses		(1,634)		(1,634)
Portion of loss recognized in other comprehensive income (before taxes)		879		879
Net impairment loss recognized in earnings		(755)		(755)
BOLI income		285		285
Other operating income	2,187	260		2,447
Total non-interest income	21,929	1,476		23,405
Non-interest expenses:				
Salaries and benefits	20,752	4,351	1,406(4)	26,509
Occupancy	2,726	817		3,543
Furniture, fixtures, and equipment	1,832	448		2,280
Advertising	774	229		1,003
Amortization of mortgage servicing rights	675	77		752

Amortization of intangible assets	231			231
Amortization of core deposit intangible			277(3)	277
Professional fee	1,306	990	1,325(4)	3,621
FDIC insurance	937	573		1,510
FDIC insurance special assessment	547	240		787
Other operating expenses	4,664	2,241	1,669(4)	8,574
Total non-interest expenses	34,444	9,966	4,677(5)	49,087
Income before income taxes	11,771	(2,453)	(6,402)	2,916
Applicable income taxes (benefits)	4,071	(935)	(2,241)(6)	895
Net income	$ 7,700	$ (1,518)	$ (4,161)	$ 2,021
Total basic earnings per share(7)	$ 0.88	$ (0.65)	$	$ 0.20

(footnotes begin on the following page)

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UNAUDITED PRO FORMA

COMBINED INCOME STATEMENT (Continued)

(dollars in thousands, except per share data)	BMBC Nine Months Ended September 30, 2009	FKF Nine Months Ended September 30, 2009(1)	Adjustments Nine Month Periods(1)	Combined Nine Month Periods
Total diluted earnings per share(8)	$ 0.88	$ (0.65)		$ 0.20
Dividend declared per share(9)	$ 0.42	$ 0.00	$ 0.00	$ 0.35
Weighted-average basic shares outstanding(7)	8,710,909	2,327,953	(704,672)	10,334,190
Dilutive potential shares	19,254		506	19,760
Adjusted weighted-average diluted shares(8)	8,730,163	2,327,953	(704,166)	10,353,950

(1) Assumes the merger with FKF was completed at the beginning of the period presented.

(2) The pro forma acquisition adjustment reflects the amortization/accretion of fair value adjustment related to loans, investment securities, and deposits, borrowings and junior subordinated debentures utilizing the interest method over the estimated lives of the related assets or liabilities which are 39 months, 56 months, 13 months, 25 months, and 204 months, respectively. See footnote 4 on the unaudited combined balance sheet for additional information about the accounting for the loan income statement fair value adjustments.

(3) Represents amortization of core deposit intangible amortized over 10 years.

(4) Represents the integration expenses, primarily professional, legal, and conversion related expenditures.

(5) Non interest expenses do not reflect anticipated cost savings.

(6) Reflects the tax impact of the pro forma acquisition adjustments at BMBC s statutory income tax rate of 35%.

(7) The pro forma combined weighted basic average shares outstanding was computed by multiplying the 0.6973 per share stock consideration by FKF s weighted average basic shares outstanding for the applicable period and adding this number to BMBC s weighted average basic shares outstanding. This number was then divided into pro forma combined net income.

(8) Pro forma combined adjusted weighted average diluted shares outstanding was calculated by adding pro forma dilutive shares outstanding to basic pro forma combined weighted average shares (calculated in footnote (7) above). This number was then divided into pro forma combined net income.

(9) The pro forma combined dividend per share was calculated by dividing the total amount of actual cash dividends of $3.662 million paid during the nine month period by the pro forma combined basic weighted average shares outstanding.

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UNAUDITED PRO FORMA

COMBINED INCOME STATEMENT

(dollars in thousands, except per share data)	BMBC Twelve Months Ended December 31, 2008	FKF Twelve Months Ended December 31, 2008(1)	Adjustments Twelve Month Period(1)	Combined Twelve Month Period
Net interest income:				
Interest income:				
Interest and fees on loans	$ 47,487	$ 17,248	$ 1,603(2)	$ 66,338
Interest and fees on leases	5,764		0	5,764
Interest on cash and cash equivalents	300	302	0	602
Interest and dividends on investment securities	4,383	8,315	308(2)	13,006
Total interest and dividend income	57,934	25,865	1,911	85,710
Interest expense:				
Interest expense on deposits	16,042	8,235	2,280(2)	26,557
Interest expense on borrowings	4,346	5,584	2,048(2)	11,978
Interest expense on subordinated debt and junior subordinated debentures	408	1,290	(117)(2)	1,581
Total interest expense	20,796	15,109	4,211	40,116
Net interest income	37,138	10,756	(2,299)	45,595
Loan and lease loss provision	5,596	329		5,925
Net interest income after loan and lease loss provision	31,542	10,427	(2,299)	39,670
Non-interest income				
Fees for wealth management services	13,842			13,842
Service charges on deposits	1,685	1,357		3,042
Loan servicing and late fees	1,194	320		1,514
Net gain on sale of loans	1,275	17		1,292
Net gain on sale of investments	230	105		335
Total other than temporary impairment losses		2,327		2,327
Portion of loss recognized in other comprehensive income (before taxes)				
Net impairment loss recognized in earnings		(2,327)		(2,327)
BOLI income	261	680		941
Other operating income	2,985	487		3,472
Total non-interest income	21,472	639		22,111
Non-interest expenses:				
Salaries and benefits	23,161	5,865	1,447	30,473
Occupancy	3,165	1,032		4,197
Furniture, fixtures and equipment	2,324	582		2,906
Advertising	1,115	425		1,540
Amortization of mortgage servicing rights	1,035	44		1,079
Amortization of intangible assets	141			141

Amortization of core deposits						370(3)		370
Professional fee		1,550		1,323		1,325(4)		4,198
FDIC insurance		472		260				732
Other operating expenses		5,713		3,029		1,669		10,411
Total non-interest expenses		38,676		12,560		4,811(5)		56,047
Income before income taxes		14,338		(1,494)		(7,110)		5,734
Applicable income taxes (benefits)		5,013		(191)		(2,489)(6)		2,333
Net income	$	9,325	$	(1,303)	$	(4,622)	$	3,400
Total basic earnings per share(7)	$	1.09	$	(0.56)	$		$	0.33

(footnotes begin on the following page)

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UNAUDITED PRO FORMA

COMBINED INCOME STATEMENT (Continued)

(dollars in thousands, except per share data)	BMBC Twelve Months Ended December 31, 2008	FKF Twelve Months Ended December 31, 2008(1)	Adjustments Twelve Month Period(1)	Combined Twelve Month Period
Total diluted earnings per share(8)	$ 1.08	$ (0.56)	$	$ 0.33
Dividend declared per share(9)	$ 0.54	$ 0.00	$ 0.00	$ 0.45
Weighted-average basic shares outstanding(7)	8,566,938	2,320,348	(702,369)	10,184,917
Dilutive potential shares	34,233	2,023	(1,517)	34,739
Adjusted weighted average diluted shares(8)	8,601,171	2,322,371	(703,886)	10,219,656

(1) Assumes the merger with FKF was completed at the beginning of the period presented.

(2) The pro forma acquisition adjustment reflects the amortization/accretion of fair value adjustment related to loans, investment securities, and deposits, borrowings and junior subordinated debentures utilizing the interest method over the estimated lives of the related assets or liabilities which are 39 months, 56 months, 13 months, 25 months, and 204 months, respectively. See footnote 4 on the unaudited combined balance sheet for additional information about the accounting for the loan income statement fair value adjustment.

(3) Represents amortization of core deposit intangible amortized over 10 years.

(4) Represents the integration expenses, primarily professional, legal, and converstion related expenditures.

(5) Non-interest expenses do not reflect anticipated cost savings.

(6) Reflects the tax impact of the pro forma acquisition adjustments at BMBC s statutory income tax rate of 35%.

(7) The pro forma combined weighted basic average shares outstanding was computed by multiplying the 0.6973 per share stock consideration by FKF s weighted average basic shares outstanding for the applicable period and adding this number to BMBC s weighted average basic shares outstanding. This number was then divided into pro forma combined net income.

(8) Pro forma combined diluted shares outstanding was calculated by adding pro forma dilutive shares outstanding to basic pro forma combined weighted average shares (calculated in footnote (7) above). This number was then divided into pro forma combined net income.

(9) The pro forma combined dividend per share was calculated by dividing the total amount of actual cash dividends of $4.625 million paid during the twelve month period by the pro forma combined weighted average basic shares outstanding.

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LEGAL MATTERS

The validity of the BMBC common stock to be issued in connection with the merger will be passed upon for BMBC by Stradley Ronon Stevens & Young, LLP. Certain U.S. federal income tax consequences relating to the merger will also be passed upon for BMBC by Stradley Ronon Stevens & Young, LLP, and for FKF by Elias, Matz, Tiernan & Herrick L.L.P.

EXPERTS

The consolidated financial statements of Bryn Mawr Bank Corporation and subsidiaries as of December 31, 2008 and 2007, and for each of the years in the three-year period ended December 31, 2008, and management s assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, an independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The audit report dated March 13, 2009 on the consolidated financial statements of Bryn Mawr Bank Corporation and subsidiaries as of December 31, 2008 and 2007, and for each of the years in the three-year period ended December 31, 2008, refers to Bryn Mawr Bank Corporation s adoption of Statement of Financial Accounting Standards No. 123R, Share Based Payment, effective January 1, 2006, Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, effective December 31, 2006, and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, in 2006.

The consolidated financial statements of First Keystone Financial, Inc. and subsidiaries included in FKF s Annual Report on Form 10-K for the year ended September 30, 2009 has been attached as Annex B to this proxy statement/prospectus in reliance upon the report of S.R. Snodgrass A.C., independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

SHAREHOLDER PROPOSALS FOR NEXT YEAR

BMBC

To be eligible under the SEC s shareholder proposal rule (Rule 14a-8) and under BMBC s amended and restated bylaws for inclusion in BMBC s proxy statement, proxy card, and presentation at BMBC s 2011 Annual Meeting of Shareholders, a proper shareholder proposal must have been received by BMBC s Corporate Secretary at its principal offices at 801 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010 no later than 120 calendar days before the date on which BMBC first mailed its proxy statement for 2010. The notice must be in the manner and form required by BMBC s amended and restated bylaws and Rule 14a-8 of the Exchange Act.

FKF

FKF intends to hold a 2010 annual meeting of shareholders only if the merger agreement is terminated. For a shareholder proposal to be considered for inclusion in FKF s proxy statement and form of proxy relating to the FKF 2010 annual meeting of shareholders (in the event this meeting is held), the Corporate Secretary of FKF must have received the proposal, at 22 West State Street, Media, Pennsylvania 19063, not later than August 31, 2009. However, if FKF s 2010 annual meeting of shareholders is held on a date more than 30 calendar days from February 4, 2010, a shareholder proposal must be received within a reasonable time before FKF begins to print and mail its proxy solicitation materials for the FKF 2010 annual meeting. Any shareholder proposals will be subject to Rule 14a-8 under the Exchange Act.

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FKF s amended and restated articles of incorporation provide that in order for a shareholder to make nominations for the election of directors or proposals for business to be brought before the annual meeting, a shareholder must deliver notice of such nominations and/or proposals to the Corporate Secretary not less than 60 days before the anniversary date of the immediately preceding annual meeting.

OTHER MATTERS

As of the date of this proxy statement/prospectus, FKF s board of directors knows of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement/prospectus. FKF s shareholders may, however, be asked to vote on a proposal to adjourn or postpone the special meeting including, if necessary, to allow more time to solicit votes to approve the merger agreement and the transactions contemplated thereby. If any other matters properly come before the FKF special meeting, or any adjournments or postponements of that meeting, and are voted upon, the enclosed proxies will be deemed to confer discretionary authority on the individuals that they name as proxies to vote the shares represented by these proxies as to any of these matters. The individuals named as proxies intend to vote or not to vote in accordance with the recommendation of the management of FKF.

Solicitation of Proxies

The cost of the solicitation of proxies will be borne by FKF. FKF has retained Regan & Associates, Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies. Such firm will be paid a fee not to exceed approximately $8,000. FKF will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending the proxy materials to the beneficial owners of FKF s common stock. In addition to solicitations by mail, directors, officers and employees of FKF may solicit proxies personally or by telephone without additional compensation.

SHAREHOLDERS SHARING AN ADDRESS

Only one copy of this proxy statement/prospectus is being delivered to multiple shareholders of FKF unless FKF has previously received contrary instructions from one or more of shareholders. Shareholders who hold shares in street name can request further information on householding through their banks, brokers or other holders of record. On written or oral request to Registrar and Transfer Company, FKF s stock transfer agent at 10 Commerce Drive, Cranford, New Jersey 07016-3572 or 800-368-5948, FKF will deliver promptly a separate copy of this proxy statement/prospectus to a shareholder at a shared address to which a single copy of the document was delivered. Shareholders sharing an address who wish, in the future, to receive separate copies or a single copy of FKF s proxy statements and annual reports should provide written or oral notice to Registrar and Transfer Company, at the address and telephone number set forth above. Holders in street name who wish, in the future, to receive separate copies or a single copy of FKF s proxy statements and annual reports, must contact their banks and brokers.

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WHERE YOU CAN FIND MORE INFORMATION

BMBC has filed a registration statement with the SEC under the Securities Act that registers the shares of BMBC common stock to be issued in the merger to FKF shareholders and includes this proxy statement/prospectus. The registration statement, including the attached exhibits and schedules, contains additional relevant information about BMBC and its common stock, FKF and the combined company. The rules and regulations of the SEC allow us to omit some information included in the registration statement from this proxy statement/prospectus.

In addition, BMBC (File No. 0-15261) and FKF (File No. 0-25328) file reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information at the Public Reference Room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at l-800-SEC-0330.

The SEC also maintains an Internet site that contains reports, proxy statements and other information about issuers, like BMBC and FKF, that file electronically with the SEC. The address of that site is http://www.sec.gov. BMBC s Internet address is http://www.bmtc.com and FKF s Internet address is http://www.firstkeystone.com. The information on our Internet sites is not a part of this proxy statement/prospectus.

The SEC allows BMBC to incorporate by reference information into this proxy statement/prospectus. This means that BMBC can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement/prospectus, except for any information that is superseded by information that is included directly in this proxy statement/prospectus.

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This proxy statement/prospectus incorporates by reference the documents listed below that BMBC has previously filed with the SEC. They contain important information about our companies and their financial condition.

BMBC Filings	**Period or Date Filed**
Annual Report on Form 10-K	Year ended December 31, 2008
Proxy Statement on Schedule 14A	March 17, 2009
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2009, June 30, 2009, September 30, 2009
Current Reports on Form 8-K	January 20, 2009, January 29, 2009, January 30, 2009, April 21, 2009, April 28, 2009 as amended by an 8-K/A on April 29, 2009, April 29, 2009, August 3, 2009, August 4, 2009, August 26, 2009, September 16, 2009, October 28, 2009, October 29, 2009, November 4, 2009, November 6, 2009, and November 24, 2009 (in each case, except to the extent furnished but not filed)
The description of our common stock contained in the Form 8-A Registration Statement filed with the SEC pursuant to Section 12 of the Securities Exchange Act of 1934, as amended from time to time, including any amendment or report filed with the SEC for the purpose of updating such description	December 18, 1986
The description of our Rights Agreement contained in the Form 8-A12G Registration Statement filed with the SEC, as amended by Amendment No. 1 on Form 8-A12G/A, including any amendment or report filed with the SEC for the purpose of updating this description	November 25, 2003, June 2, 2004

BMBC incorporates by reference additional documents that they may file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act between the date of this proxy statement/prospectus and the date of FKF s special meeting (other than the portions of those documents not deemed to be filed). These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

FKF previously filed with the SEC the document listed below which is attached to this proxy statement/prospectus.

Annual Report on Form 10-K for the year ended September 30, 2009

BMBC has supplied all information contained or incorporated by reference into this proxy statement/prospectus relating to BMBC, and FKF has supplied all such information relating to FKF.

You can obtain any of the documents incorporated by reference into this proxy statement/prospectus through BMBC or from the SEC through the SEC s Internet site at the address described above. Documents incorporated by reference are available from the companies without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this proxy statement/

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prospectus. You can obtain documents incorporated by reference into this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following address:

Bryn Mawr Bank Corporation Attention: Robert J. Ricciardi 801 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010 (610) 526-2059

If you would like to request documents, please do so by February 16, 2010 to receive them before the FKF special meeting. If you request any incorporated documents from BMBC, we will mail them to you by first-class mail, or another equally prompt means, within one business day after we receive your request.

We have not authorized anyone to give any information or make any representation about the merger or our companies that is different from, or in addition to, that contained in this proxy statement/prospectus or in any of the materials that BMBC has incorporated into this proxy statement/prospectus. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this proxy statement/prospectus or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this proxy statement/prospectus does not extend to you. The information contained in this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies.

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Annex A

AGREEMENT AND PLAN OF MERGER

BY AND BETWEEN

BRYN MAWR BANK CORPORATION

AND

FIRST KEYSTONE FINANCIAL, INC.

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Exhibit A	Form of FKF Voting Agreement
Exhibit B	Form of Bank Merger Agreements
Exhibit C	Per Share Merger Consideration Adjustment Schedule

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this **Agreement**) is dated as of November 3, 2009, by and between Bryn Mawr Bank Corporation, a Pennsylvania corporation (**BMBC**), and First Keystone Financial, Inc., a Pennsylvania corporation (**FKF**).

WHEREAS, the Board of Directors of each of BMBC and FKF (i) has determined that this Agreement and the business combination and related transactions contemplated hereby are in the best interests of their respective companies and shareholders and (ii) has determined that this Agreement and the transactions contemplated hereby are consistent with and in furtherance of their respective business strategies, and (iii) has adopted a resolution approving this Agreement and declaring its advisability; and

WHEREAS, in accordance with the terms of this Agreement, FKF will merge with and into BMBC (the **Merger**), and immediately thereafter First Keystone Bank, a federally chartered stock savings bank and wholly owned subsidiary of FKF (**FKB**), will be merged with and into a newly chartered interim Pennsylvania stock savings bank that will be formed as a wholly owned subsidiary of The Bryn Mawr Trust Company, a Pennsylvania chartered bank and wholly owned subsidiary of BMBC (**BMT**), which interim Pennsylvania stock savings bank will subsequently be merged with and into BMT; and

WHEREAS, as a condition to the willingness of BMBC to enter into this Agreement, each of the directors of FKF has entered into a Voting Agreement, substantially in the form of *Exhibit A* hereto, dated as of the date hereof, with BMBC (the **FKF Voting Agreements**), pursuant to which each such director has agreed, among other things, to vote all shares of common stock of FKF owned by such person in favor of the approval of this Agreement and the transactions contemplated hereby, upon the terms and subject to the conditions set forth in the FKF Voting Agreements; and

WHEREAS, each director of FKF or FKB who will not become a director of BMBC upon consummation of the Merger has entered into a Non-Solicitation Agreement pursuant to Section 6.13 hereof; and

WHEREAS, the parties intend the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the **Code**), and that this Agreement be and is hereby adopted as a plan of reorganization within the meaning of Sections 354 and 361 of the Code; and

WHEREAS, the parties desire to make certain representations, warranties and agreements in connection with the business transactions described in this Agreement and to prescribe certain conditions thereto.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements herein contained, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

CERTAIN DEFINITIONS

1.1. *Certain Definitions*.

As used in this Agreement, the following terms have the following meanings (unless the context otherwise requires, references to Articles and Sections refer to Articles and Sections of this Agreement).

Administrative Delinquencies shall mean (i) loans that are current (less than 30 days delinquent), but have reached their respective maturity dates and, in accordance with the terms of the Supervisory Agreement, have not yet been extended or (ii) that portion of the FKF Delinquencies that are secured by deposit accounts at FKB or marketable securities in the possession of FKB that have been properly margined at 70% or less.

Affiliate shall mean any Person who directly, or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person and, without limiting the generality of the foregoing, includes any executive officer or director of such Person and any Affiliate of such executive officer or director.

Agreement shall mean this agreement, together with any amendment hereto.

Applications shall mean the applications for regulatory approval that are required by the transactions contemplated hereby.

Bank Merger shall mean the merger of FKB with and into a newly chartered interim Pennsylvania stock savings bank that will be formed as a wholly owned subsidiary of BMT, which interim Pennsylvania stock savings bank will then be merged immediately with and into BMT, with BMT as the surviving institution.

Bank Regulator shall mean any federal or state banking regulator, including but not limited to the OTS, the FRB, the FDIC and the Department, which regulates BMT or FKB, or any of their respective holding companies or subsidiaries, as the case may be.

BHCA shall mean the Bank Holding Company Act of 1956, as amended.

BMBC shall mean Bryn Mawr Bank Corporation, a Pennsylvania corporation, with its principal executive offices located at 801 Lancaster Avenue, Bryn Mawr, PA 19010.

BMBC Common Stock shall mean the common stock, par value $1.00 per share, of BMBC.

BMBC Disclosure Schedule shall mean a written disclosure schedule delivered by BMBC to FKF specifically referring to the appropriate section of this Agreement.

BMBC Financial Statements shall mean the (i) the audited consolidated statements of condition (including related notes and schedules) of BMBC and subsidiaries as of December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in stockholders equity and cash flows (including related notes and schedules, if any) of BMBC and subsidiaries for each of the three years ended December 31, 2008, 2007 and 2006, as set forth in BMBC s annual report for the year ended December 31, 2008, and (ii) the unaudited interim consolidated financial statements of BMBC and subsidiaries as of the end of each calendar quarter following December 31, 2008, and for the periods then ended, as filed by BMBC in its Securities Documents.

BMBC MAE Rep shall mean each of the representations and warranties set forth in Article V hereof, except the representations and warranties set forth in (i) the first two sentences of Section 5.1.1, (ii) the first two sentences of Section 5.1.2, (iii) the first three sentences of Section 5.1.3, (iv) Section 5.2.1, (v) Section 5.2.2, (vi) Section 5.3.1, (vii) 5.3.2 through the end of clause (i) thereof, (viii) 5.5.1, (ix) 5.13, and (x) 5.16.1.

BMBC Regulatory Agreement shall have the meaning set forth in Section 5.10.3.

BMBC Stock Benefit Plans shall mean the Bryn Mawr Bank Corporation 1998 Stock Option Plan, the Bryn Mawr Bank Corporation 2001 Stock Option Plan, the Bryn Mawr Bank Corporation 2004 Stock Option Plan and the Bryn Mawr Bank Corporation 2007 Long-Term Incentive Plan.

BMBC Subsidiary shall mean a Subsidiary of BMBC.

BMT shall mean The Bryn Mawr Trust Company, a Pennsylvania chartered bank, with its principal offices located at 801 Lancaster Avenue, Bryn Mawr, PA 19010, which is a wholly owned subsidiary of BMBC.

Business Day shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which banking and savings and loan institutions in the Commonwealth of Pennsylvania are authorized or obligated by law to be closed.

Capital Securities Guarantee shall have the meaning ascribed to such term in the Declaration of Trust.

Certificates shall mean certificates evidencing shares of FKF Common Stock.

Closing shall have the meaning set forth in Section 2.2.

Closing Date shall have the meaning set forth in Section 2.2.

COBRA shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

Code shall have the meaning assigned in the recitals of this Agreement.

Common Securities Guarantee shall have the meaning ascribed to such term in the Declaration of Trust.

Confidentiality Agreements shall mean the confidentiality agreements referred to in Section 12.1 of this Agreement.

Declaration of Trust means the Amended and Restated Declaration of Trust of First Keystone Capital Trust I dated as of August 26, 1997, as it may be amended or supplemented from time to time.

Department shall mean the Pennsylvania Department of Banking.

Effective Time shall mean the date and time specified pursuant to Section 2.2 hereof as the effective time of the Merger.

Environmental Laws shall mean any applicable federal, state or local law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, order, judgment, decree, injunction or agreement with any governmental entity relating to (1) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface soil, subsurface soil, plant and animal life or any other natural resource), and/or (2) the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Materials of Environmental Concern. The term Environmental Laws includes without limitation (a) the Comprehensive Environmental Response, Compensation and Liability Act, as amended, 42 U.S.C. §9601, et seq; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901, et seq; the Clean Air Act, as amended, 42 U.S.C. §7401, et seq; the Federal Water Pollution Control Act, as amended, 33 U.S.C. §1251, et seq; the Toxic Substances Control Act, as amended, 15 U.S.C. §2601, et seq; the Emergency Planning and Community Right to Know Act, 42 U.S.C. §11001, et seq; the Safe Drinking Water Act, 42 U.S.C. §300f, et seq; and all comparable state and local laws, and (b) any common law (including without limitation common law that may impose strict liability) that may impose liability or obligations for injuries or damages due to the presence of or exposure to any Materials of Environmental Concern.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as amended.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

Exchange Agent shall mean The Bank of New York Mellon, or such other bank or trust company or other agent designated by BMBC and reasonably acceptable to FKF.

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Exchange Agent Agreement shall mean that certain agreement to be entered into by BMBC and the Exchange Agent pursuant to which the Exchange Agent agrees to act as agent for BMBC in connection with the exchange procedures for converting Certificates into the Merger Consideration.

Exchange Fund shall have the meaning set forth in Section 3.2.1.

Exchange Ratio shall mean 0.6973, subject to adjustment as provided in Sections 3.1.5. and 3.1.6. hereof.

FDIA shall mean the Federal Deposit Insurance Act, as amended.

FDIC shall mean the Federal Deposit Insurance Corporation or any successor thereto.

FHLB shall mean the Federal Home Loan Bank of Pittsburgh.

FKB shall mean First Keystone Bank, a federally chartered stock savings bank, with its principal offices located at 22 West State Street, Media, PA 19063, which is a wholly owned subsidiary of FKF.

FKF shall mean First Keystone Financial, Inc., a Pennsylvania corporation, with its principal offices located at 22 West State Street, Media, PA 19063.

FKF Common Stock shall mean the common stock, par value $0.01 per share, of FKF.

FKF Delinquencies shall mean (i) all loans with principal and/or interest that are 30 or more days contractually past due and still accruing, (ii) all loans that are on non-accrual status, (iii) OREO, (iv) the aggregate amount, if any, of net loan charge-offs by FKF between October 1, 2008 and the month-end immediately preceding the Closing Date in excess of $2.5 million, and (v) Troubled Debt Restructurings not otherwise included in clauses (i), (iii) or (iv) of this definition; *provided, however*, that FKF Delinquencies shall not include any loans which are Administrative Delinquencies. For purposes of clauses (i), (ii) and (v) of this definition, the aggregate amount of the loan balances included therein shall be net of any charge-offs.

FKF Disclosure Schedule shall mean a written disclosure schedule delivered by FKF to BMBC specifically referring to the appropriate section of this Agreement.

FKF Financial Statements shall mean (i) the audited consolidated balance sheets (including related notes and schedules, if any) of FKF and subsidiaries as of September 30, 2008 and 2007 and the consolidated statements of operations, changes in stockholders equity and cash flows (including related notes and schedules, if any) of FKF and subsidiaries for each of the three years ended September 30, 2008, 2007 and 2006, and (ii) the unaudited interim consolidated financial statements of FKF and subsidiaries as of the end of each calendar quarter following September 30, 2008 and for the periods then ended, as filed by FKF in its Securities Documents.

FKF MAE Rep shall mean each of the representations and warranties set forth in Article IV hereof, except the representations and warranties set forth in (i) the first two sentences of Section 4.1.1, (ii) the first two sentences of Section 4.1.2, (iii) the first three sentences of Section 4.1.3, (iv) Section 4.2.1, (v) Section 4.2.2, (vi) Section 4.3.1, (vii) 4.3.2 through the end of clause (i) thereof, (viii) 4.3.3, (ix) 4.5.2, (x) 4.16, and (xi) 4.26.1.

FKF Option Plans shall mean FKF s Amended and Restated 1995 Stock Option Plan and FKF s Amended and Restated 1998 Stock Option Plan, and in each case as amended.

FKF Option shall mean an option to purchase shares of FKF Common Stock granted pursuant to the FKF Option Plans and as set forth in FKF Disclosure Schedule 4.2.1.

FKF Real Property shall mean a parcel of real estate owned or leased by FKF or an FKF Subsidiary.

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FKF RRP shall mean FKF s Amended and Restated 1995 Recognition and Retention Plan and Trust Agreement.

FKF Recommendation shall have the meaning set forth in Section 8.1.

FKF Regulatory Agreement shall have the meaning set forth in Section 4.11.3.

FKF Regulatory Reports shall mean the Thrift Financial Reports of FKB and accompanying schedules, as filed with the OTS, for each calendar quarter beginning with the quarter ended September 30, 2007, through the Closing Date, and all reports filed with the OTS by FKF from September 30, 2007 through the Closing Date.

FKF Shareholders Meeting shall have the meaning set forth in Section 8.1.

FKF Subsidiary shall mean a Subsidiary of FKF.

FRB shall mean the Board of Governors of the Federal Reserve System.

GAAP shall mean accounting principles generally accepted in the United States of America, consistently applied with prior practice.

Governmental Entity shall mean any federal or state court, administrative agency or commission or other governmental authority or instrumentality.

Indenture means the Indenture dated as of August 26, 1997 between FKF and The Bank of New York Mellon (f/k/a The Bank of New York), as trustee, as amended or supplemented from time to time.

IRS shall mean the United States Internal Revenue Service.

Knowledge as used with respect to a Person (including references to such Person being aware of a particular matter), shall mean those facts that are known or should have been known after due inquiry by the executive officers (as defined in Rule 3b-7 under the Exchange Act) of such Person, and in the case of FKF shall include, without limitation, those persons set forth in FKF Disclosure Schedule 1.1, and includes any facts, matters or circumstances set forth in any written notice from any Bank Regulator or any other written notice received by that Person.

Material Adverse Effect shall mean, with respect to BMBC or FKF, respectively, any effect that (i) is material and adverse to the financial condition, results of operations or business of BMBC and the BMBC Subsidiaries taken as a whole, or FKF and the FKF Subsidiaries taken as a whole, respectively, or (ii) does or would materially impair the ability of either FKF, on the one hand, or BMBC, on the other hand, to perform its obligations under this Agreement on a timely basis or otherwise materially threaten or materially impede the consummation of the transactions contemplated by this Agreement; *provided, however*, that Material Adverse Effect shall not be deemed to include the impact of (a) changes in laws and regulations affecting banks or thrift institutions or their holding companies generally, or interpretations thereof by courts or Governmental Entities, (b) changes in GAAP or regulatory accounting principles generally applicable to financial institutions and their holding companies, (c) changes after the date hereof in general economic and market conditions (including prevailing interest rates, currency exchange rates or other economic or monetary conditions) affecting banks or bank holding companies generally, (d) actions and omissions of a party hereto (or any of its Subsidiaries) taken with the prior written consent of the other party, (e) the announcement of this Agreement and the transactions contemplated hereby, and compliance with this Agreement on the business, financial condition or results of operations of the parties and their respective subsidiaries, including the expenses incurred by the parties hereto in consummating the transactions contemplated by this Agreement, (f) any modifications or changes to valuation policies and practices made pursuant to Section 6.11 hereof or restructuring charges taken pursuant to such

Section 6.11, in each case in accordance with GAAP, or (g) changes in national or international political or social conditions including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, unless it uniquely affects either or both of the parties or any of their Subsidiaries.

Material Contracts shall have the meaning set forth in Section 4.8.3.

Materials of Environmental Concern shall mean pollutants, contaminants, wastes, toxic substances, petroleum and petroleum products, and any other hazardous or toxic materials regulated under Environmental Laws.

Merger shall have the meaning set forth in the recitals.

Merger Consideration shall mean the aggregate Per Share Cash Consideration and Per Share Stock Consideration to be paid pursuant to the provisions of Section 3.1.3 hereof.

Merger Registration Statement shall mean the registration statement, together with all amendments, filed with the SEC under the Securities Act for the purpose of registering shares of BMBC Common Stock to be offered to holders of FKF Common Stock in connection with the Merger.

Nasdaq shall mean the NASDAQ Global Market of the NASDAQ Stock Market.

Option Exchange Ratio shall mean 0.8204, subject to adjustment as provided in Sections 3.1.5 and 3.1.6 hereof.

OREO shall mean real estate acquired through foreclosure or in lieu of foreclosure, including in-substance foreclosures.

OTS shall mean the Office of Thrift Supervision or any successor thereto.

PBCL shall mean the Pennsylvania Business Corporation Law.

PBGC shall mean the Pension Benefit Guaranty Corporation, or any successor thereto.

Pension Plan shall have the meaning set forth in Section 4.12.2.

Person shall mean any individual, corporation, partnership, limited liability company, joint venture, association, trust or group (as that term is defined under the Exchange Act).

Per Share Cash Consideration shall mean $2.06, subject to adjustment as provided in Sections 3.1.5. and 3.1.6. hereof.

Per Share Merger Consideration shall mean the sum of (i) the Per Share Cash Consideration and (ii) the Per Share Stock Consideration, each subject to adjustment as provided in Sections 3.1.5. and 3.1.6. hereof.

Per Share Stock Consideration shall mean such number of shares or fraction of a share, as the case may be, of BMBC Common Stock as is equal to the product of (i) one and (ii) the Exchange Ratio, subject to adjustment as provided in Sections 3.1.5. and 3.1.6. hereof.

Phase I shall mean a Phase I Environmental Site Assessment performed in accordance with the all appropriate inquiry standards set forth at 40 C.F.R. Part 312.

Proxy Statement-Prospectus shall have the meaning set forth in Section 8.2.1.

Regulatory Approvals shall mean the approval of any Bank Regulator that is necessary in connection with the consummation of the Merger, the Bank Merger and the related transactions contemplated by this Agreement.

Rights shall mean warrants, options, rights, convertible securities, stock appreciation rights and other arrangements or commitments which obligate an entity to issue or dispose of any of its capital stock or other ownership interests or which provide for compensation based on the equity appreciation of its capital stock.

SEC shall mean the United States Securities and Exchange Commission or any successor thereto.

Securities Act shall mean the Securities Act of 1933, as amended.

Securities Documents shall mean all reports, prospectuses, proxy or information statements, registration statements and all other documents filed, or required to be filed, by FKF or BMBC, as the case may be, with the SEC pursuant to the Securities Laws.

Securities Laws shall mean the Securities Act; the Exchange Act; the Investment Company Act of 1940, as amended; the Investment Advisers Act of 1940, as amended; the Trust Indenture Act of 1939, as amended, and the rules and regulations of the SEC promulgated thereunder.

Subordinated Debentures means FKF s Series A 9.70% Junior Subordinated Deferrable Interest Debentures due August 15, 2027 and Series B 9.70% Junior Subordinated Deferrable Interest Debentures due August 15, 2027, each authenticated and issued pursuant to the Indenture.

Subsidiary shall mean a corporation, limited liability company, partnership, trust, joint venture or other entity in which a Person owns, directly or indirectly, an equity interest representing 50% or more of any class of the capital stock thereof or other equity interests therein.

Supervisory Agreement shall mean, collectively, those certain Supervisory Agreements between the OTS and each of FKF and FKB, each dated as of February 13, 2006.

Surviving Corporation shall have the meaning set forth in Section 2.1 hereof.

Termination Date shall mean July 31, 2010.

Tax shall mean any tax, including any fees, levies, duties, tariffs, imposts, and governmental impositions or charges of any kind in the nature of (or similar to) taxes, payable to any federal, state, provincial, local or foreign Taxing Authority, including: (i) income, franchise, profits, gross receipts, ad valorem, net worth, value added, sales, use, service, real, personal or intangible property, special assessments, capital stock, license, payroll, withholding, employment, social security, workers compensation, unemployment compensation, estimated utility, severance, production, excise, stamp, occupation, premiums, windfall profits, recording, transfer and gains taxes; (ii) interest, penalties, additional taxes and additions to tax imposed; and (iii) any obligations under any agreements or arrangements with any other Person with respect to such amounts and including any liability for taxes of a predecessor entity.

Tax Return shall mean any return declaration, report, claim for refund, estimates, elections, agreements, statements, declarations of estimated tax, information returns or other documents of any nature or kind, relating to, or required to be filed in connection with, any Taxes, including any schedule or attachment thereto and amendments thereof, and including any information returns or reports with respect to backup withholding and other payments to third parties.

Taxing Authority shall mean any Governmental Entity responsible for the imposition of any Taxes, whether domestic or foreign.

Treasury Stock shall have the meaning set forth in Section 3.1.2.

Troubled Debt Restructurings shall mean loans that are troubled debt restructurings as defined in Statement of Financial Accounting Standards No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructuring, or any successor thereto.

Trust Preferred Securities shall mean all Securities (as defined in the Declaration of Trust) issued by First Keystone Capital Trust I.

Other terms used herein are defined in the recitals and elsewhere in this Agreement.

ARTICLE II

THE MERGER

2.1. *Merger.*

Subject to the terms and conditions of this Agreement, at the Effective Time: (a) FKF shall merge with and into BMBC, with BMBC as the resulting or surviving corporation (the **Surviving Corporation**); and (b) the separate existence of FKF shall cease and all of the rights, privileges, powers, franchises, properties, assets, liabilities and obligations of FKF shall be vested in and assumed by BMBC. As part of the Merger, each share of FKF Common Stock (other than Treasury Stock or shares of FKF Common Stock held by the FKF RRP that are not subject to awards) will be converted into the right to receive the Merger Consideration pursuant to the terms of Article III hereof. The Bank Merger shall be consummated immediately after the Merger.

2.2. *Effective Time.*

The closing (**Closing**) shall occur no later than the close of business on the fifth Business Day following the satisfaction or (to the extent permitted by applicable law) waiver of the conditions set forth in Article IX (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or (to the extent permitted by applicable law) waiver of those conditions), or such other date that may be agreed to in writing by the parties. The Merger shall be effected by the filing of Articles of Merger with the Pennsylvania Department of State on the day of the Closing (the **Closing Date**), in accordance with the PBCL. The **Effective Time** shall mean the date and time upon which the Articles of Merger are filed with the Department of State of the Commonwealth of Pennsylvania, or as otherwise stated in the Articles of Merger, in accordance with the PBCL.

2.3. *Articles of Incorporation and Bylaws.*

The articles of incorporation and bylaws of BMBC as in effect immediately prior to the Effective Time shall be the articles of incorporation and bylaws of the Surviving Corporation, until thereafter amended as provided therein and by applicable law.

2.4. *Directors and Officers of Surviving Corporation.*

The directors of BMBC immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the articles of incorporation and bylaws of the Surviving Corporation. The officers of BMBC immediately prior to the Effective Time shall be the initial officers of Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified.

2.5. *Effects of the Merger.*

At and after the Effective Time, the Merger shall have the effects as set forth in the PBCL.

2.6. *Tax Consequences.*

It is intended that the Merger shall constitute a reorganization within the meaning of Section 368(a) of the Code, and that this Agreement shall constitute a plan of reorganization as that term is used in Sections 354 and 361 of the Code. From and after the date of this Agreement and until the Closing, each party hereto shall use its reasonable best efforts to cause the Merger to qualify, and will not knowingly take any action, cause any action to be taken, fail to take any action or cause any action to fail to be taken which action or failure to act could prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code. Following the Closing, neither BMBC, FKF nor any of their affiliates shall knowingly take any action, cause any action to be taken, fail to take any action or cause any action to fail to be taken, which action or failure to act could cause the Merger to fail to qualify as a reorganization under Section 368(a) of the Code. BMBC and FKF each hereby agrees to deliver certificates substantially in compliance with IRS published advance ruling guidelines, with customary exceptions and modifications thereto, to enable counsel to deliver the legal opinion contemplated by Section 9.1.6, which certificates shall be effective as of the date of such opinion.

2.7. *Possible Alternative Structures.*

Notwithstanding anything to the contrary contained in this Agreement, prior to the Effective Time BMBC shall be entitled to revise the structure of the Merger or the Bank Merger, including without limitation, by merging FKF into a wholly-owned Subsidiary of BMBC; *provided* that (a) any such Subsidiary shall become a party to, and shall agree to be bound by, the terms of this Agreement (b) there are no adverse federal or state income tax or other adverse tax consequences to FKF shareholders as a result of the modification; (c) the consideration to be paid to the holders of FKF Common Stock under this Agreement is not thereby changed in kind or value or reduced in amount; and (d) such modification will not delay or jeopardize the receipt of Regulatory Approvals or other consents and approvals relating to the consummation of the Merger and the Bank Merger, otherwise delay or jeopardize the satisfaction of any condition to Closing set forth in Article IX or otherwise adversely affect FKF or the holders of FKF Common Stock. The parties hereto agree to appropriately amend this Agreement and any related documents in order to reflect any such revised structure.

2.8. *Bank Merger.*

BMBC and FKF shall use their reasonable best efforts to cause the Bank Merger to occur as soon as practicable after the Effective Time. In addition, following the execution and delivery of this Agreement, BMBC will cause BMT, and FKF will cause FKB, to execute and deliver the Agreements and Plans of Merger substantially in the form attached to this Agreement as *Exhibit B*.

2.9. *Absence of Control.*

Subject to any specific provisions of this Agreement, it is the intent of the parties hereto that BMBC by reason of this Agreement shall not be deemed (until consummation of the transactions contemplated hereby) to control, directly or indirectly, FKF or to exercise, directly or indirectly, a controlling influence over the management or policies of FKF.

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ARTICLE III

CONVERSION OF SHARES

3.1. *Conversion of FKF Common Stock; Merger Consideration.*

At the Effective Time, by virtue of the Merger and without any action on the part of BMBC, FKF or the holders of any of the shares of FKF Common Stock, the Merger shall be effected in accordance with the following terms:

3.1.1. *BMBC Shares*. Each share of BMBC Common Stock that is issued and outstanding immediately prior to the Effective Time shall remain issued and outstanding following the Effective Time and shall be unchanged by the Merger.

3.1.2. *Canceled FKF Shares*. All shares of FKF Common Stock held in the treasury of FKF (**Treasury Stock**), all unallocated shares of FKF Common Stock held by the FKF RRP and each share of FKF Common Stock owned by BMBC immediately prior to the Effective Time (other than shares held in a fiduciary capacity or in connection with debts previously contracted) shall, at the Effective Time, cease to exist, and the certificates for such shares shall be canceled as promptly as practicable thereafter, and no payment or distribution shall be made in consideration therefor.

3.1.3. *Merger Consideration*. Subject to the provisions of this Article III, each share of FKF Common Stock issued and outstanding immediately prior to the Effective Time (other than Treasury Stock and unallocated shares of FKF Common Stock held by the FKF RRP) shall become and be converted into, as provided in and subject to the limitations set forth in this Agreement, the right to receive the Per Share Merger Consideration, subject to adjustment in accordance with Sections 3.1.5 and 3.1.6 hereof.

3.1.4. *Rights of FKF Shares Post-Effective Time*. After the Effective Time, shares of FKF Common Stock shall be no longer outstanding and shall automatically be canceled and shall cease to exist, and shall thereafter by operation of this section represent only the right to receive the Per Share Merger Consideration and any dividends or distributions with respect thereto or any dividends or distributions with a record date prior to the Effective Time that were declared or made by FKF on such shares of FKF Common Stock in accordance with the terms of this Agreement on or prior to the Effective Time and which remain unpaid at the Effective Time.

3.1.5. *Stock Splits, Etc*. In the event BMBC changes (or establishes a record date for changing) the number of, or provides for the exchange of, shares of BMBC Common Stock issued and outstanding prior to the Effective Time as a result of a stock split, stock dividend, recapitalization, reclassification, or similar transaction with respect to the outstanding BMBC Common Stock and the record date therefor shall be prior to the Effective Time, each of the Exchange Ratio, Option Exchange Ratio and Per Share Cash Consideration shall be proportionately and appropriately adjusted; *provided* that no such adjustment shall be made with regard to BMBC Common Stock if BMBC issues additional shares of BMBC Common Stock and receives fair market value consideration for such shares.

3.1.6. *Adjustment to Per Share Merger Consideration*. If the aggregate amount of FKF Delinquencies as of the month end immediately prior to the Closing Date is $10.5 million or greater, the Exchange Ratio, Option Exchange Ratio and Per Share Cash Consideration shall be reduced as set forth in *Exhibit C* (and the Exchange Ratio, Option Exchange Ratio and Per Share Cash Consideration as reduced in accordance with *Exhibit C* shall become the Exchange Ratio, Option Exchange Ratio and Per Share Cash Consideration for purposes of this Agreement).

3.2. *Procedures for Exchange of FKF Common Stock.*

3.2.1. *Deposit of Merger Consideration*. At or prior to the Effective Time, BMBC shall deposit, or shall cause to be deposited, with the Exchange Agent (a) certificates representing the number of shares of BMBC Common Stock sufficient to deliver, and BMBC shall instruct the Exchange Agent to timely deliver, the aggregate Per Share Stock Consideration, and (b) immediately available funds equal to the aggregate Per

Share Cash Consideration (together with, to the extent then determinable, any cash payable in lieu of fractional shares pursuant to Section 3.2.6) (collectively, the **Exchange Fund**) and BMBC shall instruct the Exchange Agent to timely pay the Merger Consideration, and such cash in lieu of fractional shares, in accordance with this Agreement.

3.2.2. *Exchange of Certificates*. BMBC shall cause the Exchange Agent, within five (5) Business Days after the Effective Time, to mail to each holder of a Certificate or Certificates, a letter of transmittal for return to the Exchange Agent and instructions for use in effecting the surrender of the Certificates for the Merger Consideration and cash in lieu of fractional shares, if any, into which the FKF Common Stock represented by such Certificates shall have been converted as a result of the Merger. The letter of transmittal shall be subject to the approval of FKF (which shall not be unreasonably withheld, conditioned or delayed) and specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Exchange Agent. Upon proper surrender of a Certificate for exchange and cancellation to the Exchange Agent, together with a properly completed letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor, as applicable, (i) a certificate representing the aggregate amount of Per Share Stock Consideration to which such former holder of FKF Common Stock shall have become entitled pursuant to the provisions of Section 3.1 hereof and (ii) a check representing the aggregate amount of Per Share Cash Consideration and cash payable in lieu of fractional shares of BMBC Common Stock (each rounded to the nearest whole cent) to which such former holder of FKF Common Stock shall have become entitled pursuant to the provisions of Section 3.1 hereof, and the Certificate so surrendered shall forthwith be cancelled. No interest will be paid or accrued on the cash payable in lieu of fractional shares.

3.2.3. *Rights of Certificate Holders after the Effective Time*. The holder of a Certificate that prior to the Merger represented issued and outstanding FKF Common Stock shall have no rights, after the Effective Time, with respect to such FKF Common Stock except to surrender the Certificate in exchange for the Per Share Merger Consideration as provided in this Agreement. No dividends or other distributions with respect to BMBC Common Stock shall be paid to the holder of any unsurrendered Certificate with respect to the shares of BMBC Common Stock represented thereby, in each case until the surrender of such Certificate in accordance with this Section 3.2. Subject to the effect of applicable abandoned property, escheat or similar laws, following surrender of any such Certificate in accordance with this Section 3.2, the record holder thereof shall be entitled to receive, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to the whole shares of BMBC Common Stock represented by such Certificate and not paid and/or (ii) at the appropriate payment date, the amount of dividends or other distributions payable with respect to shares of BMBC Common Stock represented by such Certificate with a record date after the Effective Time (but before such surrender date) and with a payment date subsequent to the issuance of the BMBC Common Stock issuable with respect to such Certificate.

3.2.4. *Surrender by Persons Other than Record Holders*. In the event of a transfer of ownership of a Certificate representing FKF Common Stock that is not registered in the stock transfer records of FKF, the proper amount of cash and/or shares of BMBC Common Stock shall be paid or issued in exchange therefor to a person other than the person in whose name the Certificate so surrendered is registered if the Certificate formerly representing such FKF Common Stock shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment or issuance shall pay any transfer or other similar Taxes required by reason of the payment or issuance to a person other than the registered holder of the Certificate or establish to the satisfaction of BMBC that the Tax has been paid or is not applicable.

3.2.5. *Closing of Transfer Books*. After the Effective Time, there shall be no transfers on the stock transfer books of FKF of the shares of FKF Common Stock that were issued and outstanding immediately prior to the Effective Time other than to settle transfers of FKF Common Stock that occurred prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be cancelled and exchanged for the Per Share Merger Consideration and any cash in lieu of fractional shares of BMBC Common Stock to be issued or paid in consideration therefor in accordance with the procedures set forth in this Section 3.2.

3.2.6. *No Fractional Shares*. Notwithstanding anything to the contrary contained in this Agreement, no certificates or scrip representing fractional shares of BMBC Common Stock shall be issued upon the surrender of Certificates for exchange, no dividend or distribution with respect to BMBC Common Stock shall be payable on or with respect to any fractional share, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a shareholder of BMBC. In lieu of the issuance of any such fractional share, BMBC shall pay to each former shareholder of FKF who otherwise would be entitled to receive such fractional share an amount in cash (rounded to the nearest cent) determined by multiplying (i) the average of the daily closing sales prices of a share of BMBC Common Stock as reported on the Nasdaq for the five consecutive trading days immediately preceding the Closing Date by (ii) the fraction of a share (after taking into account all shares of FKF Common Stock held by such holder at the Effective Time and rounded to the nearest thousandth when expressed in decimal form) of BMBC Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 3.1. For purposes of determining any fractional share interest, all shares of FKF Common Stock owned by an FKF shareholder shall be combined so as to calculate the maximum number of whole shares of BMBC Common Stock issuable to such FKF shareholder.

3.2.7. *Return of Exchange Fund*. Any portion of the Exchange Fund that remains unclaimed by the shareholders of FKF as of the first anniversary of the Effective Time may, to the extent permitted by applicable law, be paid to BMBC. In such event, any former shareholders of FKF who have not theretofore complied with this Section 3.2 shall thereafter look only to BMBC with respect to the Per Share Merger Consideration, any cash in lieu of any fractional shares and any unpaid dividends and distributions on the BMBC Common Stock deliverable in respect of each share of FKF Common Stock such shareholder holds as determined pursuant to this Agreement, in each case, without any interest thereon. Notwithstanding the foregoing, none of BMBC, FKF, the Exchange Agent or any other person shall be liable to any former holder of shares of FKF Common Stock for any amount delivered in good faith to a public official pursuant to applicable abandoned property, escheat or similar laws.

3.2.8. *Lost, Stolen or Destroyed Certificates*. In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if reasonably required by BMBC or the Exchange Agent, the posting by such person of a bond in such amount as BMBC may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Per Share Merger Consideration deliverable in respect thereof pursuant to this Agreement.

3.2.9. *Withholding Rights*. BMBC or the Exchange Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement or the transactions contemplated hereby to any holder of FKF Common Stock such amounts as BMBC (or any Affiliate thereof) or the Exchange Agent are required to deduct and withhold with respect to the making of such payment under the Code, or any applicable provision of U.S. federal, state, local or non-U.S. tax law. To the extent that such amounts are properly withheld by BMBC or the Exchange Agent, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the holder of the FKF Common Stock in respect of whom such deduction and withholding were made by BMBC or the Exchange Agent.

3.2.10. *Treatment of FKF Options and Restricted Shares*. FKF Disclosure Schedule 3.2.10 sets forth all of the outstanding FKF Options as of the date hereof, which schedule includes, for each option grant, the name of the individual grantee, the date of grant, the exercise price, the vesting schedule and the expiration date.

(A) At the Effective Time, all FKF Options which are outstanding and unexercised immediately prior thereto shall, subject to the receipt of any necessary non-objection of the OTS or the FDIC, become fully vested and exercisable and be converted, in their entirety, automatically into fully vested and exercisable options to purchase shares of BMBC Common Stock (the **Continuing Options**) in an amount and at an exercise price determined as provided below (and otherwise subject to the terms of FKF Option Plans):

(i) The number of shares of BMBC Common Stock to be subject to the Continuing Options shall be equal to the product of the number of shares of FKF Common Stock subject to the FKF Options and the Option Exchange Ratio; *provided* that any fractional shares of BMBC Common Stock resulting from such multiplication shall be rounded down to the nearest share; and

(ii) The exercise price per share of BMBC Common Stock under the Continuing Options shall be equal to the exercise price per share of FKF Common Stock under the FKF Options divided by the Option Exchange Ratio; *provided* that such exercise price shall be rounded up to the nearest cent.

The adjustment provided herein with respect to each option, whether or not an incentive stock option (as defined in Section 422 of the Code), shall be and is intended to be effected in a manner which is consistent with Section 424(a) of the Code. The duration and other terms of the Continuing Options shall be the same as the FKF Options, except that all references to FKF shall be deemed to be references to BMBC.

(B) At all times after the Effective Time, BMBC shall reserve for issuance such number of shares of BMBC Common Stock as necessary so as to permit the exercise of Continuing Options in the manner contemplated by this Agreement and in the instruments pursuant to which such options were granted.

(C) Promptly following the Effective Time, BMBC shall cause to be registered on Form S-3 or Form S-8, as applicable (or any successor or other appropriate form), the shares of BMBC Common Stock subject to Continuing Options and shall use its reasonable best efforts to maintain the current status of the prospectus or prospectuses contained in the related registration statement for so long as any such Continuing Options remain outstanding in the case of a Form S-8, or, in the case of a Form S-3, until the shares subject to such Continuing Options may be sold without a further holding period under Rule 144 promulgated under the Securities Act.

(D) Each outstanding award to receive a distribution of FKF Common Stock granted by FKF pursuant to the FKF RRP, which award is unvested immediately prior to the Effective Time, shall, subject to the receipt of any necessary non-objection from the OTS or the FDIC, vest and be free of any restrictions as of the Effective Time in accordance with the terms of the FKF RRP and be exchanged for the Merger Consideration as provided in Section 3.1.3. hereof.

3.2.11. *Exercise of Continuing Options*. Continuing Options may be exercised in accordance with the terms of the FKF Options in effect immediately prior to the Effective Time, subject to applicable law and regulation.

3.2.12. *Reservation of Shares*. BMBC shall reserve for issuance a sufficient number of shares of the BMBC Common Stock for the purpose of issuing shares of BMBC Common Stock to the FKF shareholders in accordance with this Article III.

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF FKF

FKF represents and warrants to BMBC that the statements contained in this Article IV are true and correct as of the date hereof and thereafter as of all times up to and including the Effective Time, subject to such qualifications and exceptions as are set forth in the FKF Disclosure Schedules delivered by FKF to BMBC on the date hereof. FKF has made a good faith effort to ensure that the disclosure on each schedule of the FKF Disclosure Schedule corresponds to the section referenced herein. However, for purposes of the FKF Disclosure Schedule, any item disclosed on any schedule therein is deemed to be fully disclosed with respect to all schedules under which such item may be relevant as and to the extent that it is reasonably clear on the face of such schedule that such item applies to such other schedule. References to the Knowledge of FKF shall include the Knowledge of FKB and each of the other FKF Subsidiaries.

4.1. *Organization.*

4.1.1. FKF is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and is duly registered as a savings and loan holding company under the Home Owners Loan Act, as amended (**HOLA**). FKF has the requisite corporate power and authority to carry on its business as now conducted. FKF is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification.

4.1.2. FKB is a federal savings bank duly organized and validly existing and in good standing under the laws of the United States. FKB has the requisite corporate power and authority to carry on its business as now conducted. FKB is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification. The deposits of FKB are insured by the FDIC to the fullest extent permitted by law, and all premiums and assessments required to be paid in connection therewith have been paid by FKB when due. FKB is a member in good standing of the FHLB and owns the requisite amount of stock therein.

4.1.3. FKF Disclosure Schedule 4.1.3 sets forth each FKF Subsidiary. Each FKF Subsidiary is a corporation, limited liability company or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each FKF Subsidiary has the requisite corporate or other entity power and authority to carry on its business as now conducted. Each FKF Subsidiary is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification.

4.1.4. The respective minute books of FKF and each FKF Subsidiary accurately record all material corporate or other entity actions of their respective shareholders and boards of directors, or their other entity equivalents (including committees).

4.1.5. Prior to the date of this Agreement, FKF has made available to BMBC true and correct copies of the articles of incorporation, charter and bylaws, or their other entity equivalents, of FKF and the FKF Subsidiaries, each as in effect as of the date hereof.

4.2. *Capitalization.*

4.2.1. The authorized capital stock of FKF consists of 20,000,000 shares of common stock, $0.01 par value per share, of which 2,432,998 shares are outstanding, validly issued, fully paid and nonassessable and free of preemptive rights. There are 279,558 shares of FKF Common Stock held by FKF as Treasury Stock. Neither FKF nor any FKF Subsidiary has or is bound by any Rights of any character relating to the purchase, sale or issuance or voting of, or right to receive dividends or other distributions on any shares of FKF Common Stock, or any other security of FKF or an FKF Subsidiary or any securities representing the

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right to vote, purchase or otherwise receive any shares of FKF Common Stock or any other security of FKF or any FKF Subsidiary, or pursuant to which FKF or any FKF Subsidiary is or could be required to register shares of FKF capital stock or other securities under the Securities Act, other than (a) shares issuable under the FKF Option Plans and (b) the shares issuable under the FKF RRP. FKF Disclosure Schedule 4.2.1 sets forth the name of each holder of options to purchase FKF Common Stock, the number of shares each such individual may acquire pursuant to the exercise of such options, the grant and vesting dates, and the exercise price relating to the options held.

4.2.2. FKF owns all of the capital stock of FKB, free and clear of any liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature. Except for the FKF Subsidiaries, FKF does not possess, directly or indirectly, any equity interest in any corporate entity, except for equity interests held in the investment portfolios of FKF Subsidiaries, equity interests held by FKF Subsidiaries in a fiduciary capacity, and equity interests held in connection with the lending activities of FKF Subsidiaries, including stock in the FHLB. Except as set forth on FKF Disclosure Schedule 4.2.2, either FKF or FKB, directly or indirectly, owns all of the outstanding shares of capital stock of or all equity interests in each FKF Subsidiary free and clear of all liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature.

4.2.3. Except as set forth on FKF Disclosure Schedule 4.2.3, to the Knowledge of FKF, no Person or group (as that term is used in Section 13(d)(3) of the Exchange Act), is the beneficial owner (as defined in Section 13(d) of the Exchange Act) of 5% or more of the outstanding shares of FKF Common Stock.

4.2.4. FKF Disclosure Schedule 4.2.4 sets forth FKF s and all FKF Subsidiaries capital stock, equity interest or other direct or indirect ownership interest in any Person other than an FKF Subsidiary, where such ownership interest is equal to or greater than five percent (5%) of the total ownership interest of such Person.

4.3. *Authority; No Violation.*

4.3.1. FKF has full corporate power and authority to execute and deliver this Agreement and, subject to receipt of the Regulatory Approvals and the approval of this Agreement by FKF s shareholders, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by FKF and the consummation by FKF of the transactions contemplated hereby, including the Merger, have been duly and validly approved by the Board of Directors of FKF, and no other corporate proceedings on the part of FKF, except for the approval of the FKF shareholders, is necessary to consummate the transactions contemplated hereby, including the Merger. This Agreement has been duly and validly executed and delivered by FKF, and subject to approval by the shareholders of FKF and receipt of the Regulatory Approvals and due and valid execution and delivery of this Agreement by BMBC, constitutes the valid and binding obligation of FKF, enforceable against FKF in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors rights generally, and subject, as to enforceability, to general principles of equity.

4.3.2. Subject to receipt of Regulatory Approvals and FKF s and BMBC s compliance with any conditions contained therein, and to the receipt of the approval of the shareholders of FKF, (a) the execution and delivery of this Agreement by FKF, (b) the consummation of the transactions contemplated hereby, and (c) compliance by FKF with any of the terms or provisions hereof does not and will not (i) conflict with or result in a breach of any provision of the articles of incorporation, certificate of formation, limited liability company agreement, bylaws, or other similar organizational or governing document of FKF or any FKF Subsidiary; (ii) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to FKF or any FKF Subsidiary or any of their respective properties or assets; (iii) violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default), under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of FKF or any

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FKF Subsidiary under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement, commitment or other instrument or obligation to which any of them is a party, or by which they or any of their respective properties or assets may be bound or affected; (iv) cause BMBC to become subject to, or to become liable for, the payment of any tax; or (v) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Entity the right to revoke, withdraw, suspend, cancel, terminate or modify, any governmental authorization that is held by FKF or any FKF Subsidiary.

4.3.3. The FKF Board of Directors has approved this Agreement and has directed that this Agreement be submitted to FKF s shareholders for consideration at a duly held meeting of such shareholders and, except for the approval of this Agreement by the affirmative vote of a majority of the votes cast by all shareholders entitled to vote at a duly held meeting of such shareholders, no other proceedings on the part of FKF are necessary to approve this Agreement or to consummate the transactions contemplated hereby.

4.4. *Consents.*

Except for (a) filings with Bank Regulators, the receipt of the Regulatory Approvals, and compliance with any conditions contained therein, (b) the filing of the Articles of Merger with the Department of State of the Commonwealth of Pennsylvania, (c) the filing with the SEC of (i) the Merger Registration Statement and (ii) such reports under Sections 13(a), 13(d), 13(g) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be required in connection therewith, (d) approval of the listing of BMBC Common Stock to be issued in the Merger on the Nasdaq, (e) such filings and approvals as are required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of the shares of BMBC Common Stock pursuant to this Agreement, and (f) the approval of this Agreement by the requisite vote of the shareholders of FKF, no consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and no consents, waivers or approvals of, or filings or registrations with, any other third parties are necessary, in connection with (i) the execution and delivery of this Agreement by FKF, and (ii) the completion of the Merger and the Bank Merger by FKF and the other transactions contemplated by this Agreement. FKF has no reason to believe that any Regulatory Approvals or other required consents or approvals will not be received.

4.5. *Reports, Regulatory Matters, Financial Statements.*

4.5.1. The FKF Regulatory Reports have been prepared in all material respects in accordance with applicable regulatory accounting principles and practices throughout the periods covered by such statements. FKF has previously made available to BMBC the FKF Regulatory Reports.

4.5.2. FKF has previously made available to BMBC the FKF Financial Statements. The FKF Financial Statements have been prepared in accordance with GAAP, and (including the related notes where applicable) fairly present in each case in all material respects (subject in the case of the unaudited interim statements to normal year-end adjustments and to any other adjustments described therein), the consolidated financial position, results of operations and cash flows of FKF and the FKF Subsidiaries on a consolidated basis as of and for the respective periods ending on the dates thereof, in accordance with GAAP during the periods involved, except as indicated in the notes thereto, or in the case of unaudited statements, as permitted by Form 10-Q.

4.5.3. At the date of each balance sheet included in the FKF Financial Statements or the FKF Regulatory Reports, neither FKF nor FKB, as applicable, had any liabilities, obligations or loss contingencies of any nature (whether absolute, accrued, contingent or otherwise) of a type required to be reflected in such FKF Financial Statements or FKF Regulatory Reports or in the footnotes thereto which are not fully reflected or reserved against therein or fully disclosed in a footnote thereto and subject, in the case of any unaudited statements, to normal, recurring audit adjustments and the absence of footnotes. The FKF Financial Statements have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions and the FKF Regulatory Reports and all other books and records of FKF and the FKF Subsidiaries have been, and are being, maintained in all material respects in accordance with applicable legal and accounting requirements and reflect only actual transactions.

4.5.4. The records, systems, controls, data and information of FKF and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process, whether computerized or not) that are under the exclusive ownership and direct control of FKF or its Subsidiaries (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on the system of internal accounting controls described below in this Section 4.5.4. FKF (a) has implemented and maintains a system of internal control over financial reporting (as required by Rule 13a-15(a) of the Exchange Act) that is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with GAAP, (b) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to FKF, including the FKF Subsidiaries, is made known to the chief executive officer and the chief financial officer of FKF by others within those entities, and (c) has disclosed, based on its most recent evaluation prior to the date hereof, to FKF s outside auditors and the audit committee of FKF s Board of Directors (the **FKF Audit Committee**) (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which are reasonably likely to adversely affect FKF s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in FKF s internal control over financial reporting. These disclosures (if any) were made in writing by management to FKF s auditors and the FKF Audit Committee and a copy has previously been made available to BMBC. As of the date hereof, to the Knowledge of FKF s chief executive officer and chief financial officer, each of them will be able to give the certifications required pursuant to the rules and regulations adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, without qualification, when next due.

4.5.5. Since June 30, 2009, (a) neither FKF nor any of its Subsidiaries nor any director, officer, employee, auditor, accountant or representative of FKF or any of its Subsidiaries has received or otherwise had or obtained Knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of FKF or any of its Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion or claim that FKF or any of its Subsidiaries has engaged in illegal accounting or auditing practices, and (b) no attorney representing FKF or any of its Subsidiaries, whether or not employed by FKF or any of its Subsidiaries, has reported evidence of a violation of Securities Laws, breach of fiduciary duty or similar violation by FKF or any of its officers, directors, employees or agents to the Board of Directors of FKF or any committee thereof or to any director or officer of FKF.

4.6. *Taxes*.

4.6.1. FKF and the FKF Subsidiaries are members of the same affiliated group within the meaning of Code Section 1504(a). FKF and each FKF Subsidiary has timely and duly filed all Tax Returns required to be filed by or with respect to FKF and every FKF Subsidiary, either separately or as a member of a group of corporations, on or prior to the Closing Date, taking into account any extensions (all such Tax Returns being accurate and correct in all material respects) and has duly paid or made provisions that are adequate for the payment of all Taxes which have been incurred by or are due or claimed to be due from FKF and any FKF Subsidiary by any Taxing Authority or pursuant to any written Tax sharing agreement on or prior to the Closing Date other than Taxes or other charges which (a) are not delinquent, (b) are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the FKF Financial Statements, or (c) have not yet been fully determined. Except as set forth in FKF Disclosure Schedule 4.6.1, as of the date of this Agreement, FKF has received no written notice of, and there is no audit

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examination, deficiency assessment, Tax investigation or refund litigation with respect to any Taxes of FKF or any FKF Subsidiary, and no written claim has been made by any Taxing Authority in a jurisdiction where FKF or any FKF Subsidiary does not file Tax Returns that FKF or any FKF Subsidiary is subject to Tax in that jurisdiction. FKF and the FKF Subsidiaries have not executed an extension or waiver of any statute of limitations on the assessment or collection of any Tax due that is currently in effect. FKF and each FKF Subsidiary has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and FKF and each FKF Subsidiary has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the Code and similar applicable state and local information reporting requirements. The United States federal and state income Tax Returns of FKF and each FKF Subsidiary subject to such Taxes have been audited by the IRS or relevant state Tax Authorities or are closed by the applicable statute of limitations for all taxable years through September 30, 1999.

4.6.2. FKF and each FKF Subsidiary has not disposed of property in a transaction presently being accounted for under the installment method under Section 453 of the Code. No excess loss account exists with respect to any FKF Subsidiary. FKF and each FKF Subsidiary is not required to include in income any adjustment pursuant to Section 481(a) of the Code by reason of a voluntary change in accounting and FKF has no Knowledge that the IRS has proposed such adjustment in accounting method. Except as described in the FKF Disclosure Schedule 4.6.2, the acquisition of the FKF Common Stock will not be a factor causing any payments to be made by FKF and each FKF Subsidiary not to be deductible (in whole or in part) pursuant to Sections 280G, 404 or 162(m) of the Code. There are no rulings, requests for rulings, or closing agreements with any Taxing Authority specifically requested or entered into by FKF or a FKF Subsidiary, which could affect their respective Taxes for any period after the Closing. All transactions that could give rise to an understatement of federal income Tax (within the meaning of Sections 6662 and 6662A of the Code) with respect to the FKF and each FKF Subsidiary were adequately disclosed on Tax Returns to the extent required under the Code. There are no liens for Taxes upon any property or assets of FKF and each FKF Subsidiary except for liens for current Taxes, assessments, and other governmental charges not yet due, or which may thereafter be paid without penalty.

4.7. *No Material Adverse Effect.*

FKF has not suffered any Material Adverse Effect since June 30, 2009 and no event has occurred or circumstance arisen since that date which, in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on FKF.

4.8. *Material Contracts; Leases; Defaults.*

4.8.1. Except as set forth in FKF Disclosure Schedule 4.8.1, neither FKF nor any FKF Subsidiary is a party to or subject to: (a) any employment, consulting or severance contract, change in control or termination contract or arrangement with any past or present officer, director, employee or independent contractor of FKF or any FKF Subsidiary, except for at will arrangements; (b) any plan, arrangement or contract providing for bonuses, pensions, options, deferred compensation, retirement payments, profit sharing or similar arrangements for or with any past or present officers, directors, employees or independent contractors of FKF or any FKF Subsidiary; (c) any collective bargaining agreement with any labor union relating to employees of FKF or any FKF Subsidiary; (d) any agreement which by its terms limits the payment of dividends by FKF or any FKF Subsidiary; (e) any instrument evidencing or related to indebtedness for borrowed money whether directly or indirectly, by way of purchase money obligation, conditional sale, lease purchase, guaranty or otherwise, in respect of which FKF or any FKF Subsidiary is an obligor to any person, which instrument evidences or relates to indebtedness other than deposits, repurchase agreements, FHLB advances, bankers acceptances, and treasury tax and loan accounts and transactions in federal funds in each case established in the ordinary course of business consistent with past practice, or which contains financial covenants or other restrictions (other than those relating to the payment of principal and interest when due) which would be applicable on or after the Closing Date to

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BMBC or any BMBC Subsidiary; (f) any other agreement, written or oral, that obligates FKF or any FKF Subsidiary for the payment of more than $50,000 over its remaining term, which is not terminable without cause on 60 days or less notice without penalty or payment (other than agreements for commercially available off-the-shelf software), (g) any agreement (other than this Agreement), contract, arrangement, commitment or understanding (whether written or oral) that restricts or limits in any material way the conduct of business by FKF or any FKF Subsidiary; (h) any contract, plan or arrangement which provides for payments or benefits in certain circumstances which, together with other payments or benefits payable to any participant therein or party thereto, might render any portion of any such payments or benefits subject to disallowance of deduction therefor as a result of the application of Section 280G of the Code; (i) any lease for real property; (j) any contract or arrangement with any broker-dealer or investment adviser; (k) any investment advisory contract with any investment company registered under the Investment Company Act of 1940; (l) any contract or arrangement with, or membership in, any local clearing house or self-regulatory organization; or (m) any other material agreement.

4.8.2. Each real estate lease that requires the consent of the lessor or its agent resulting from the Merger or the Bank Merger by virtue of the terms of any such lease, is listed in FKF Disclosure Schedule 4.8.2 identifying the section of the lease that contains such prohibition or restriction. Subject to any consents that may be required as a result of the transactions contemplated by this Agreement, neither FKF nor any FKF Subsidiary is in default in any respect under any material contract, agreement, commitment, arrangement, lease, insurance policy or other instrument to which it is a party, by which its assets, business, or operations may be bound or affected, or under which it or its assets, business, or operations receive benefits, and there has not occurred any event that, with the lapse of time or the giving of notice or both, would constitute such a default.

4.8.3. True and correct copies of the agreements, contracts, arrangements and instruments referred to in Section 4.8.1 and 4.8.2 (**Material Contracts**) have been made available to BMBC on or before the date hereof, and are valid, binding and in full force and effect on the date hereof and neither FKF nor any FKF Subsidiary (nor, to the Knowledge of FKF, any other party to any such contract, arrangement or instrument) has breached any provision of, or is in default in any respect under any term of, any Material Contract, and no event or condition exists that constitutes or, after notice or lapse of time or both, will constitute, a breach or default on the part of FKF or any of the FKF Subsidiaries under any Material Contract. Except as listed on FKF Disclosure Schedule 4.8.3, no party to any Material Contract will have the right to terminate any or all of the provisions of any such Material Contract as a result of the execution of, and the consummation of the transactions contemplated by, this Agreement.

4.8.4. Except as set forth on FKF Disclosure Schedule 4.8.4, since September 30, 2008, through and including the date of this Agreement, except as publicly disclosed by FKF in the Securities Documents filed or furnished by FKF prior to the date hereof, neither FKF nor any FKF Subsidiary has (a) except for (i) normal increases for employees (other than officers and directors subject to the reporting requirements of Section 16(a) of the Exchange Act) made in the ordinary course of business consistent with past practice, or (ii) as required by applicable law, increased the wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to any executive officer, employee, or director from the amount thereof in effect as of September 30, 2008 (which amounts have been previously made available to BMBC), granted any severance or termination pay, entered into any contract to make or grant any severance or termination pay (except as required under the terms of agreements or severance plans listed on FKF Disclosure Schedule 4.12.1, as in effect as of the date hereof), or paid any bonus other than the customary year-end bonuses in amounts consistent with past practice, (b) granted any options to purchase shares of FKF Common Stock, or any right to acquire any shares of its capital stock to any executive officer, director or employee other than grants to employees (other than officers subject to the reporting requirements of Section 16(a) of the Exchange Act) made in the ordinary course of business consistent with past practice under FKF Option Plans, (c) increased or established any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, (d) made any election for federal or state income tax purposes, (e) made any

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change in the credit policies or procedures of FKF or any of its Subsidiaries, the effect of which was or is to make any such policy or procedure less restrictive, (f) made any material acquisition or disposition of any assets or properties, or any contract for any such acquisition or disposition entered into other than loans and loan commitments, (g) entered into any lease of real or personal property requiring annual payments in excess of $50,000, (h) changed any accounting methods, principles or practices of FKF or its Subsidiaries affecting its assets, liabilities or businesses, including any reserving, renewal or residual method, practice or policy or (i) suffered any strike, work stoppage, slow-down, or other labor disturbance.

4.9. *Ownership of Property; Insurance Coverage.*

4.9.1. FKF and each FKF Subsidiary has good and, as to real property, marketable title to all assets and properties owned by FKF or each FKF Subsidiary in the conduct of their businesses, whether such assets and properties are real or personal, tangible or intangible, including assets and property reflected in the balance sheets contained in the FKF Regulatory Reports and in the FKF Financial Statements or acquired subsequent thereto (except to the extent that such assets and properties have been disposed of in the ordinary course of business, since the date of such balance sheets), subject to no encumbrances, liens, mortgages, security interests or pledges, except (a) those items which secure liabilities for public or statutory obligations or any discount with, borrowing from or other obligations to FHLB, inter-bank credit facilities, or any transaction by an FKF Subsidiary acting in a fiduciary capacity, (b) statutory liens for amounts not yet delinquent or which are being contested in good faith, (c) non-monetary liens affecting real property which do not adversely affect the value or use of such real property, and (d) those described and reflected in the FKF Financial Statements. FKF and the FKF Subsidiaries, as lessee, have the right under valid and enforceable leases of real and personal properties used by FKF and its Subsidiaries in the conduct of their businesses to occupy or use all such properties as presently occupied and used by each of them. Neither FKF or any FKF Subsidiary is in default under any lease for any real or personal property to which either FKF or any FKF Subsidiary is a party, and there has not occurred any event that, with lapse of time or the giving of notice or both, would constitute such a default. FKF is not a party to any agreement pursuant to which it has securitized any of its assets.

4.9.2. With respect to all agreements pursuant to which FKF or any FKF Subsidiary has purchased securities subject to an agreement to resell, if any, FKF or such FKF Subsidiary, as the case may be, has a valid, perfected, first priority lien or security interest in the securities or other collateral securing the repurchase agreement, and the value of such collateral equals or exceeds the amount of the debt secured thereby.

4.9.3. FKF and each FKF Subsidiary currently maintain insurance considered by each of them to be reasonable for their respective operations. Neither FKF nor any FKF Subsidiary, except as disclosed in FKF Disclosure Schedule 4.9.3, has received notice from any insurance carrier during the past five years that (a) such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (b) premium costs (other than with respect to health or disability insurance) with respect to such policies of insurance will be substantially increased. Except as set forth in FKF Disclosure Schedule 4.9.3, there are presently no claims pending under such policies of insurance and no notices have been given by FKF or any FKF Subsidiary under such policies (other than with respect to health or disability insurance). FKF and all FKF Subsidiaries maintain such fidelity bonds and errors and omissions insurance as may be customary or required under applicable laws or regulations. All such insurance is valid and enforceable and in full force and effect, and within the last three years FKF and each FKF Subsidiary has received each type of insurance coverage for which it has applied and during such periods has not been denied indemnification for any claims submitted under any of its insurance policies. FKF Disclosure Schedule 4.9.3 identifies all policies of insurance maintained by FKF and each FKF Subsidiary as well as the other matters required to be disclosed under this Section.

4.9.4. All real property owned by FKF or an FKF Subsidiary is in material compliance with all applicable zoning laws and building codes, and the buildings and improvements located on such real property are in good operating condition and in a state of good working order, ordinary wear and tear and

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casualty excepted. There are no pending or, to the Knowledge of FKF, threatened condemnation proceedings against such real property. FKF and the applicable FKF Subsidiaries are in material compliance with all applicable health and safety related requirements for the owned real property, including those under the Americans with Disabilities Act of 1990 and the Occupational Safety and Health Act of 1970. Insurance is currently maintained on all property, including all owned real property, in amounts, scope and coverage reasonably necessary for its operations. Neither FKF nor any FKF Subsidiary has received any written notice of termination, nonrenewal or premium adjustment for such policies.

4.10. *Legal Proceedings*.

Neither FKF nor any FKF Subsidiary is a party to any, and there are no pending or, to FKF s Knowledge, threatened legal, administrative, arbitration or other proceedings, claims (whether asserted or unasserted), actions or governmental investigations or inquiries of any nature (a) against FKF or any FKF Subsidiary, (b) to which FKF or any FKF Subsidiary s assets are or may be subject, (c) challenging the validity or propriety of any of the transactions contemplated by this Agreement, (d) which could adversely affect the ability of FKF or FKB to perform under this Agreement, or (e) which would be reasonably likely to materially impair FKF s or any FKF Subsidiary s ability to operate its business as currently conducted or proposed to be conducted post-Merger.

4.11. *Compliance With Applicable Law*.

4.11.1. Each of FKF and each FKF Subsidiary is in compliance in all material respects with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable to it, its properties, assets and deposits, its business, and its conduct of business and its relationship with its employees, including, without limitation, HOLA, the Federal Reserve Act, FDIA, the USA PATRIOT Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act of 1977 (**CRA**), the Home Mortgage Disclosure Act, the Bank Secrecy Act of 1970, and all other applicable fair lending laws and other laws relating to discriminatory business practices, and neither FKF nor any FKF Subsidiary has received any written notice to the contrary. The Board of Directors of FKB has adopted and FKB has implemented an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Entity and that meets the requirements of Sections 352 and 326 of the USA PATRIOT Act and the regulations thereunder.

4.11.2. Each of FKF and each FKF Subsidiary has all permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities and Bank Regulators that are required in order to permit it to own or lease its properties and to conduct its business as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, no suspension or cancellation of any such permit, license, certificate, order or approval is, to the Knowledge of FKF, threatened or will result from the consummation of the transactions contemplated by this Agreement, subject to obtaining the Regulatory Approvals.

4.11.3. Other than those listed on FKF Disclosure Schedule 4.11.3, for the period beginning January 1, 2008, neither FKF nor any FKF Subsidiary has received any written notification or other communication from any Bank Regulator (a) asserting that FKF or any FKF Subsidiary is not in compliance with any of the statutes, regulations or ordinances which such Bank Regulator enforces; (b) threatening to revoke any license, franchise, permit or governmental authorization; (c) requiring, or threatening to require, FKF or any FKF Subsidiary, or indicating that FKF or any FKF Subsidiary may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement with any federal or state governmental agency or authority which is charged with the supervision or regulation of banks or engages in the insurance of bank deposits restricting or limiting, or purporting to restrict or limit the operations of FKF or any FKF Subsidiary, including without limitation any restriction on the payment of dividends; or (d) directing, restricting or limiting, or purporting to direct, restrict or limit, in any manner the operations of FKF or any FKF Subsidiary, including without limitation any restriction on the payment of dividends (any such notice, communication, memorandum, agreement or order described in this sentence is hereinafter referred to as a **FKF Regulatory Agreement**). Except as disclosed on FKF Disclosure Schedule 4.11.3, neither FKF nor any FKF Subsidiary is a party to or is subject to any order, decree, agreement, memorandum or understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any Bank Regulator or any federal or state governmental agency or authority charged with the supervision or regulation of issuers of securities or the supervision or regulation of it. The most recent regulatory rating given to FKB as to compliance with the CRA is satisfactory or better. There are no unresolved violations, criticism, or exception by any Regulatory Authority with respect to any FKF Regulatory Agreement. There is no injunction, order, judgment or decree imposed upon FKF or any FKF Subsidiary or the assets of FKF or any FKF Subsidiary.

4.11.4. Since the enactment of the Sarbanes-Oxley Act of 2002, FKF has been and is in compliance in all material respects with (a) the applicable provisions of the Sarbanes-Oxley Act of 2002 and (b) the applicable listing and corporate governance rules and regulations of the Nasdaq. FKF Disclosure Schedule 4.11.4 sets forth, as of September 30, 2009, a schedule of all executive officers and directors of FKF who have outstanding loans from FKF or FKB, and there has been no default on, or forgiveness or waiver of, in whole or in part, any such loan during the two years immediately preceding the date hereof.

4.11.5. To FKF s Knowledge, none of FKF s or FKF Subsidiary s officers, directors, managers, members, employees or partners, has at any time made or received any bribe, kickback or other illegal payment or engaged in any other illegal or improper conduct that has led to any fine, penalty, sanction or liability. FKF has no Knowledge of any actual, possible or proposed disciplinary action by any Governmental Entity against any of FKF s or any FKF Subsidiary s officers, directors, managers, members, partners or employees.

4.12. *Employee Benefit Plans*.

4.12.1. FKF Disclosure Schedule 4.12.1 includes a list of all existing bonus, incentive, deferred compensation, supplemental executive retirement plans, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock appreciation, phantom stock, severance, welfare benefit plans (including paid time off policies and other benefit policies and procedures), fringe benefit plans, employment, consulting, settlement and change in control agreements and all other benefit practices, policies and arrangements maintained by FKF or any FKF Subsidiary in which any employee or former employee, consultant or former consultant or director or former director of FKF or any FKF Subsidiary participates or to which any such employee, consultant or director is a party or is otherwise entitled to receive benefits (the **FKF Compensation and Benefit Plans**). Neither FKF nor any FKF Subsidiary has any commitment to create any additional FKF Compensation and Benefit Plan or to modify, change or renew any existing FKF Compensation and Benefit Plan, except as required to maintain the qualified status thereof. FKF has made available to BMBC true and correct copies of the agreements or other documents establishing and evidencing the FKF Compensation and Benefit Plans.

4.12.2. Except as disclosed in FKF Disclosure Schedule 4.12.2, each FKF Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act of 1967, COBRA, the Health Insurance Portability and Accountability Act (**HIPAA**) and any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, COBRA and HIPAA and any other applicable law have been timely made or any interest, fines, penalties or other impositions for late filings have been paid in full. Each FKF Compensation and Benefit Plan which is an employee pension benefit plan within the meaning of Section 3(2) of ERISA (a **Pension Plan**) and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS, and FKF is not aware of any circumstances which are reasonably likely to result in revocation of any such favorable determination letter. There is no pending or, to the Knowledge of FKF, threatened action, suit or claim relating to any of the FKF

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Compensation and Benefit Plans (other than routine claims for benefits). Neither FKF nor any FKF Subsidiary has engaged in a transaction, or omitted to take any action, with respect to any FKF Compensation and Benefit Plan that would reasonably be expected to subject FKF or any FKF Subsidiary to an unpaid tax or penalty imposed by either Sections 4975, 4980B or 5000 of the Code or Section 502 of ERISA.

4.12.3. No liability under Title IV of ERISA has been incurred by FKF or any FKF Subsidiary during the six (6) year period prior to the date of this Agreement with respect to any FKF Compensation and Benefit Plan which is subject to Title IV of ERISA (**FKF Pension Plan**) currently or formerly maintained by FKF or any entity which is considered one employer with FKF under Section 4001(b)(1) of ERISA or Section 414 of the Code (an **FKF ERISA Affiliate**) that has not been satisfied in full, and no condition exists that presents a risk to FKF or any FKF ERISA Affiliate of incurring a liability under such Title. No FKF Pension Plan had an accumulated funding deficiency (as defined in Section 302 of ERISA), whether or not waived, as of the last day of the end of the most recent plan year ending prior to the date hereof; the fair market value of the assets of each FKF Pension Plan exceeds the present value of the benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under such FKF Pension Plan as of the end of the most recent plan year with respect to the respective FKF Pension Plan ending prior to the date hereof, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for such FKF Pension Plan as of the date hereof; there is not currently pending with the PBGC any filing with respect to any reportable event under Section 4043 of ERISA nor has any reportable event occurred as to which a filing is required and has not been made (other than as might be required with respect to this Agreement and the transactions contemplated thereby). Neither FKF nor any FKF ERISA Affiliate has contributed to or has or had any obligation to contribute to any multiemployer plan, as defined in Section 3(37) of ERISA. Neither FKF, nor any FKF ERISA Affiliate, nor any FKF Compensation and Benefit Plan, including any FKF Pension Plan, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which FKF, any FKF ERISA Affiliate, and any FKF Compensation and Benefit Plan, including any FKF Pension Plan or any such trust or any trustee or administrator thereof, could reasonably be expected to be subject to either a civil liability or penalty pursuant to Section 409, 502(i) or 502(l) of ERISA or a tax imposed pursuant to Chapter 43 of the Code.

4.12.4. All contributions required to be made under the terms of any FKF Compensation and Benefit Plan have been timely made, and all anticipated contributions and funding obligations are accrued on FKF s consolidated financial statements to the extent required by GAAP. FKF and each FKF Subsidiary has expensed and accrued as a liability the present value of future benefits under each applicable FKF Compensation and Benefit Plan for financial reporting purposes as required by GAAP.

4.12.5. Neither FKF nor any FKF Subsidiary has any obligations to provide retiree health, life insurance, death benefits, or disability insurance, except as set forth in FKF Disclosure Schedule 4.12.5, under any FKF Compensation and Benefit Plan, other than benefits mandated by Section 4980B of the Code. Except as set forth in FKF Disclosure Schedule 4.12.5, there has been no communication to employees by FKF or any FKF Subsidiary that would reasonably be expected to promise or guarantee such employees retiree health, life insurance, or disability insurance, or any retiree death benefits.

4.12.6. FKF and its Subsidiaries do not maintain any FKF Compensation and Benefit Plans covering employees who are not United States residents.

4.12.7. With respect to each FKF Compensation and Benefit Plan, if applicable, FKF has provided or made available to BMBC copies of the: (a) trust instruments and insurance contracts; (b) three most recent Forms 5500 filed with the IRS, including all schedules and attachments thereto; (c) three most recent actuarial reports and financial statements; (d) most recent summary plan description; (e) most recent determination letter issued by the IRS; (f) any Form 5310 or Form 5330 filed with the IRS within the last three years; (g) most recent nondiscrimination tests performed under ERISA and the Code (including 401(k) and 401(m) tests); and (h) PBGC Form 500 and 501 filings, along with any Notice of Intent to Terminate, ERISA Section 204(h) Notice, Notice of Plan Benefits, and all other documentation related to the prior termination of a FKF Pension Plan.

4.12.8. Except as provided in FKF Disclosure Schedule 4.12.8 and in Section 3.2.10., the consummation of the Merger will not, directly or indirectly (including, without limitation, as a result of any termination of employment or service at any time prior to or following the Effective Time) (a) entitle any employee, consultant or director to any payment or benefit (including severance pay, change in control benefit, or similar compensation) or any increase in compensation, (b) entitle any employee or independent contractor to terminate any plan, agreement or arrangement without cause and continue to accrue future benefits thereunder, or result in the vesting or acceleration of any benefits under any FKF Compensation and Benefit Plan, (c) result in any increase in benefits payable under any FKF Compensation and Benefit Plan, or (d) entitle any current or former employee or director of FKF or any FKF Subsidiary to any actual or deemed payment (or benefit) which could constitute a parachute payment (as such term is defined in Section 280G of the Code).

4.12.9. Except as disclosed in FKF Disclosure Schedule 4.12.9, neither FKF nor any FKF Subsidiary maintains any compensation plans, programs or arrangements under which any payment is reasonably likely to become non-deductible, in whole or in part, for tax reporting purposes as a result of the limitations under Section 162(m) of the Code and the regulations issued thereunder.

4.12.10. Except as disclosed in FKF Disclosure Schedule 4.12.10, all deferred compensation plans, programs or arrangements are in compliance, both in form and operation, with Section 409A of the Code and all guidance issued thereunder.

4.12.11. Except as disclosed in FKF Disclosure Schedule 4.12.11, there are no stock options, restricted stock awards, stock appreciation or similar rights, earned dividends or dividend equivalents, or shares of restricted stock, outstanding under any of the FKF Compensation and Benefit Plans or otherwise as of the date hereof and none will be granted, awarded, or credited after the date hereof.

4.12.12. FKF Disclosure Schedule 4.12.12 sets forth, as of the payroll date immediately preceding the date of this Agreement, a list of the full names of all officers, and employees whose annual rate of salary is $75,000 or greater, of FKB or FKF, their title and rate of salary, and their date of hire.

4.13. *Brokers, Finders and Financial Advisors*.

Neither FKF nor any FKF Subsidiary, nor any of their respective officers, directors, employees or agents, has employed any broker, finder or financial advisor in connection with the transactions contemplated by this Agreement, or incurred any liability or commitment for any fees or commissions to any such person in connection with the transactions contemplated by this Agreement except for the retention of Sandler O Neill & Partners (**Sandler**) by FKF and the fee payable pursuant thereto. A true and correct copy of the engagement agreement with Sandler, setting forth the fee payable to Sandler for its services rendered to FKF in connection with the Merger and transactions contemplated by this Agreement, is attached to FKF Disclosure Schedule 4.13.

4.14. *Environmental Matters*.

4.14.1. Except as may be set forth in FKF Disclosure Schedule 4.14, with respect to FKF and each FKF Subsidiary:

(A) To FKF s Knowledge, neither the conduct nor operation of its business nor any condition of any property currently or previously owned or operated by it (including FKF Participation Facilities) (including, without limitation, in a fiduciary or agency capacity), or on which it holds a lien, results or resulted in a violation of or gives rise to any potential material liability under, any Environmental Laws that is reasonably likely to impose a material liability (including a remediation obligation) upon FKF or any FKF Subsidiary. No condition has existed or event has occurred with respect to any of them or any such property that, with notice or the passage of time, or both, is reasonably likely to result in any material liability to FKF or any FKF Subsidiary by reason of any Environmental Laws. Neither FKF nor any FKF Subsidiary during the past five years has received any written notice from any Person or Governmental Entity that FKF or any FKF Subsidiary or the operation or condition of any property ever owned, operated (including FKF Participation Facilities), or held as collateral or in a fiduciary capacity by any of them are currently in violation of or otherwise are alleged to have liability under any Environmental Laws or relating to Materials of Environmental Concern (including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any Materials of Environmental Concern at, on, beneath, or originating from any such property) for which a material liability may be reasonably likely to be imposed upon FKF or any FKF Subsidiary;

(B) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or, to the FKF s Knowledge, threatened, before any court, governmental agency or other forum against FKF or any FKF Subsidiary (i) for alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (ii) relating to the presence of or release (defined herein) into the environment of any Materials of Environmental Concern (as defined herein), whether or not occurring at or on a site owned, leased or operated by FKF or any FKF Subsidiary;

(C) Except as set forth in FKF Disclosure Schedule 4.14, to FKF s Knowledge, there are no underground storage tanks on, in or under any properties owned or operated by FKF or any of the FKF Subsidiaries, and no underground storage tanks have been closed or removed from any properties owned or operated by FKF or any of the FKF Subsidiaries or any FKF Participation Facility except in compliance with Environmental Laws; and

(D) **FKF Participation Facility** shall mean any facility in which FKF or its Subsidiaries participates in the management, whether as a fiduciary, lender in control of the facility, owner or operator.

4.15. *Loan Portfolio*.

4.15.1. The allowance for loan losses reflected in FKF s audited consolidated balance sheet at September 30, 2008 was, and the allowance for loan losses shown on the balance sheets in FKF s Securities Documents for periods ending after September 30, 2008 was, adequate, as of the dates thereof, under GAAP.

4.15.2. FKF Disclosure Schedule 4.15.2 sets forth a listing, as of September 30, 2009, by account, of: (a) all loans (including loan participations) of FKB or any other FKF Subsidiary that have had their respective terms to maturity accelerated during the past twelve months; (b) all loan commitments or lines of credit of FKB or any other FKF Subsidiary which have been terminated by FKB or any other FKF Subsidiary during the past twelve months by reason of a default or adverse developments in the condition of the borrower or other events or circumstances affecting the credit of the borrower; (c) each borrower, customer or other party which has notified FKB or any other FKF Subsidiary during the past twelve months of, or has asserted against FKB or any other FKF Subsidiary, in each case in writing, any lender liability or similar claim, and each borrower, customer or other party which has given FKB or any other FKF Subsidiary any oral notification of, or orally asserted to or against FKB or any other FKF Subsidiary, any such claim; (d) all loans, (i) that are contractually past due 90 days or more in the payment of principal and/or interest, (ii) that are on non-accrual status, (iii) that as of the date of this Agreement are classified as Other Loans Specially Mentioned , Special Mention , Substandard , Doubtful , Loss , Classified , Criticized , Watch List or words of similar import, together wi principal amount of and accrued and unpaid interest on each such loan and the identity of the obligor thereunder, (iv) where, during the past three years, the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower s ability to pay in accordance with such initial terms, or (v) where a specific reserve allocation exists in connection therewith, and (e) all assets classified by FKB or any FKB Subsidiary as OREO, and all other assets currently held that were acquired through foreclosure or in lieu of foreclosure.

4.15.3. All loans receivable (including discounts) and accrued interest entered on the books of FKF and the FKF Subsidiaries arose out of bona fide arm s-length transactions, were made for good and valuable

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consideration in the ordinary course of FKF s or the appropriate FKF Subsidiary s respective business, and the notes or other evidences of indebtedness with respect to such loans (including discounts), and all pledges, mortgages, deeds of trust and other collateral documents or security instruments relating thereto, are valid, true and genuine and are what they purport to be. The loans, discounts and the accrued interest reflected on the books of FKF and the FKF Subsidiaries are subject to no defenses, set-offs or counterclaims (including, without limitation, those afforded by usury or truth-in-lending laws), except as may be provided by bankruptcy, insolvency or similar laws affecting creditors rights generally or by general principles of equity. All such loans are being transferred with good and marketable title, free and clear of any and all encumbrances, liens, pledges, equities, claims, charges, rights of first refusal or similar rights or security interests of any nature encumbering such loan and are evidenced by notes, agreements or other evidences of indebtedness which are true, genuine and correct, and to the extent secured, are secured by valid liens and security interests that are legal, valid and binding obligations of the maker thereof, enforceable in accordance with the respective terms thereof, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles affecting the enforcement of creditors rights, which have been perfected.

4.16. *Securities Documents.*

FKF has made available to BMBC copies of its (a) annual reports on Form 10-K for the years ended September 30, 2008, 2007 and 2006, (b) quarterly reports on Form 10-Q for the quarters ended December 31, 2008, March 31, 2009 and June 30, 2009, and (c) proxy materials used or for use in connection with its meetings of shareholders held in 2009, 2008 and 2007. Such reports and proxy materials complied, at the time filed with the SEC, in all material respects, with the Securities Laws.

4.17. *Related Party Transactions.*

Except as set forth in FKF Disclosure Schedule 4.17, neither FKF nor any FKF Subsidiary is a party to any transaction (including any loan or other credit accommodation) with any Affiliate of FKF or any FKF Affiliate. Except as set forth in FKF Disclosure Schedule 4.17, all such transactions (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other Persons, and (c) did not involve substantially more than the normal risk of collectability or present other unfavorable features (as such terms are used under Item 404 of SEC Regulation S-K promulgated under the Exchange Act). No loan or credit accommodation to any Affiliate of FKF or any FKF Subsidiary is presently in default or, during the three year period prior to the date of this Agreement, has been in default or has been restructured, modified or extended. Neither FKF nor any FKF Subsidiary has been notified that principal and interest with respect to any such loan or other credit accommodation will not be paid when due or that the loan grade classification accorded such loan or credit accommodation by FKF is inappropriate.

4.18. *Deposits.*

As of the date of this Agreement, none of the deposits of FKF or any FKF Subsidiary is a brokered deposit as defined in 12 CFR Section 337.6(a)(2).

4.19. *Antitakeover Provisions Inapplicable; Required Vote.*

FKF and its Subsidiaries have taken all actions required to exempt BMBC, BMT, the Merger, the Bank Merger, the Agreement and the transactions contemplated hereby from any provisions of an anti-takeover nature contained in FKF s or its Subsidiaries organizational documents, and the provisions of any applicable federal or state anti-takeover, fair price, moratorium, control share acquisition or similar laws or regulation including provisions of such nature set forth in Chapter 25 of the PBCL. The affirmative vote of a majority of the votes cast by holders of FKF Common Stock entitled to vote at a duly held meeting of such shareholders is required to approve this Agreement and the Merger under FKF s articles of incorporation and the PBCL. FKF shareholders do not have dissenters rights with respect to the Merger under the PBCL.

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4.20. *Registration Obligations.*

Neither FKF nor any FKF Subsidiary is under any obligation, contingent or otherwise, which will survive the Effective Time by reason of any agreement to register any transaction involving any of its securities under the Securities Act.

4.21. *Risk Management Instruments.*

All interest rate swaps, caps, floors, option agreements, futures and forward contracts and other similar risk management arrangements, whether entered into for FKF s own account, or for the account of one or more of FKF s Subsidiaries or their customers (all of which are set forth in FKF Disclosure Schedule 4.21), were entered into in the ordinary course of business consistent with past practice and in compliance with all applicable laws, rules, regulations and regulatory policies, and with counterparties believed at the time to be financially responsible and able to understand (either alone or in consultation with their advisors) and to bear the risks of such transactions; and each of them constitutes the valid and legally binding obligation of FKF or one of its Subsidiaries, enforceable in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors rights or by general equity principles), and is in full force and effect. Neither FKF nor any FKF Subsidiary, nor to the Knowledge of FKF any other party thereto, is in breach of any of its obligations under any such agreement or arrangement in any respect and there are no allegations or assertions of such by any party thereunder.

4.22. *Fairness Opinion.*

FKF has received an oral opinion from Sandler to the effect that, subject to the terms, conditions and qualifications set forth therein, as of the date hereof, the Merger Consideration to be received by the shareholders of FKF pursuant to this Agreement is fair to such shareholders from a financial point of view, which opinion will be confirmed in a writing dated as of the date of this Agreement. Such opinion has not been amended or rescinded as of the date of this Agreement.

4.23. *Trust Accounts.*

FKB and each of its subsidiaries has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable laws and regulations. None of FKB, any other FKF Subsidiary, or any of their respective directors, officers or employees, has committed any breach of trust with respect to any such fiduciary account and the records for each such fiduciary account are true and correct and accurately reflect the assets of such fiduciary account.

4.24. *Intellectual Property.*

FKF and each FKF Subsidiary owns or possesses valid and binding licenses and other rights (subject to expirations in accordance with their terms) to use all patents, copyrights, trade secrets, trade names, service marks and trademarks, which are required to conduct their respective businesses as currently conducted. Neither FKF nor any FKF Subsidiary has received any notice or has any Knowledge of any conflict with respect thereto that asserts the rights of others. FKF and each FKF Subsidiary has performed all of the obligations required to be performed as of the date of this Agreement, and is not in default in any respect, under any contract, agreement, arrangement or commitment relating to any of the foregoing. The conduct of the business of FKF and each FKF Subsidiary as currently conducted or proposed to be conducted does not infringe upon, dilute, misappropriate or otherwise violate any intellectual property owned or controlled by any third party. FKF and each FKF Subsidiary owns or possesses confidential information, including, but not limited to, customer lists and customer data. FKF and each FKF Subsidiary represents and warrants that such confidential information has not been disclosed to any third parties other than to their Affiliates, third parties with which they have contractual nondisclosure agreements or BMBC and its Affiliates.

4.25. *Labor Matters.*

There are no labor or collective bargaining agreements to which FKF or any FKF Subsidiary is a party. There is no union organizing effort pending or to the Knowledge of FKF, threatened against FKF or any FKF Subsidiary. There is no labor strike, labor dispute (other than routine employee grievances that are not related to union employees), work slowdown, stoppage or lockout pending or, to the Knowledge of FKF, threatened against FKF or any FKF Subsidiary. There is no unfair labor practice or labor arbitration proceeding pending or, to the Knowledge of FKF, threatened against FKF or any FKF Subsidiary (other than routine employee grievances that are not related to union employees). FKF and each FKF Subsidiary is in compliance in all material respects with all applicable laws respecting employment and employment practices, terms and conditions of employment and wages and hours, and are not engaged in any unfair labor practice. FKF and each FKF Subsidiary represents that they have not made any commitments to others inconsistent with or in derogation of any of the foregoing. There are no pending or, to the Knowledge of FKF, threatened claims or suits against FKF or any FKF Subsidiary under any labor or employment law or brought or made by a current or former employee or applicant.

4.26. *FKF Information Supplied.*

4.26.1. The information relating to FKF and any FKF Subsidiary to be contained in the Merger Registration Statement, or in any other document filed with any Bank Regulator or other Governmental Entity in connection herewith, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

4.26.2. The information supplied by FKF and any FKF Subsidiary for inclusion in the Applications will, at the time each such document is filed with any Bank Regulator and up to and including the dates of any required regulatory approvals or consents, as such Applications may be amended by subsequent filings, be accurate in all material respects.

4.27. *Subordinated Debentures; Trust Preferred Securities.*

4.27.1. No Extension Interest Payment Period (as such term is defined in the Indenture) is currently in effect and all amounts due and payable on the Subordinated Debentures and the Trust Preferred Securities have been paid and continue to be paid on a current basis as they accrue; *provided, however*, that FKF may invoke the right under the Indenture to defer payments as permitted thereby so long as prompt written notice thereof is provided by FKF to BMBC.

4.27.2. There is no default or event of default under, or other breach or violation of, the Indenture, the Declaration of Trust, any Capital Securities Guarantee or any Common Securities Guarantee that has occurred and is continuing as of the date hereof. Further, subject to the execution of a supplemental indenture in accordance with the terms of the Indenture, neither the execution, delivery and performance of this Agreement by FKF and its Subsidiaries, nor the consummation of the Merger, the Bank Merger or any of the other transactions contemplated hereby, will cause a default or event of default under, or other breach or violation of, the Indenture, the Declaration of Trust, any Capital Securities Guarantee or any Common Securities Guarantee.

4.28. *Investment Securities and Commodities*

4.28.1. FKF and all FKF Subsidiaries have good title to all securities and commodities owned by them (except those sold under repurchase agreements or held in any fiduciary or agency capacity), free and clear of any liens and encumbrances, except to the extent such securities or commodities are pledged in the ordinary course of business to secure obligations of FKF or FKF Subsidiaries. Such securities and commodities are valued on the books of FKF in accordance with GAAP.

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4.28.2. FKF and all FKF Subsidiaries and their respective businesses employ, and have acted in compliance in all material respects with, investment, securities, commodities, risk management and other policies, practices and procedures (the **Policies, Practices and Procedures**) that FKF believes are prudent and reasonable in the context of such businesses. Before the date hereof, FKF has made available to BMBC in writing its material Policies, Practices and Procedures.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF BMBC

BMBC represents and warrants to FKF that the statements contained in this Article V are true and correct as of the date hereof and thereafter as of all times up to and including the Effective Time, subject to such qualifications and exceptions as are set forth in the BMBC Disclosure Schedules delivered by BMBC to FKF on the date hereof. BMBC has made a good faith effort to ensure that the disclosure on each schedule of the BMBC Disclosure Schedule corresponds to the section referenced herein. However, for purposes of the BMBC Disclosure Schedule, any item disclosed on any schedule therein is deemed to be fully disclosed with respect to all schedules under which such item may be relevant as and to the extent that it is reasonably clear on the face of such schedule that such item applies to such other schedule. References to the Knowledge of BMBC shall include the Knowledge of BMT and the other BMBC Subsidiaries.

5.1. *Organization.*

5.1.1. BMBC is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. BMBC has the requisite corporate power and authority to carry on its business as now conducted. BMBC is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification.

5.1.2. BMT is a Pennsylvania chartered bank duly organized and validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. BMT has the requisite corporate power and authority to carry on its business as now conducted. BMT is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification. The deposits of BMT are insured by the FDIC to the fullest extent permitted by law, and all premiums and assessments required to be paid in connection therewith have been paid when due. BMT is a member in good standing of the FHLB and owns the requisite amount of stock therein.

5.1.3. BMBC Disclosure Schedule 5.1.3 sets forth each BMBC Subsidiary. Each BMBC Subsidiary is a corporation, limited liability company or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each BMBC Subsidiary has the requisite corporate or other entity power and authority to carry on its business as now conducted. Each BMBC Subsidiary is duly licensed or qualified to do business in the states of the United States and foreign jurisdictions where its ownership or leasing of property or the conduct of its business requires such qualification.

5.1.4. The respective minute books of BMBC and each BMBC Subsidiary accurately record all material corporate or other entity actions of their respective shareholders and boards of directors, or their other entity equivalents (including committees).

5.1.5. Prior to the date of this Agreement, BMBC has made available to FKF true and correct copies of the articles of incorporation and bylaws, or their other entity equivalents, of BMBC and the BMBC Subsidiaries, each as in effect as of the date hereof.

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5.2. *Capitalization.*

5.2.1. The authorized capital stock of BMBC consists of 100,000,000 shares of common stock, $1.00 par value per share, of which 8,783,161 shares are outstanding, validly issued, fully paid and nonassessable and free of preemptive rights. There are 2,919,664 shares of BMBC Common Stock held by BMBC as treasury stock. Neither BMBC nor any BMBC Subsidiary has or is bound by any Rights of any character relating to the purchase, sale or issuance or voting of, or right to receive dividends or other distributions on any shares of BMBC Common Stock, or any other security of BMBC or any securities representing the right to vote, purchase or otherwise receive any shares of BMBC Common Stock or any other security of BMBC or any BMBC Subsidiary, or pursuant to which BMBC or any BMBC Subsidiary is or could be required to register shares of BMBC capital stock or other securities under the Securities Act, other than shares issuable under the BMBC Stock Benefit Plans.

5.2.2. BMBC owns all of the capital stock of BMT free and clear of any liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature. Except for the BMBC Subsidiaries, BMBC does not possess, directly or indirectly, any equity interest in any corporate entity, except for equity interests held in the investment portfolios of BMBC Subsidiaries, equity interests held by BMBC Subsidiaries in a fiduciary capacity, and equity interests held in connection with the lending activities of BMBC Subsidiaries, including stock in the FHLB. Except as set forth on BMBC Disclosure Schedule 5.2.2, either BMBC or BMT, directly or indirectly, owns all of the outstanding shares of capital stock of or all equity interests in each BMBC Subsidiary free and clear of all liens, security interests, pledges, charges, encumbrances, agreements and restrictions of any kind or nature.

5.2.3. Except as set forth on BMBC Disclosure Schedule 5.2.3, to the Knowledge of BMBC, no Person or group (as that term is used in Section 13(d)(3) of the Exchange Act) is the beneficial owner (as defined in Section 13(d) of the Exchange Act) of 5% or more of the outstanding shares of BMBC Common Stock.

5.2.4. BMBC Disclosure Schedule 5.2.4 sets forth BMBC s and all BMBC Subsidiaries capital stock, equity interest or other direct or indirect ownership interest in any Person other than a BMBC Subsidiary, where such ownership interest is equal to or greater than five percent (5%) of the total ownership interest of such Person.

5.3. *Authority; No Violation.*

5.3.1. BMBC has full corporate power and authority to execute and deliver this Agreement and, subject to receipt of the Regulatory Approvals, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by BMBC and the consummation by BMBC of the transactions contemplated hereby, including the Merger, have been duly and validly approved by the Board of Directors of BMBC, and no other corporate proceedings on the part of BMBC, are necessary to consummate the transactions contemplated hereby, including the Merger. This Agreement has been duly and validly executed and delivered by BMBC, and subject to receipt of the Regulatory Approvals and due and valid execution and delivery of this Agreement by FKF, constitutes the valid and binding obligation of BMBC, enforceable against BMBC in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors rights generally, and subject, as to enforceability, to general principles of equity.

5.3.2. Subject to receipt of Regulatory Approvals and FKF s and BMBC s compliance with any conditions contained therein, (a) the execution and delivery of this Agreement by BMBC, (b) the consummation of the transactions contemplated hereby, and (c) compliance by BMBC with any of the terms or provisions hereof does not and will not (i) conflict with or result in a breach of any provision of the articles of incorporation, certificate of formation, limited liability company agreement, bylaws or other similar organizational or governing document of BMBC or any BMBC Subsidiary; (ii) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to BMBC or any BMBC Subsidiary or any of their respective properties or assets; or (iii) violate, conflict with, result in a breach of any provisions of, constitute a default (or an event which, with notice or lapse of time, or both, would constitute a default), under, result in the termination of, accelerate the performance required by, or result in a right of termination or acceleration or the creation of any lien, security interest, charge or other encumbrance upon any of the properties or assets of BMBC or any BMBC Subsidiary under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement, commitment or other instrument or obligation to which any of them is a party, or by which they or any of their respective properties or assets may be bound or affected (iv) cause FKF to become subject to, or to become liable for, the payment of any tax; or (v) contravene, conflict with or result in a violation or breach of any of the terms or requirements of, or give any Governmental Entity the right to revoke, withdraw, suspend, cancel, terminate or modify, any governmental authorization that is held by BMBC or any BMBC Subsidiary.

5.4. *Consents.*

Except for (a) filings with Bank Regulators, the receipt of the Regulatory Approvals, and compliance with any conditions contained therein, (b) the filing of the Articles of Merger with the Department of State of the Commonwealth of Pennsylvania, (c) the filing with the SEC of (i) the Merger Registration Statement and (ii) such reports under Sections 13(a), 13(d), 13(g) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated hereby and the obtaining from the SEC of such orders as may be required in connection therewith, (d) approval of the listing of BMBC Common Stock to be issued in the Merger on the Nasdaq, (e) such filings and approvals as are required to be made or obtained under the securities or Blue Sky laws of various states in connection with the issuance of the shares of BMBC Common Stock pursuant to this Agreement, and (f) the approval of this Agreement by the requisite vote of the shareholders of FKF, no consents, waivers or approvals of, or filings or registrations with, any Governmental Entity are necessary, and no consents, waivers or approvals of, or filings or registrations with, any other third parties are necessary, in connection with (i) the execution and delivery of this Agreement by BMBC, and (ii) the completion of the Merger and the Bank Merger by BMBC and the other transactions contemplated by this Agreement. BMBC has no reason to believe that any Regulatory Approvals or other required consents or approvals will not be received.

5.5. *Financial Statements.*

5.5.1. BMBC has previously made available to FKF the BMBC Financial Statements. The BMBC Financial Statements have been prepared in accordance with GAAP, and (including the related notes where applicable) fairly present in each case in all material respects (subject in the case of the unaudited interim statements to normal year-end adjustments and to any other adjustments described therein) the consolidated financial position, results of operations and cash flows of BMBC and the BMBC Subsidiaries on a consolidated basis as of and for the respective periods ending on the dates thereof, in accordance with GAAP during the periods involved, except as indicated in the notes thereto, or in the case of unaudited statements, as permitted by Form 10-Q.

5.5.2. At the date of each balance sheet included in the BMBC Financial Statements, BMBC did not have any liabilities, obligations or loss contingencies of any nature (whether absolute, accrued, contingent or otherwise) of a type required to be reflected in such BMBC Financial Statements or in the footnotes thereto which are not fully reflected or reserved against therein or fully disclosed in a footnote thereto and subject, in the case of any unaudited statements, to normal, recurring audit adjustments and the absence of footnotes. The BMBC Financial Statements have been, and are being, maintained in all material respects in accordance with GAAP and any other applicable legal and accounting requirements and reflect only actual transactions and all other books and records of BMBC and the BMBC Subsidiaries have been, and are being, maintained in all material respects in accordance with applicable legal and accounting requirements and reflect only actual transactions.

5.5.3. The records, systems, controls, data and information of BMBC and its Subsidiaries are recorded, stored, maintained and operated under means (including any electronic, mechanical or photographic process,

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whether computerized or not) that are under the exclusive ownership and direct control of BMBC or its Subsidiaries or accountants (including all means of access thereto and therefrom), except for any non-exclusive ownership and non-direct control that would not reasonably be expected to have a material adverse effect on the system of internal accounting controls described below in this Section 5.5.3. BMBC (a) has implemented and maintains a system of internal control over financial reporting (as required by Rule 13a-15(a) of the Exchange Act) that is designed to provide reasonable assurances regarding the reliability of financial reporting and the preparation of its financial statements for external purposes in accordance with GAAP, (b) has implemented and maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that material information relating to BMBC, including its consolidated Subsidiaries, is made known to the chief executive officer and the chief financial officer of BMBC by others within those entities, and (c) has disclosed, based on its most recent evaluation prior to the date hereof, to BMBC s outside auditors and the audit committee of BMBC s Board of Directors (the BMBC Audit Committee) (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) which are reasonably likely to adversely affect BMBC s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in BMBC s internal control over financial reporting. These disclosures (if any) were made in writing to BMBC s auditors and the BMBC Audit Committee and a copy has previously been made available to FKF. As of the date hereof, to the Knowledge of BMBC s chief executive officer and chief financial officer, each of them will be able to give the certifications required pursuant to the rules and regulations adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, without qualification, when next due.

5.5.4. The allowance for loan and lease losses reflected in BMBC s audited consolidated balance sheet at December 31, 2008 was, and the allowance for loan and lease losses shown on the balance sheets in BMBC s Securities Documents for periods ending after December 31, 2008 was, adequate, as of the dates thereof, under GAAP.

5.5.5. Since June 30, 2009, (a) neither BMBC nor any of its Subsidiaries nor any director, officer, employee, auditor, accountant or representative of BMBC or any of its Subsidiaries has received or otherwise had or obtained Knowledge of any complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of BMBC or any of its Subsidiaries or their respective internal accounting controls, including any complaint, allegation, assertion or claim that BMBC or any of its Subsidiaries has engaged in illegal accounting or auditing practices, and (b) no attorney representing BMBC or any of its Subsidiaries, whether or not employed by BMBC or any of its Subsidiaries, has reported evidence of a violation of Securities Laws, breach of fiduciary duty or similar violation by BMBC or any of its officers, directors, employees or agents to the Board of Directors of BMBC or any committee thereof or to any director or officer of BMBC.

5.6. *Taxes.*

5.6.1. BMBC and the BMBC Subsidiaries are members of the same affiliated group within the meaning of Code Section 1504(a). BMBC and each BMBC Subsidiary has timely and duly filed all Tax Returns required to be filed by or with respect to BMBC and each BMBC Subsidiary, either separately or as a member of a group of corporations, on or prior to the Closing Date, taking into account any extensions (all such Tax Returns being accurate and correct in all material respects) and has duly paid or made provisions that are adequate for the payment of all Taxes which have been incurred by or are due or claimed to be due from BMBC and any BMBC Subsidiary by any Taxing Authority or pursuant to any written Tax sharing agreement on or prior to the Closing Date other than Taxes or other charges which (a) are not delinquent, (b) are being contested in good faith and as to which adequate reserves (determined in accordance with GAAP) have been provided in the BMBC Financial Statements, or (c) have not yet been fully determined. Except as set forth on BMBC Disclosure Schedule 5.6.1, as of the date of this Agreement, BMBC has received no written notice of, and there is no audit examination, deficiency assessment, Tax investigation or refund litigation with respect to any Taxes of BMBC or any BMBC Subsidiary, and no written claim has been made by any Taxing Authority in a jurisdiction where BMBC or any BMBC Subsidiary does not file Tax Returns that BMBC or any BMBC Subsidiary is subject to Tax in that jurisdiction. BMBC and the BMBC Subsidiaries have not executed an extension or waiver of any statute of limitations on the assessment or collection of any Tax due that is currently in effect. BMBC and each BMBC Subsidiary has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and BMBC and each BMBC Subsidiary has timely complied with all applicable information reporting requirements under Part III, Subchapter A of Chapter 61 of the Code and similar applicable state and local information reporting requirements. The United States federal and state income Tax Returns BMBC and each BMBC Subsidiary subject to such Taxes have been audited by the IRS or relevant state Tax Authorities or are closed by the applicable statute of limitations for all taxable years through December 31, 2005.

5.6.2. BMBC and each BMBC Subsidiary has not disposed of property in a transaction presently being accounted for under the installment method under Section 453 of the Code. No excess loss account exists with respect to any BMBC Subsidiary. BMBC and each BMBC Subsidiary is not required to include in income any adjustment pursuant to Section 481(a) of the Code by reason of a voluntary change in accounting and BMBC has no Knowledge that the IRS has proposed such adjustment in accounting method. There are no rulings, requests for rulings, or closing agreements with any Taxing Authority specifically requested or entered into by BMBC or a BMBC Subsidiary, which could affect their respective Taxes for any period after the Closing. All transactions that could give rise to an understatement of federal income Tax (within the meaning of Sections 6662 and 6662A of the Code) with respect to the BMBC and each BMBC Subsidiary were adequately disclosed on Tax Returns to the extent required under the Code. There are no liens for Taxes upon any property or assets of BMBC and each BMBC Subsidiary except for liens for current Taxes, assessments, and other governmental charges not yet due, or which may thereafter be paid without penalty.

5.7. *No Material Adverse Effect.*

BMBC has not suffered any Material Adverse Effect since June 30, 2009 and no event has occurred or circumstance arisen since that date which, in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on BMBC.

5.8. *Ownership of Property; Insurance Coverage.*

BMBC and each BMBC Subsidiary has good and, as to real property, marketable title to all assets and properties owned by BMBC or each BMBC Subsidiary in the conduct of their businesses, whether such assets and properties are real or personal, tangible or intangible, including assets and property reflected in the balance sheets contained in the BMBC Financial Statements or acquired subsequent thereto (except to the extent that such assets and properties have been disposed of in the ordinary course of business, since the date of such balance sheets), subject to no encumbrances, liens, mortgages, security interests or pledges, except (a) those items which secure liabilities for public or statutory obligations or any discount with, borrowing from or other obligations to FHLB, inter-bank credit facilities, or any transaction by a BMBC Subsidiary acting in a fiduciary capacity, (b) statutory liens for amounts not yet delinquent or which are being contested in good faith, (c) non-monetary liens affecting real property which do not adversely affect the value or use of such real property, and (d) those described and reflected in the BMBC Financial Statements. BMBC and the BMBC Subsidiaries, as lessee, have the right under valid and enforceable leases of real and personal properties used by BMBC and its Subsidiaries in the conduct of their businesses to occupy or use all such properties as presently occupied and used by each of them. Neither BMBC or any BMBC Subsidiary is in default under any lease for any real or personal property to which either BMBC or any BMBC Subsidiary is a party, and there has not occurred any event that, with lapse of time or the giving of notice or both, would constitute such a default.

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5.9. *Legal Proceedings*.

Neither BMBC nor any BMBC Subsidiary is a party to any, and there are no pending or, to the Knowledge of BMBC, threatened legal, administrative, arbitration or other proceedings, claims (whether asserted or unasserted), actions or governmental investigations or inquiries of any nature (a) against BMBC or any BMBC Subsidiary, (b) to which BMBC or any BMBC Subsidiary s assets are or may be subject, (c) challenging the validity or propriety of any of the transactions contemplated by this Agreement, (d) which could adversely affect the ability of BMBC to perform under this Agreement, or (e) which would be reasonably likely to materially impair BMBC s or any BMBC Subsidiary s ability to operate its business as currently conducted or proposed to be conducted post-Merger.

5.10. *Compliance With Applicable Law*.

5.10.1. Each of BMBC and each BMBC Subsidiary is in compliance in all material respects with all applicable federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees applicable to it, its properties, assets and deposits, its business, and its conduct of business and its relationship with its employees, including, without limitation, the Pennsylvania Banking Code of 1965, the Federal Reserve Act, the Federal Deposit Insurance Act, the USA PATRIOT Act, the Equal Credit Opportunity Act, the Fair Housing Act, the CRA, the Home Mortgage Disclosure Act, the Bank Secrecy Act, and all other applicable fair lending laws and other laws relating to discriminatory business practices, and neither BMBC nor any BMBC Subsidiary has received any written notice to the contrary. The Board of Directors of BMT has adopted and BMT has implemented an anti-money laundering program that contains adequate and appropriate customer identification verification procedures that has not been deemed ineffective by any Governmental Entity and that meets the requirements of Sections 352 and 326 of the USA PATRIOT Act and the regulations thereunder.

5.10.2. Each of BMBC and each BMBC Subsidiary has all material permits, licenses, authorizations, orders and approvals of, and has made all filings, applications and registrations with, all Governmental Entities and Bank Regulators that are required in order to permit it to own or lease its properties and to conduct its business as presently conducted; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and no suspension or cancellation of any such permit, license, certificate, order or approval is, to the Knowledge of BMBC, threatened or will result from the consummation of the transactions contemplated by this Agreement, subject to obtaining the Regulatory Approvals.

5.10.3. For the period beginning January 1, 2008, neither BMBC nor any BMBC Subsidiary has received any written notification or any other communication from any Bank Regulator (a) asserting that BMBC or any BMBC Subsidiary is not in compliance with any of the statutes, regulations or ordinances which such Bank Regulator enforces; (b) threatening to revoke any license, franchise, permit or governmental authorization; (c) requiring or threatening to require BMBC or any BMBC Subsidiary, or indicating that BMBC or any BMBC Subsidiary may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement with any federal or state governmental agency or authority which is charged with the supervision or regulation of banks or engages in the insurance of bank deposits restricting or limiting, or purporting to restrict or limit the operations of BMBC or any BMBC Subsidiary, including without limitation any restriction on the payment of dividends; or (d) directing, restricting or limiting, or purporting to direct, restrict or limit, in any manner the operations of BMBC or any BMBC Subsidiary, including without limitation any restriction on the payment of dividends (any such notice, communication, memorandum, agreement or order described in this sentence is hereinafter referred to as an **BMBC Regulatory Agreement**). Neither BMBC nor any BMBC Subsidiary is a party to or is subject to any order, decree, agreement, memorandum or understanding or similar arrangement with, or a commitment letter or similar submission to, or extraordinary supervisory letter from, any Bank Regulator or any federal or state governmental agency or authority charged with the supervision or regulation of issuers of securities or the supervision or regulation of it. The most recent regulatory rating given to BMT as to compliance with the CRA is satisfactory or better. There are no unresolved violations, criticism, or exception by any Regulatory Authority with respect to any BMBC Regulatory Agreement. There is no injunction, order, judgment or decree imposed upon BMBC or any BMBC Subsidiary or the assets of BMBC or any BMBC Subsidiary.

5.10.4. Since the enactment of the Sarbanes-Oxley Act of 2002, BMBC has been and is in compliance in all material respects with (a) the applicable provisions of the Sarbanes-Oxley Act of 2002 and (b) the applicable listing and corporate governance rules and regulations of the Nasdaq.

5.10.5. BMBC has no Knowledge of any actual, possible or proposed disciplinary action by any Governmental Entity against any of BMBC s or any BMBC Subsidiary s officers, directors, managers, members, partners or employees.

5.11. *Employee Benefit Plans*.

5.11.1. BMBC Disclosure Schedule 5.11.1 includes a list of all existing bonus, incentive, deferred compensation, supplemental executive retirement plans, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock, stock option, stock appreciation, phantom stock, severance, welfare benefit plans (including paid time off policies and other benefit policies and procedures), fringe benefit plans, employment, consulting, settlement and change in control agreements and all other benefit practices, policies and arrangements maintained by BMBC or any BMBC Subsidiary in which any employee or former employee, consultant or former consultant or director or former director of BMBC or any BMBC Subsidiary participates or to which any such employee, consultant or director is a party or is otherwise entitled to receive benefits (the **BMBC Compensation and Benefit Plans**). Neither BMBC nor any BMBC Subsidiary has any commitment to create any additional BMBC Compensation and Benefit Plan or to modify, change or renew any existing BMBC Compensation and Benefit Plan, except as required to maintain the qualified status thereof. BMBC has made available to FKF true and correct copies of the agreements or other documents establishing and evidencing the BMBC Compensation and Benefit Plans.

5.11.2. Except as disclosed in BMBC Disclosure Schedule 5.11.2, each BMBC Compensation and Benefit Plan has been operated and administered in all material respects in accordance with its terms and with applicable law, including, but not limited to, ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, COBRA, HIPAA and any regulations or rules promulgated thereunder, and all filings, disclosures and notices required by ERISA, the Code, the Securities Act, the Exchange Act, the Age Discrimination in Employment Act, COBRA and HIPAA and any other applicable law have been timely made or any interest, fines, penalties or other impositions for late filings have been paid in full. Each BMBC Compensation and Benefit Plan which is an employee pension benefit plan within the meaning of Section 3(2) of ERISA (a **Pension Plan**) and which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS, and BMBC is not aware of any circumstances which are reasonably likely to result in revocation of any such favorable determination letter. There is no pending or, to the Knowledge of BMBC, threatened action, suit or claim relating to any of the BMBC Compensation and Benefit Plans (other than routine claims for benefits). Neither BMBC nor any BMBC Subsidiary has engaged in a transaction, or omitted to take any action, with respect to any BMBC Compensation and Benefit Plan that would reasonably be expected to subject BMBC or any BMBC Subsidiary to an unpaid tax or penalty imposed by either Sections 4975, 4980B or 5000 of the Code or Section 502 of ERISA.

5.11.3. No liability under Title IV of ERISA has been incurred by BMBC or any BMBC Subsidiary with respect to any BMBC Compensation and Benefit Plan which is subject to Title IV of ERISA (**BMBC Pension Plan**) currently or formerly maintained by BMBC or any entity which is considered one employer with BMBC under Section 4001(b)(1) of ERISA or Section 414 of the Code (an **BMBC ERISA Affiliate**) since the effective date of ERISA that has not been satisfied in full, and no condition exists that presents a risk to BMBC or any BMBC ERISA Affiliate of incurring a liability under such Title. No BMBC Pension

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Plan had an accumulated funding deficiency (as defined in Section 302 of ERISA), whether or not waived, as of the last day of the end of the most recent plan year ending prior to the date hereof; the fair market value of the assets of each BMBC Pension Plan exceeds the present value of the benefit liabilities (as defined in Section 4001(a)(16) of ERISA) under such BMBC Pension Plan as of the end of the most recent plan year with respect to the respective BMBC Pension Plan ending prior to the date hereof, calculated on the basis of the actuarial assumptions used in the most recent actuarial valuation for such BMBC Pension Plan as of the date hereof; there is not currently pending with the PBGC any filing with respect to any reportable event under Section 4043 of ERISA nor has any reportable event occurred as to which a filing is required and has not been made (other than as might be required with respect to this Agreement and the transactions contemplated thereby). Neither BMBC nor any BMBC ERISA Affiliate has contributed to or has or had any obligation to contribute to any multiemployer plan, as defined in Section 3(37) of ERISA. Neither BMBC, nor any BMBC ERISA Affiliate, nor any BMBC Compensation and Benefit Plan, including any BMBC Pension Plan, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which BMBC, any BMBC ERISA Affiliate, and any BMBC Compensation and Benefit Plan, including any BMBC Pension Plan or any such trust or any trustee or administrator thereof, could reasonably be expected to be subject to either a civil liability or penalty pursuant to Section 409, 502(i) or 502(l) of ERISA or a tax imposed pursuant to Chapter 43 of the Code.

5.11.4. All contributions required to be made under the terms of any BMBC Compensation and Benefit Plan have been timely made, and all anticipated contributions and funding obligations are accrued on BMBC s consolidated financial statements to the extent required by GAAP. BMBC and each BMBC Subsidiary has expensed and accrued as a liability the present value of future benefits under each applicable BMBC Compensation and Benefit Plan for financial reporting purposes as required by GAAP.

5.11.5. Neither BMBC nor any BMBC Subsidiary has any obligations to provide retiree health, life insurance, death benefits, or disability insurance, except as set forth in BMBC Disclosure Schedule 5.11.5, under any BMBC Compensation and Benefit Plan, other than benefits mandated by Section 4980B of the Code. Except as set forth in BMBC Disclosure Schedule 5.11.5, there has been no communication to employees by BMBC or any BMBC Subsidiary that would reasonably be expected to promise or guarantee such employees retiree health, life insurance, or disability insurance, or any retiree death benefits, other than as set forth in BMBC Disclosure Schedule 5.11.5.

5.11.6. BMBC and its Subsidiaries do not maintain any BMBC Compensation and Benefit Plans covering employees who are not United States residents.

5.11.7. With respect to each BMBC Compensation and Benefit Plan, if applicable, BMBC has provided or made available to FKF copies of the: (a) trust instruments and insurance contracts; (b) three most recent Forms 5500 filed with the IRS, including all schedules and attachments thereto; (c) three most recent actuarial reports and financial statements; (d) most recent summary plan description; (e) most recent determination letter issued by the IRS; (f) any Form 5310 or Form 5330 filed with the IRS within the last three years; (g) most recent nondiscrimination tests performed under ERISA and the Code (including 401(k) and 401(m) tests); and (h) any PBGC Form 500 and 501 filings, along with any Notice of Intent to Terminate, ERISA Section 204(h) Notice, Notice of Plan Benefits, and all other documentation related to the prior termination of a BMBC Pension Plan.

5.11.8. Except as provided in BMBC Disclosure Schedule 5.11.8 and in Section 3.2.10, the consummation of the Merger will not, directly or indirectly (including, without limitation, as a result of any termination of employment or service at any time prior to or following the Effective Time) (a) entitle any employee, consultant or director to any payment or benefit (including severance pay, change in control benefit, or similar compensation) or any increase in compensation, (b) entitle any employee or independent contractor to terminate any plan, agreement or arrangement without cause and continue to accrue future benefits thereunder, or result in the vesting or acceleration of any benefits under any BMBC Compensation and Benefit Plan, (c) result in any increase in benefits payable under any BMBC Compensation and Benefit

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Plan, or (d) entitle any current or former employee or director of BMBC or any BMBC Subsidiary to any actual or deemed payment (or benefit) which could constitute a parachute payment (as such term is defined in Section 280G of the Code).

5.11.9. Except as disclosed in BMBC Disclosure Schedule 5.11.9, neither BMBC nor any BMBC Subsidiary maintains any compensation plans, programs or arrangements under which any payment is reasonably likely to become non-deductible, in whole or in part, for tax reporting purposes as a result of the limitations under Section 162(m) of the Code and the regulations issued thereunder.

5.11.10. Except as disclosed in BMBC Disclosure Schedule 5.11.10, all deferred compensation plans, programs or arrangements are in compliance, both in form and operation, with Section 409A of the Code and all guidance issued thereunder.

5.11.11. Except as disclosed in BMBC Disclosure Schedule 5.11.11, there are no stock options, stock appreciation or similar rights, earned dividends or dividend equivalents, or shares of restricted stock, outstanding under any of the BMBC Compensation and Benefit Plans or otherwise as of the date hereof and none will be granted, awarded, or credited after the date hereof.

5.11.12. BMBC Disclosure Schedule 5.11.12 sets forth, as of the payroll date immediately preceding the date of this Agreement, a list of the full names of all officers, and employees whose annual rate of salary is $75,000 or greater, of BMT or BMBC, their title and rate of salary, and their date of hire.

5.12. *Environmental Matters*.

5.12.1. Except as may be set forth in BMBC Disclosure Schedule 5.12, with respect to BMBC and each BMBC Subsidiary:

(A) To BMBC s Knowledge, neither the conduct nor operation of its business nor any condition of any property currently or previously owned or operated by it (including BMBC Participation Facilities) (including, without limitation, in a fiduciary or agency capacity), or on which it holds a lien, results or resulted in a violation of or gives rise to any potential material liability under, any Environmental Laws that is reasonably likely to impose a material liability (including a remediation obligation) upon BMBC or any BMBC Subsidiary. No condition has existed or event has occurred with respect to any of them or any such property that, with notice or the passage of time, or both, is reasonably likely to result in any material liability to BMBC or any BMBC Subsidiary by reason of any Environmental Laws. Neither BMBC nor any BMBC Subsidiary during the past five years has received any written notice from any Person or Governmental Entity that BMBC or any BMBC Subsidiary or the operation or condition of any property ever owned, operated (including BMBC Participation Facilities), or held as collateral or in a fiduciary capacity by any of them are currently in violation of or otherwise are alleged to have liability under any Environmental Laws or relating to Materials of Environmental Concern (including, but not limited to, responsibility (or potential responsibility) for the cleanup or other remediation of any Materials of Environmental Concern at, on, beneath, or originating from any such property) for which a material liability may be reasonably likely to be imposed upon BMBC or any BMBC Subsidiary.

(B) There is no suit, claim, action, demand, executive or administrative order, directive, investigation or proceeding pending or, to BMBC s Knowledge, threatened, before any court, governmental agency or other forum against BMBC or any BMBC Subsidiary (i) for alleged noncompliance (including by any predecessor) with, or liability under, any Environmental Law or (ii) relating to the presence of or release (defined herein) into the environment of any Materials of Environmental Concern (as defined herein), whether or not occurring at or on a site owned, leased or operated by BMBC or any BMBC Subsidiary.

(C) To BMBC s Knowledge, there are no underground storage tanks on, in or under any properties owned or operated by BMBC or any of the BMBC Subsidiaries, and no underground storage tanks have been closed or removed from any properties owned or operated by BMBC or any of the BMBC Subsidiaries or any BMBC Participation Facility except in compliance with Environmental Laws; and

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(D) **BMBC Participation Facility** shall mean any facility in which BMBC or its Subsidiaries participates in the management, whether as a fiduciary, lender in control of the facility, owner or operator.

5.13. *Securities Documents*.

BMBC has made available to FKF copies of its (a) annual reports on Form 10-K for the years ended December 31, 2008, 2007 and 2006, (b) quarterly reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, and (c) proxy materials used or for use in connection with its meetings of shareholders held in 2009, 2008 and 2007. Such reports and proxy materials complied, at the time filed with the SEC, in all material respects, with the Securities Laws.

5.14. *Brokers, Finders and Financial Advisors*.

Neither BMBC nor any BMBC Subsidiary, nor any of their respective officers, directors, employees or agents, has employed any broker, finder or financial advisor in connection with the transactions contemplated by this Agreement, or incurred any liability or commitment for any fees or commissions to any such person in connection with the transactions contemplated by this Agreement except for the retention of Keefe Bruyette & Woods and the fee payable pursuant thereto.

5.15. *BMBC Common Stock*.

The shares of BMBC Common Stock to be issued pursuant to this Agreement, when issued in accordance with the terms of this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and subject to no preemptive rights.

5.16. *BMBC Information Supplied*.

5.16.1. The information relating to BMBC and any BMBC Subsidiary to be contained in the Merger Registration Statement, or in any other document filed with any Bank Regulator or other Governmental Entity in connection herewith, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

5.16.2. The Merger Registration Statement will comply with the provisions of the Exchange Act and the rules and regulations thereunder and the provisions of the Securities Act and the rules and regulations thereunder, except that no representation or warranty is made by BMBC with respect to statements made or incorporated by reference therein based on information supplied by FKF specifically for inclusion or incorporation by reference in the Merger Registration Statement.

5.16.3. The information supplied by BMBC and any BMBC Subsidiary for inclusion in the Applications will, at the time each such document is filed with any Bank Regulator and up to and including the dates of any required regulatory approvals or consents, as such Applications may be amended by subsequent filings, be accurate in all material respects.

5.17. *PBCL Sections 2538 and 2553.*

Other than by reason of this Agreement or the transactions contemplated hereby, BMBC is not an interested shareholder (as defined in Sections 2538 or 2553 of the PBCL) of FKF.

5.18. *Investment Securities and Commodities*

5.18.1. BMBC and all BMBC Subsidiaries have good title to all securities and commodities owned by them (except those sold under repurchase agreements or held in any fiduciary or agency capacity), free and clear of any liens and encumbrances, except to the extent such securities or commodities are pledged in the ordinary course of business to secure obligations of BMBC or BMBC Subsidiaries. Such securities and commodities are valued on the books of BMBC in accordance with GAAP.

5.18.2. BMBC and all BMBC Subsidiaries and their respective businesses employ, and have acted in compliance in all material respects with the Policies, Practices and Procedures that BMBC believes are prudent and reasonable in the context of such businesses. Before the date hereof, BMBC has made available to FKF in writing its material Policies, Practices and Procedures.

ARTICLE VI

COVENANTS OF FKF

6.1. *Conduct of Business*.

6.1.1. *Affirmative Covenants*. During the period from the date of this Agreement to the Effective Time, except with the written consent of BMBC, which consent will not be unreasonably withheld, conditioned or delayed, FKF will, and it will cause each FKF Subsidiary to: operate its business, only in the usual, regular and ordinary course of business; use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises; and voluntarily take no action which would, or would be reasonably likely to, (a) adversely affect the ability of the parties to obtain any Regulatory Approvals or other approvals of Governmental Entities required for the transactions contemplated hereby or increase the period of time necessary to obtain such approvals, or (b) adversely affect its ability to perform its covenants and agreements under this Agreement.

6.1.2. *Negative Covenants*. FKF agrees that from the date of this Agreement to the Effective Time, except as otherwise specifically permitted or required by this Agreement, set forth in FKF Disclosure Schedule 6.1.2, or consented to by BMBC in writing (which consent shall not be unreasonably withheld), it will not, and it will cause each FKF Subsidiary not to:

(A) change or waive any provision of its articles of incorporation, charter or bylaws, except as required by law, appoint a new director to the board of directors, or allow dissenters rights to its stockholders as authorized by Pennsylvania law;

(B) change the number of authorized or issued shares of its capital stock, issue any shares of FKF Common Stock, including any shares that are held as treasury stock as of the date of this Agreement, or issue or grant any Right or agreement of any character relating to its authorized or issued capital stock or any securities convertible into shares of such stock, make any grant or award under the FKF Option Plans or the FKF RRP, or split, combine or reclassify any shares of capital stock, or declare, set aside or pay any dividend or other distribution in respect of capital stock, or, except as set forth in FKF Disclosure Schedule 6.1.2(B), redeem or otherwise acquire any shares of capital stock, except that (i) FKF may issue shares of FKF Common Stock upon the valid exercise, in accordance with the information set forth in FKF Disclosure Schedule 4.2.1, of presently outstanding FKF Options issued under the FKF Option Plan, and (ii) any FKF Subsidiary may pay dividends to its parent company (as permitted under applicable law or regulations) consistent with past practice.

(C) enter into, amend or terminate any contract or agreement (including without limitation any settlement agreement with respect to litigation) except in the ordinary course of business;

(D) other than as set forth in FKF Disclosure Schedule 6.1.2(D), make application for the opening or closing of any, or open or close any, branch or automated banking facility;

(E) grant or agree to pay any bonus, severance or termination to, or enter into, renew or amend any employment agreement, severance agreement and/or supplemental executive agreement with, or increase in any manner the compensation or fringe benefits of, any of its directors, officers or employees, except (i) as set forth on FKF Disclosure Schedule 4.8.1 and 4.12.1, and (ii) pay increases in the ordinary course of business consistent with past practice. Neither FKF nor any FKF Subsidiary shall hire or promote any employee to an officer position or hire any new employee at an annual rate of compensation in excess of $50,000; provided that FKF or an FKF Subsidiary may hire at-will, non-officer employees to fill vacancies that may from time to time arise in the ordinary course of business. Any bonus or incentive plan adopted, continued or implemented for services performed on or after October 1, 2009 shall be in such form and with such terms as mutually agreed to by FKF (or an FKF Subsidiary) and BMBC (provided that all such plans in place for fiscal 2009 shall operate in accordance with their current terms for the performance period ending September 30, 2009);

(F) except as otherwise expressly permitted under this Agreement or as set forth on FKF Disclosure Schedule 6.1.2(F), enter into or, except as may be required by law, modify any pension, retirement, stock option, stock purchase, stock appreciation right, stock grant, savings, profit sharing, deferred compensation, supplemental retirement, consulting, bonus, group insurance or other employee benefit, incentive or welfare contract, plan or arrangement, or any trust agreement related thereto, in respect of any of its directors, officers or employees; or make any contributions to any defined contribution plan not in the ordinary course of business consistent with past practice;

(G) merge or consolidate FKF or any FKF Subsidiary with any other corporation; sell or lease all or any substantial portion of the assets or business of FKF or any FKF Subsidiary; make any acquisition of all or any substantial portion of the business or assets of any other person, firm, association, corporation or business organization other than in connection with foreclosures, settlements in lieu of foreclosure, troubled loan or debt restructuring, or the collection of any loan or credit arrangement between FKF, or any FKF Subsidiary, and any other person; enter into a purchase and assumption transaction with respect to deposits and liabilities; voluntarily revoke or surrender by any FKF Subsidiary of its approval to maintain, or file an application for the relocation of, any existing branch office, or file an application for approval to establish a new branch office;

(H) except as set forth on FKF Disclosure Schedule 6.1.2(H), sell or otherwise dispose of the capital stock of FKF; sell or otherwise dispose of any asset of FKF or of any FKF Subsidiary other than in the ordinary course of business consistent with past practice; except for transactions with the FHLB or FRB, subject any asset of FKF or of any FKF Subsidiary to a lien, pledge, security interest or other encumbrance (other than in connection with deposits, repurchase agreements, bankers acceptances, treasury tax and loan accounts established in the ordinary course of business and transactions in federal funds and the satisfaction of legal requirements in the exercise of trust powers); incur any liability of any nature, including any indebtedness for borrowed money (or guarantee any indebtedness for borrowed money) except for advances with a term of one year or less from the FHLB in the ordinary course of business consistent with past practice;

(I) voluntarily take any action which would result in any of the representations and warranties of FKF or FKB set forth in this Agreement becoming untrue as of any date after the date hereof or in any of the conditions set forth in Article IX hereof not being satisfied, except in each case as may be required by applicable law;

(J) change any method, practice or principle of accounting, except as may be required from time to time by GAAP (without regard to any optional early adoption date), any Bank Regulator responsible for regulating FKF or FKB, or FKF s independent accounting firm;

(K) waive, release, grant or transfer any material rights of value or modify or change any existing material agreement or indebtedness to which FKF or any FKF Subsidiary is a party;

(L) purchase any equity securities, or purchase any debt securities other than (i) debt securities with a credit quality rating of A or better by either Standard & Poor s Ratings Services or Moody s Investors Service for corporate bonds having a face amount of not more than $1,500,000 per issue with a maximum remaining maturity of five years or less, (ii) bank qualified municipal general obligation

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bonds issued by authorities located in the Commonwealth of Pennsylvania with a maximum remaining maturity of 15 years, a $1,500,000 aggregate limit per yearly maturity, and an underlying credit quality rating of A or better by either Standard & Poor s Ratings Services or Moody s Investors Service, and (iii) any other debt security that is rated AAA by either Standard & Poor s Ratings Services or Moody s Investors Service having a face amount of not more then $1,500,000;

(M) except as permitted under Section 6.1.2(B), issue or sell any equity or debt securities;

(N) except for commitments issued prior to the date of this Agreement which have not yet expired and which have been disclosed on the FKF Disclosure Schedule 6.12(N), and the renewal of existing lines of credit, make any new loan or other credit facility commitment (including without limitation, lines of credit and letters of credit) in an amount in excess of $750,000 for a commercial real estate loan or $250,000 for a commercial business loan, or in excess of $417,000 for a residential loan. In addition, the prior approval of BMBC is required with respect to the foregoing: (i) any new loan or credit facility commitment in an amount of $750,000 or greater to any borrower or group of affiliated borrowers whose credit exposure with FKB, FKF or any FKF Subsidiary, in the aggregate, exceeds $1.75 million prior thereto or as a result thereof; (ii) any new loan or credit facility commitment in excess of $100,000 to any person residing, or any property located, outside of the Commonwealth of Pennsylvania or State of Delaware; (iii) any overdraft to commercial clients in excess of $20,000; (iv) any new commercial or residential site development construction loans; (v) any advances on existing construction loans other than pursuant to the terms thereof, including any inspections required thereby to be conducted prior to disbursement of any such advances; and (vi) any new credit or loan to an existing relationship that is rated special mention, substandard, or some lesser classification.

(O) except as set forth on the FKF Disclosure Schedule 6.12(O), enter into, renew, extend or modify any other transaction (other than a deposit transaction) with any Affiliate;

(P) enter into any futures contract, option, interest rate caps, interest rate floors, interest rate exchange agreement or other agreement or take any other action for purposes of hedging the exposure of its interest-earning assets and interest-bearing liabilities to changes in market rates of interest;

(Q) borrow any new amounts from the FHLB other than overnight borrowings or borrowings with bullet maturities of not more than 6 months, increase the amount of any existing FHLB borrowings or take any actions that will result in increased FHLB stock holding requirements;

(R) except as set forth on the FKF Disclosure Schedule 6.12(R) and except for the execution of this Agreement, and actions taken or which will be taken in accordance with this Agreement and performance thereunder, take any action that would give rise to a right of payment to any individual under any employment agreement;

(S) make any change in policies in existence on the date of this Agreement with regard to: the extension of credit, or the establishment of reserves with respect to the possible loss thereon or the charge off of losses incurred thereon; investments; asset/liability management; deposit pricing or gathering; or other banking policies except as may be required by changes in applicable law or regulations or GAAP or by a Bank Regulator;

(T) enter into any new line of business;

(U) except as set forth on the FKF Disclosure Schedule 6.12(U) and except for the execution of this Agreement, and the transactions contemplated therein, take any action that would give rise to an acceleration of the right to payment to any individual under any employment agreement, stock option plan or employee benefit plan;

(V) except as set forth in FKF Disclosure Schedule 6.12(V), make any capital expenditures in excess of $25,000 individually or $50,000 in the aggregate, other than pursuant to binding commitments existing on the date hereof and other than expenditures necessary to maintain existing assets in good repair;

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(W) incur any discretionary expense in excess of $25,000 individually that is not otherwise addressed in this Section 6.1.2;

(X) participate in any programs implemented under the federal government s Troubled Asset Relief Program (TARP);

(Y) materially increase or decrease above or below the average market rate offered by peer banks and savings associations located in Delaware County, Pennsylvania, the rate of interest paid on time deposits or on certificates of deposit;

(Z) undertake, enter into or renew (including by automatic renewal) any lease, contract or other commitment for its account, other than in the normal course of providing credit to customers as part of its banking business, involving a payment by FKF or FKB of more than $25,000 annually, or containing any financial commitment extending beyond 12 months from the date hereof;

(AA) pay, discharge, settle, modify, or compromise any claim, loan, action, litigation, arbitration or proceeding, other than any such payment, discharge, settlement, modification or compromise in the ordinary course of business consistent with past practice that involves solely money damages in the amount not in excess of $25,000 individually or $50,000 in the aggregate, and that does not create negative precedent for other pending or potential claims, actions, litigation, arbitration or proceedings; provided that FKF may charge-off through settlement, compromise or discharge up to 10% of the outstanding principal balance of any loan that is 90 or more days contractually past due;

(BB) institute any new litigation or other legal or regulatory proceedings (excluding loan foreclosure or collection actions);

(CC) foreclose upon or take a deed or title to any (i) commercial real estate or (ii) residential real estate on which the presence of Materials of Environmental Concern could be reasonably expected, without first conducting a Phase I of the property and confirming that such Phase I does not indicate the presence of a Materials of Environmental Concern;

(DD) purchase or sell any mortgage loan servicing rights;

(EE) issue any broadly distributed communication of a general nature to employees (including general communications relating to benefits and compensation, post-Closing employment, benefit or compensation information) without prior consultation with and without the prior consent of BMBC (which shall not be unreasonably withheld, conditioned or delayed) or issue any broadly distributed communication of a general nature to customers without the prior approval of BMBC (which shall not be unreasonably withheld, conditioned or delayed), except as required by law or for communications in the ordinary course of business consistent with past practice that do not relate to the Merger or other transactions contemplated hereby; or

(FF) agree to do any of the foregoing.

6.2. *Current Information.*

6.2.1. During the period from the date of this Agreement to the Effective Time, FKF will cause one or more of its representatives to confer with representatives of BMBC and report the general status of its ongoing operations at such times as BMBC may reasonably request. FKF will promptly notify BMBC of any material change in the normal course of its business or in the operation of its properties and, to the extent permitted by applicable law, of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of litigation involving FKF or any FKF Subsidiary. Without limiting the foregoing, senior officers of BMBC and FKF shall meet on a reasonably regular basis (expected to be at least monthly) to review the financial and operational affairs of FKF and its Subsidiaries, in accordance with applicable law, and FKF shall give due consideration to BMBC s input on such matters, with the understanding that, notwithstanding any other provision contained in this Agreement, neither BMBC nor any BMBC Subsidiary shall under any circumstance be permitted to exercise control of FKF or any FKF Subsidiary prior to the Effective Time.

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6.2.2. FKB and BMT shall meet on a regular basis to discuss and plan for the conversion of FKB s data processing and related electronic informational systems to those used by BMT, which planning shall include, but not be limited to, discussion of the possible termination by FKB of third-party service provider arrangements effective at the Effective Time or at a date thereafter, non-renewal of personal property leases and software licenses used by FKB in connection with its systems operations, retention of outside consultants and additional employees to assist with the conversion, and outsourcing, as appropriate, of proprietary or self-provided system services, it being understood that FKB shall not be obligated to take any such action prior to the Effective Time and, unless FKB otherwise agrees, no conversion shall take place prior to the Effective Time. In the event that FKB takes, at the request of BMT, any action relative to third parties to facilitate the conversion that results in the imposition of any termination fees, charges or expenses, BMT shall indemnify FKB for any such fees, charges or expenses, and the costs of reversing the conversion process, if for any reason the Merger is not consummated for any reason other than a breach of this Agreement by FKF, or a termination of this Agreement under Section 11.1.7 or 11.1.8.

6.2.3. FKB shall provide BMT, within fifteen (15) Business Days of the end of each calendar month, in a form mutually acceptable to the parties, a written report listing FKF Delinquencies for such month. No later than fifteen (15) Business Days after the end of each calendar month, FKF shall provide BMT with a schedule of all loan approvals, which schedule shall indicate the loan amount, loan type and other material features of the loan, as well as the related loan origination/underwriting documentation and credit file detail if requested by BMT.

6.2.4. FKF shall promptly inform BMBC upon receiving notice of any legal, administrative, arbitration or other proceedings, demands, notices, audits or investigations (by any federal, state or local commission, agency or board) relating to the alleged liability of FKF or any FKF Subsidiary under any labor or employment law, or related to any claims made by or threatened by any current or former employee or applicant.

6.3. *Access to Properties and Records.*

Subject to Section 12.1 hereof, FKF shall permit BMBC reasonable access during normal business hours upon reasonable notice to its properties and those of the FKF Subsidiaries, and shall disclose and make available to BMBC during normal business hours all of its books, papers and records relating to the assets, properties, operations, obligations and liabilities, including, but not limited to, all books of account (including the general ledger), tax records, minute books of directors (other than minutes that discuss any of the transactions contemplated by this Agreement or any other subject matter FKF reasonably determines should be treated as confidential) and shareholders meetings, organizational documents, bylaws, contracts and agreements, filings with any regulatory authority, litigation files, plans affecting employees, and any other business activities or prospects in which BMBC may have a reasonable interest; *provided, however*, that FKF shall not be required to take any action that would provide access to or to disclose information where such access or disclosure would violate or prejudice the rights or business interests or confidences of any customer or other person or would result in the waiver by it of the privilege protecting communications between it and any of its counsel. FKF shall provide and shall request its auditors to provide BMBC with such historical financial information regarding it (and related audit reports and consents) as BMBC may reasonably request for securities disclosure purposes. BMBC shall use commercially reasonable efforts to minimize any interference with FKF s regular business operations during any such access to FKF s property, books and records. FKF shall permit BMBC, at its expense, to cause a Phase I and any Phase II Environmental Site Assessment (**Phase II**) recommended therein to be performed at each owned FKF Real Property; *provided, however*, that BMBC shall only have the right to conduct a Phase II prior to the Closing Date only to the extent that a Phase II is within the scope of additional testing recommended by the Phase I to be performed as a result of a Recognized Environmental Condition (as such term is defined by The American Society for Testing Materials) that was discovered in the Phase I. Any such Phase I shall be commenced within 30 days after the date of this Agreement and any such Phase II, to the extent permitted by the provisions hereof to be conducted prior to Closing, recommended to be performed by any such Phase I shall be commenced within 30 days of the Phase I report recommending such Phase II. BMBC shall use its best efforts to cause any such Phase I conducted to be completed within 30 days of the date of commencement thereof, but in no event more than 45 days after the date of commencement thereof. In the event BMBC elects to commence any Phase II, to the extent permitted pursuant to the provisions of this Section 6.3 to be conducted prior to Closing, BMBC shall use its best efforts to have any such Phase II completed within 45 days of the commencement thereof, but in no event more than 60 days after the date of commencement thereof. BMBC and its environmental consultant shall conduct all environmental assessments pursuant to this Section at mutually agreeable times and so as to eliminate or minimize to the greatest extent possible interference with FKF s operation of its business, and BMBC shall maintain or cause to be maintained reasonably adequate insurance with respect to any assessment conducted hereunder. BMBC shall be required to restore each FKF Real Property to substantially its pre-assessment condition. All costs and expenses incurred in connection with any Phase I or Phase II and any restoration and clean up, shall be borne solely by BMBC.

6.4. *Financial and Other Statements.*

6.4.1. Promptly upon receipt thereof, FKF will furnish to BMBC copies of each annual, interim or special audit of the books of FKF and the FKF Subsidiaries made by its independent auditors and copies of all internal control reports submitted to FKF by such auditors in connection with each annual, interim or special audit of the books of FKF and the FKF Subsidiaries made by such auditors.

6.4.2. As soon as reasonably available, but in no event later than the date such documents are filed with the SEC, FKF will deliver to BMBC the Securities Documents filed by it with the SEC under the Securities Laws. FKF will furnish to BMBC copies of all documents, statements and reports that it or any FKF Subsidiary shall send to its shareholders or any Bank Regulator. Within 25 days after the end of each month, FKF will deliver to BMBC a consolidated balance sheet and a consolidated statement of income, without related notes, for such month prepared in accordance with current financial reporting practices. Without limiting the foregoing, FKF agrees to provide BMBC with drafts of its Form 10-K for the year ending September 30, 2009 and any Forms 8-K and 10-Q a reasonable amount of time in advance of the earlier to occur of the issuance of such reports or the filing thereof with the SEC.

6.4.3. FKF will advise BMBC promptly of the receipt of any examination report of any Bank Regulator with respect to the condition or activities of FKF or any of the FKF Subsidiaries.

6.4.4. With reasonable promptness, FKF will furnish to BMBC such additional financial data that FKF possesses and as BMBC may reasonably request, including without limitation, detailed monthly financial statements and loan reports.

6.5. *Maintenance of Insurance*.

FKF shall maintain, and cause each FKF Subsidiary to maintain, the insurance policies that they have in place as of the date of this Agreement.

6.6. *Disclosure Supplements.*

From time to time prior to the Effective Time as necessary, FKF will promptly supplement or amend the FKF Disclosure Schedule delivered in connection herewith with respect to any matter hereafter arising which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such FKF Disclosure Schedule or which is necessary to correct any information in such FKF Disclosure Schedule which has been rendered inaccurate thereby. No supplement or amendment to such FKF Disclosure Schedule shall have any effect for the purpose of determining satisfaction of the conditions set forth in Article IX.

6.7. *Consents and Approvals of Third Parties.*

FKF shall use all commercially reasonable efforts to obtain as soon as practicable all consents and approvals necessary for the consummation of the transactions contemplated by this Agreement.

6.8. *Reasonable Best Efforts.*

Subject to the terms and conditions herein provided, FKF agrees to use reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

6.9. *Failure to Fulfill Conditions.*

In the event that FKF determines that a condition to its obligation to complete the Merger cannot be fulfilled and that it will not waive that condition, it will promptly notify BMBC.

6.10. *No Solicitation.*

6.10.1. FKF shall not, and shall cause its Subsidiaries and the respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, affiliates and other agents (collectively, the **Representatives**) not to, directly or indirectly, (a) initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an Acquisition Proposal; (b) participate in any discussions or negotiations regarding any Acquisition Proposal or furnish, or otherwise afford access, to any Person (other than BMBC) any information or data with respect to FKF or any of its Subsidiaries or otherwise relating to an Acquisition Proposal; (c) release any Person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which FKF is a party; or (d) enter into any agreement, agreement in principle or letter of intent with respect to any Acquisition Proposal or approve or resolve to approve any Acquisition Proposal or any agreement, agreement in principle or letter of intent relating to an Acquisition Proposal. Any violation of the foregoing restrictions by FKF or any Representative shall be deemed to be a breach of this Agreement by FKF. FKF and its Subsidiaries shall, and shall cause each of FKF Representatives to, immediately cease and cause to be terminated any and all existing discussions, negotiations, and communications with any Persons with respect to any existing or potential Acquisition Proposal.

For purposes of this Agreement, **Acquisition Proposal** shall mean any inquiry, offer or proposal (other than an inquiry, offer or proposal from BMBC), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, an Acquisition Transaction. For purposes of this Agreement, **Acquisition Transaction** shall mean (a) any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving FKF or any of its Subsidiaries; (b) any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of FKF or any of its Subsidiaries representing, in the aggregate, fifteen percent (15%) or more of the assets of FKF and its Subsidiaries on a consolidated basis; (c) any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing fifteen percent (15%) or more of the votes attached to the outstanding securities of FKF or any of its Subsidiaries; (d) any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning fifteen percent (15%) or more of any class of equity securities of FKF or any of its Subsidiaries; or (e) any transaction which is similar in form, substance or purpose to any of the foregoing transactions, or any combination of the foregoing.

6.10.2. Notwithstanding Section 6.10.1, FKF may take any of the actions described in clause (b) of Section 6.10.1 if, but only if, (a) FKF has received a bona fide unsolicited written Acquisition Proposal that did not result from a breach of Section 6.10; (b) the Board of Directors of FKF determines in good faith, after consultation with and having considered the advice of its outside legal counsel and its independent financial advisor, that such Acquisition Proposal constitutes a Superior Proposal; (c) FKF has provided BMBC with at least one (1) Business Day prior notice of such determination; and (d) prior to furnishing or affording access to any information or data with respect to FKF or any of its Subsidiaries or otherwise relating to an Acquisition Proposal, FKF receives from such Person a confidentiality agreement with terms no less favorable to FKF than those contained in the Confidentiality Agreements. FKF shall promptly provide to BMBC any non-public information regarding FKF or its subsidiaries provided to any other Person that was not previously provided to BMBC, such additional information to be provided no later than the date of provision of such information to such other party.

For purposes of this Agreement, **Superior Proposal** shall mean any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into an Acquisition Transaction on terms that the Board of Directors of FKF determines in its good faith judgment, after consultation with and having considered the advice of outside legal counsel and its financial advisor, (a) would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of FKF Common Stock or all, or substantially all, of the assets of FKF and its Subsidiaries on a consolidated basis; (b) would result in a transaction that (i) involves consideration to the holders of the shares of FKF Common Stock that is more favorable, from a financial point of view, than the Merger Consideration to be paid to FKF s shareholders pursuant to this Agreement, considering, among other things, the nature of the consideration being offered and any regulatory approvals or other risks associated with the timing of the proposed transaction beyond or in addition to those specifically contemplated hereby, and which proposal is not conditioned upon obtaining additional financing and (ii) is, in light of the other terms of such proposal, more favorable to FKF s shareholders than the Merger and the transactions contemplated by this Agreement; and (c) is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal.

6.10.3. FKF shall promptly (and in any event within twenty-four (24) hours) notify BMBC in writing if any proposals or offers are received by, any information is requested from, or any negotiations or discussions are sought to be initiated or continued with, FKF or any FKF Representatives, in each case in connection with any Acquisition Proposal, and such notice shall indicate the name of the Person initiating such discussions or negotiations or making such proposal, offer or information request and the terms and conditions of any proposals or offers (and, in the case of written materials relating to such proposal, offer, information request, negotiations or discussion, providing copies of such materials (including e-mails or other electronic communications) unless (a) such materials constitute confidential information of the party making such offer or proposal under an effective confidentiality agreement, (b) disclosure of such materials jeopardizes the attorney-client privilege or (c) disclosure of such materials contravenes any law, rule, regulation, order, judgment or decree. FKF agrees that it shall keep BMBC informed, on a current basis, of the status and terms of any such proposal, offer, information request, negotiations or discussions (including any amendments or modifications to such proposal, offer or request).

6.10.4. Neither the Board of Directors of FKF nor any committee thereof shall (a) withdraw, qualify or modify, or propose to withdraw, qualify or modify, in a manner adverse to BMBC in connection with the transactions contemplated by this Agreement (including the Merger), the FKF Recommendation (as defined in Section 8.1), or make any statement, filing or release, in connection with the FKF Shareholders Meeting or otherwise, inconsistent with the FKF Recommendation (it being understood that taking a neutral position or no position with respect to an Acquisition Proposal shall be considered an adverse modification of the FKF Recommendation); (b) approve or recommend, or publicly propose to approve or recommend, any Acquisition Proposal; or (c) enter into (or cause FKF or any of its Subsidiaries to enter into) any letter of intent, agreement in principle, acquisition agreement or other agreement (i) related to any Acquisition Transaction (other than a confidentiality agreement entered into in accordance with the provisions of Section 6.10.2) or (ii) requiring FKF to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by this Agreement.

6.10.5. Notwithstanding Section 6.10.4, prior to the date of FKF Shareholders Meeting, the Board of Directors of FKF may approve or recommend to the shareholders of FKF a Superior Proposal and withdraw, qualify or modify the FKF Recommendation in connection therewith (a **FKF Subsequent Determination**) after the fifth (5th) Business Day following BMBC s receipt of a notice (the **Notice of**

Superior Proposal) from FKF advising BMBC that the Board of Directors of FKF has decided that a bona fide unsolicited written Acquisition Proposal that it received (that did not result from a breach of Section 6.10) constitutes a Superior Proposal (it being understood that FKF shall be required to deliver a new Notice of Superior Proposal in respect of any revised Superior Proposal from such third party or its affiliates that FKF proposes to accept and the subsequent notice period shall be three (3) Business Days) if, but only if, (a) the Board of Directors of FKF has reasonably determined in good faith, after consultation with and having considered the advice of outside legal counsel and a financial advisor, that the failure to take such actions would be reasonably likely to be inconsistent with its fiduciary duties to FKF s shareholders under applicable law, and (b) at the end of such five (5) Business Day period or the three (3) Business Day period (as the case may be), after taking into account any such adjusted, modified or amended terms as may have been committed to in writing by BMBC since its receipt of such Notice of Superior Proposal (*provided, however*, that BMBC shall not have any obligation to propose any adjustments, modifications or amendments to the terms and conditions of this Agreement), the Board of Directors of FKF has again in good faith made the determination (i) in clause (i) of this Section 6.10.5 and (ii) that such Acquisition Proposal constitutes a Superior Proposal. Notwithstanding the foregoing, the changing, qualifying or modifying of the FKF Recommendation or the making of a FKF Subsequent Determination by the Board of Directors of FKF shall not change the approval of the Board of Directors of FKF for purposes of causing any federal or state anti-takeover laws or regulations to be inapplicable to this Agreement and the FKF Voting Agreements and the transactions contemplated hereby and thereby, including the Merger.

6.10.6. Nothing contained in Section 6.10 shall prohibit FKF or the Board of Directors of FKF from complying with FKF s obligations required under Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act; *provided, however*, that any such disclosure relating to an Acquisition Proposal shall be deemed a change in the FKF Recommendation unless the Board of Directors of FKF reaffirms the FKF Recommendation in such disclosure.

6.11. *Reserves and Merger-Related Costs.*

FKF agrees to consult with BMBC with respect to its loan, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves). BMBC and FKF shall also consult with respect to the character, amount and timing of restructuring charges to be taken by each of them in connection with the transactions contemplated hereby and shall take such charges as BMBC shall reasonably request and which are not inconsistent with GAAP; *provided* that no such actions need be effected until BMBC shall have irrevocably certified to FKF that all conditions set forth in Article IX to the obligation of BMBC to consummate the transactions contemplated hereby (other than the delivery of certificates or opinions) have been satisfied or, where legally permissible, waived.

6.12. *FKF/FKB Board of Directors and Committee Meetings.*

FKF and FKB shall permit representatives of BMBC to attend any meeting of the Board of Directors of FKF and/or FKB or the Executive, Asset-Liability and Loan Committees thereof as an observer; *provided* that neither FKF nor FKB shall be required to permit the BMBC representative to remain present during any confidential discussion of this Agreement and the transactions contemplated hereby or any third party proposal to acquire control of FKF or FKB or during any other matter that the respective Board of Directors has reasonably determined to be confidential with respect to BMBC s participation.

6.13. *FKF/FKB Director Agreements.*

Prior to the Effective Time, each individual who is a director of FKF or FKB on the date of this Agreement and who will not be appointed to the board of directors of BMBC pursuant to Section 7.12, but will be invited to join the BMT Advisory Board pursuant to Section 7.13 hereof, shall have executed a non-solicitation agreement with a two (2) year term in a form acceptable to BMBC and BMT.

6.14. *Anti-takeover Provisions.*

FKF and its Subsidiaries shall take all steps required by any relevant federal or state law or regulation or under any relevant agreement or other document to exempt or continue to exempt BMBC, BMT, the Merger, the Bank Merger, the Agreement and the transactions contemplated hereby from any provisions of an anti-takeover nature contained in FKF s or its Subsidiaries organizational documents, and the provisions of any applicable federal or state anti-takeover laws and regulations.

6.15. *ESOP.*

6.15.1. The First Keystone Financial, Inc. Employee Stock Ownership Plan (the **ESOP**) shall terminate in accordance with its terms effective as of the Effective Time. The accounts of all participants and beneficiaries in the ESOP as of the Effective Time shall become fully vested as of the Effective Time. As soon as practicable after the date hereof, FKF shall file or cause to be filed all necessary documents with the IRS for a determination letter for termination of the ESOP as of the Effective Time, with a copy to be provided to BMBC and its counsel. In addition, as soon as practicable after the date hereof, FKF and the ESOP trustees shall enter into a written agreement, in a form reasonably acceptable to BMBC, whereby (a) the shares of FKF Common Stock held in the ESOP suspense account shall be used to repay the applicable outstanding principal balance of the ESOP loan for which such shares serve as collateral plus the accrued interest on such outstanding ESOP loan, with any remaining outstanding balance of principal and accrued interest on each such ESOP loan that is not covered by the fair market value of the shares serving as collateral for such ESOP loan to be forgiven, and (b) the transactions described in clause (a) shall occur as soon as practicable following receipt of any required regulatory approvals or consents for such actions and prior to the Effective Time, or in the absence of any required regulatory approval or consent, as of or immediately following the Effective Time. As soon as practicable after the Effective Time, the account balances in the ESOP shall be either distributed to participants and beneficiaries or transferred to an eligible tax-qualified retirement plan or individual retirement account as a participant or beneficiary may direct.

6.15.2. As soon as practicable after the date of this Agreement, FKF shall contact the U.S. Department of Labor (the **DOL**) office responsible for the current examination of the ESOP to request an acceleration of the schedule for completion of the audit, and to disclose to that office the parties intentions with respect to the ESOP and the unallocated shares of FKF Common Stock as set forth in Section 6.15.1 above. FKF shall direct its legal counsel to advise BMBC s legal counsel promptly of the nature of all contacts between FKF or its counsel and the DOL with respect to the examination of the ESOP, and to provide copies promptly of all correspondence and documentation pertaining thereto to BMBC s legal counsel.

6.16. *Supplemental Indenture.*

Prior to the Effective Time, FKF shall take all actions necessary to enter into a supplemental indenture with the trustee of the Indenture for FKF s outstanding fixed-rate junior subordinated deferrable interest debentures to evidence the succession of BMBC as of the Effective Time. The form of the supplemental indenture shall be reasonably acceptable to BMBC, and, pursuant to such supplemental indenture, BMBC will agree to assume the covenants, agreements and obligations of FKF under the Indenture.

6.17. *Inactive Subsidiaries.*

Prior to the Effective Time, FKF shall take all actions reasonably necessary to fully and finally liquidate and dissolve, including obtaining final tax clearance for and filing articles of dissolution with respect to, the following entities: First Media Services, Inc., State Street Development Company, State Street Abstracting Corporation, Hunt Club Development Company, Inc., Breckenridge Development Co., First Property Services, Inc., First Pointe, Inc. and First Chester Services, Inc.

6.18. *The Supervisory Agreement and the OTS.*

FKF shall use its best efforts to obtain confirmation reasonably satisfactory to BMBC from the OTS that the Supervisory Agreement will be deemed terminated as of the Effective Time with no further action required on the part of any party. In addition, FKF shall (i) permit BMBC to review any materials submitted by FKF or FKB to the OTS related to the Supervisory Agreement and the transactions contemplated by this Agreement after the date hereof reasonably in advance of such submission and (ii) provide BMBC with reasonable advance notice of, and the opportunity to participate in, any telephonic or in person meetings with the OTS related to such matters that take place after the date hereof to the extent permitted by the OTS.

ARTICLE VII

COVENANTS OF BMBC

7.1. *Conduct of Business.*

During the period from the date of this Agreement to the Effective Time, except with the written consent of FKF, which consent will not be unreasonably withheld, BMBC will, and it will cause each BMBC Subsidiary to use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises; and voluntarily take no action that would, or would be reasonably likely to: (a) adversely affect the ability of the parties to obtain the Regulatory Approvals or other approvals of Governmental Entities required for the transaction contemplated hereby, or increase the period of time necessary to obtain such approvals; (b) adversely affect its ability to perform its covenants and agreements under this Agreement; or (c) result in the representations and warranties contained in Article V of this Agreement not being true and correct on the date of this Agreement or at any future date on or prior to the Closing Date or in any of the conditions set forth in Article IX hereof not being satisfied.

7.2. *Current Information.*

During the period from the date of this Agreement to the Effective Time, BMBC will cause one or more of its representatives to confer with representatives of FKF and report the general status of its financial condition, operations and business and matters relating to the completion of the transactions contemplated hereby, at such times as FKF may reasonably request. BMBC will promptly notify FKF, to the extent permitted by applicable law, of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), which might adversely affect the ability of the parties to obtain the Regulatory Approvals or increase the period of time necessary to obtain such approvals; or the institution of material litigation involving BMBC and any BMBC Subsidiary. BMBC shall be reasonably responsive to requests by FKF for access to such information and personnel regarding BMBC and its Subsidiaries as may be reasonably necessary for FKF to confirm that the representations and warranties of BMBC contained herein are true and correct and that the covenants of BMBC contained herein have been performed in all material respects; *provided, however*, that BMBC shall not be required to take any action that would provide access to or to disclose information where such access or disclosure, in BMBC s reasonable judgment, would interfere with the normal conduct of BMBC s business or would violate or prejudice the rights or business interests or confidences of any customer or other person or would result in the waiver by it of the privilege protecting communications between it and any of its counsel.

7.3. *Financial and Other Statements.*

BMBC will make available to FKF the Securities Documents filed by it with the SEC under the Securities Laws no later than the date such documents are filed with the SEC. BMBC will furnish to FKF copies of all documents, statements and reports that it or BMT file with any Bank Regulator with respect to the Merger. BMBC will furnish to FKF copies of all documents, statements and reports that it sends to the shareholders of BMBC.

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7.4. *Disclosure Supplements.*

From time to time prior to the Effective Time as necessary, BMBC will promptly supplement or amend the BMBC Disclosure Schedule delivered in connection herewith with respect to any material matter hereafter arising which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such BMBC Disclosure Schedule or which is necessary to correct any information in such BMBC Disclosure Schedule which has been rendered inaccurate thereby. No supplement or amendment to such BMBC Disclosure Schedule shall have any effect for the purpose of determining satisfaction of the conditions set forth in Article IX.

7.5. *Consents and Approvals of Third Parties.*

BMBC shall use all commercially reasonable efforts to obtain as soon as practicable all consents and approvals, necessary for the consummation of the transactions contemplated by this Agreement.

7.6. *Reasonable Best Efforts.*

Subject to the terms and conditions herein provided, BMBC agrees to use its reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement.

7.7. *Failure to Fulfill Conditions.*

In the event that BMBC determines that a condition to its obligation to complete the Merger cannot be fulfilled and that it will not waive that condition, it will promptly notify FKF.

7.8. *Employee Benefits.*

7.8.1. Prior to the Effective Time, BMBC shall take all reasonable action so that employees of FKF and its Subsidiaries who become employees of BMBC or a BMBC Subsidiary (**Continuing Employees**) shall be entitled to participate, effective as soon as administratively practicable following the Effective Time, in each of the BMBC Compensation and Benefit Plans to the same extent as similarly-situated employees of BMBC and its Subsidiaries (it being understood that inclusion of the employees of FKF and its Subsidiaries in the BMBC Compensation and Benefit Plans may occur at different times with respect to different plans and that any grants to any Continuing Employee under any BMBC Stock Plan shall be at the discretion of BMBC). Notwithstanding the foregoing, BMBC may determine to continue any of the employee benefit plans, programs or arrangements of FKF or any its Subsidiaries for Continuing Employees in lieu of offering participation in the BMBC Compensation and Benefit Plans providing similar benefits (e.g., medical and hospitalization benefits), to terminate any of such benefit plans, or to merge any such benefit plans with the corresponding BMBC Compensation and Benefit Plans, provided the result is the provision of benefits to Continuing Employees that are substantially similar to the benefits provided to the employees of BMBC and its Subsidiaries generally. BMBC shall cause each BMBC Compensation and Benefit Plan in which Continuing Employees are eligible to participate to recognize, for purposes of determining eligibility to participate in, the vesting of benefits and for all other purposes (but not for the accrual of benefits, except as specifically set forth herein) under the BMBC Compensation and Benefit Plans the service of such Continuing Employees with FKF and its Subsidiaries or any predecessor thereto prior to the Effective Time; provided, however, that credit for benefit accrual purposes shall be given for purposes of BMBC vacation and other leave policies or programs and for purposes of the calculation of severance benefits under any severance compensation plan or practice of BMBC and its Subsidiaries as set forth in BMBC Disclosure Schedule 7.8.3. This Agreement shall not be construed to limit the ability of BMBC or BMT to terminate the employment of any employee or to review employee benefits programs from time to time and to make such changes (including terminating any program) as they deem appropriate.

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7.8.2. BMBC shall honor the terms of all FKF Compensation and Benefit Plans set forth on FKF Disclosure Schedule 4.12.1.

7.8.3. Except as set forth in BMBC Disclosure Schedule 7.8.5, any employee of FKF or any FKF Subsidiary who is not a party to an employment, consulting, change in control or severance agreement or contract providing severance payments and whose employment is terminated on or after the date hereof and at or before the Effective Time or within twelve (12) months after the Effective Time, shall receive severance benefits in an amount equal to two weeks of salary for each year of service, subject to a maximum of 26 weeks of severance. Any employees of FKF or any FKF Subsidiary who continue employment with BMBC or a BMBC Subsidiary for more than twelve (12) months after the Effective Time shall, upon any subsequent termination of employment, be covered by and eligible to receive severance benefits under BMBC s severance practice, if any, as set forth in BMBC Disclosure Schedule 7.8.3.

7.8.4. In the event of any termination of any medical, dental, health or disability plan (collectively, health plans) of FKF and its Subsidiaries or the consolidation of any such health plans with a corresponding health plan of BMBC and its Subsidiaries, BMBC shall make available to Continuing Employees and their dependents employer-provided coverage under the corresponding health plans of BMBC and its Subsidiaries on the same basis as it provides coverage to employees of BMBC and its Subsidiaries, provided that BMBC shall cause each such plan to (a) waive any pre-existing condition limitations to the extent such conditions are covered under the applicable health plans of FKF and its Subsidiaries, (b) honor under such plans any deductible, co-payment and out-of-pocket expenses incurred by the employees and their dependents under the health plans of FKF and its Subsidiaries during the portion of the plan year prior to participation in the corresponding health plan of BMBC and its Subsidiaries, and (c) waive any waiting period limitation or evidence of insurability requirement which would otherwise be applicable to the Continuing Employees and their dependents on or after the Effective Time, in each case to the extent such employee or dependent had satisfied any similar limitation or requirement under an analogous health plan of FKF or its Subsidiaries prior to the Effective Time. Unless a Continuing Employee affirmatively terminates coverage under a health plan of FKF and its Subsidiaries prior to the time that such Continuing Employee becomes eligible to participate in the corrsponding health plan of BMBC and its Subsidiaries, no coverage of any of the Continuing Employees or their dependents shall terminate under any health plan of FKF and its Subsidiaries prior to the time such Continuing Employees and their dependents become eligible to participate in the health plans, programs and benefits common to all employees of BMBC and its Subsidiaries and their dependents. In the event of a termination or consolidation of any health plan of FKF and its Subsidiaries, terminated employees of FKF and its Subsidiaries and qualified beneficiaries will have the right to continued coverage under group health plans of BMBC and its Subsidiaries in accordance with COBRA.

7.8.5. BMBC and FKF agree that retention bonuses will be paid at the Effective Time to each of the officers and employees set forth in FKF Disclosure Schedule 7.8.5 in the amounts set forth therein if the respective officers or employees remain employed by FKF or its Subsidiaries until the Effective Time.

7.9. *Directors and Officers Indemnification and Insurance.*

7.9.1. After the Effective Time, BMBC shall indemnify, defend and hold harmless each person who is now, or who has been at any time before the date hereof or who becomes before the Effective Time, an officer or director of FKF or an FKF Subsidiary (the **Indemnified Parties**) against all losses, claims, damages, costs, expenses (including attorney s fees), liabilities or judgments or amounts that are paid in settlement (which settlement shall require the prior written consent of BMBC, which consent shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, or administrative (each a **Claim**), in which an Indemnified Party is, or is threatened to be made, a party or witness in whole or in part or arising in whole or in part out of the fact that such person is or was a director or officer of FKF or an FKF Subsidiary if such Claim pertains to any matter of fact arising, existing or occurring at or before the Effective Time (including, without limitation, the Merger and the other transactions contemplated hereby), regardless of whether such Claim is asserted or claimed before, or after, the Effective Time, to the fullest extent as would have been permitted by FKF under the PBCL and under

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FKF s articles of incorporation and bylaws or equivalent governing documents of any FKF Subsidiary, as applicable, in each case as in effect on the date hereof. BMBC shall pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party to the fullest extent as would have been permitted by FKF under the PBCL and under FKF s articles of incorporation and bylaws, upon receipt of an undertaking to repay such advance payments if such Indemnified Party shall be adjudicated or determined to be not entitled to indemnification in the manner set forth below. Any Indemnified Party wishing to claim indemnification under this Section 7.9.1 upon learning of any Claim, shall notify BMBC (but the failure so to notify BMBC shall not relieve it from any liability which it may have under this Section 7.9.1, except to the extent such failure prejudices BMBC) and shall deliver to BMBC the undertaking referred to in the previous sentence. Without limiting the foregoing, in any case in which approval by BMBC, one of its Subsidiaries or the board of directors thereof is required to effect any indemnification, at the election of the Indemnified Party, the determination of any such approval shall be made by a majority of the independent directors then in office or, if no such directors are then in office, by independent counsel mutually agreed upon between BMBC and the Indemnified Party.

7.9.2. In the event that either BMBC or any of its successors or assigns (a) consolidates with or merges into any other person and shall not be the continuing or surviving bank or entity of such consolidation or merger or (b) transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of BMBC shall assume the obligations set forth in this Section 7.9.

7.9.3. BMBC shall maintain, or shall cause BMT to maintain, in effect for three (3) years following the Effective Time, the current directors and officers liability insurance policies covering the officers and directors of FKF (*provided*, that BMBC may substitute therefore policies of at least the same coverage containing terms and conditions which are not materially less favorable) with respect to matters occurring at or prior to the Effective Time; *provided, however*, that in no event shall BMBC be required to expend per year pursuant to this Section 7.9.3 more than one hundred fifty percent (150%) of the annual cost currently expended by FKF with respect to such insurance (the **Maximum Amount**); *provided, further*, that if the amount of the annual premium necessary to maintain or procure such insurance coverage exceeds the Maximum Amount, BMBC shall maintain the most advantageous policies of directors and officers insurance obtainable for a premium equal to the Maximum Amount. In connection with the foregoing, FKF agrees in order for BMBC to fulfill its agreement to provide directors and officers liability insurance policies for three (3) years to provide such insurer or substitute insurer with such reasonable and customary representations as such insurer may request with respect to the reporting of any prior claims.

7.9.4. The obligations of BMBC provided under this Section 7.9 are intended to be enforceable against BMBC directly by the Indemnified Parties and their respective heirs and representatives and shall be binding on all respective successors and permitted assigns of BMBC.

7.10. *Stock Listing.*

BMBC agrees to list on the Nasdaq (or such other national securities exchange on which the shares of the BMBC Common Stock shall be listed as of the date of consummation of the Merger), subject to official notice of issuance, the shares of BMBC Common Stock to be issued in the Merger.

7.11. *Stock and Cash Reserve.*

BMBC agrees at all times from the date of this Agreement until the Merger Consideration has been paid in full to reserve a sufficient number of shares of its common stock and to maintain sufficient liquid accounts or borrowing capacity to fulfill its obligations under this Agreement.

7.12. *BMBC/BMT Board of Directors.*

Following the date of this Agreement, BMBC and BMT shall take all action necessary to (a) cause each of their boards of directors to be increased by one member, effective immediately following the Effective Time, and

(b) elect Mr. Donald S. Guthrie as a director of each of BMBC and BMT in the class of directors whose terms expire at the 2011 annual meeting of shareholders of BMBC. At the end of his initial term, Mr. Donald S. Guthrie shall be re-nominated for an additional four-year term, subject to the fiduciary duties of the board of directors and any applicable eligibility requirements set forth in BMBC s articles of incorporation or bylaws. In the event that Mr. Donald S. Guthrie is unable or unwilling to serve as a director of BMBC and BMT pursuant to the terms hereof, the board of directors of FKF (or the members of the Advisory Board after consummation of the Merger) shall substitute another member of the board of directors of FKF or FKB (or the Advisory Board if this occurs after the Merger), who shall be reasonably acceptable to BMBC, to serve as a member of the BMBC and BMT boards of directors in accordance herewith.

7.13. *BMT Advisory Board.*

Upon the Effective Time, BMT shall form an advisory board (the **Advisory Board**), comprised of those members of FKF s and/or FKB s Boards of Directors immediately prior to the Effective Time who do not become directors of BMBC and BMT pursuant to Section 7.12 hereof and who agree in writing, at or prior to the Effective Time, to serve on such Advisory Board immediately following the Effective Time. The members of the Advisory Board shall be elected to a term of at least two years, for which service the members shall receive a retainer of $500 per meeting, with at least six (6) meetings to be held each year, plus reimbursement of expenses incurred in connection with such service.

7.14. *Section 16 Matters.*

Prior to the Effective Time, BMBC shall take all such steps as may be required to cause any acquisitions of BMBC Common Stock resulting from the transactions contemplated by this Agreement by each director or officer of FKF who becomes subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to BMBC to be exempt under Rule 16b-3 promulgated under the Exchange Act. FKF agrees to promptly furnish BMBC with all requisite information necessary for BMBC to take the actions contemplated by this Section 7.14.

ARTICLE VIII

REGULATORY AND OTHER MATTERS

8.1. *FKF Shareholder Meeting.*

FKF will (a) as promptly as practicable after the Merger Registration Statement is declared effective by the SEC, take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders (the **FKF Shareholders Meeting**), for the purpose of considering this Agreement and the Merger, and for such other purposes as may be, in FKF s reasonable judgment, necessary or desirable, (b) subject to Section 6.10, have its Board of Directors recommend approval of this Agreement to the FKF shareholders (the **FKF Recommendation**).

8.2. *Proxy Statement-Prospectus.*

8.2.1. For the purposes (a) of registering BMBC Common Stock to be offered to holders of FKF Common Stock in connection with the Merger with the SEC under the Securities Act and (b) of holding the FKF Shareholders Meeting, BMBC shall promptly draft and prepare, and FKF shall cooperate in the preparation of, the Merger Registration Statement, including a combined proxy statement and prospectus satisfying all applicable requirements of applicable state securities and banking laws, and of the Securities Act and the Exchange Act, and the rules and regulations thereunder (such proxy statement/prospectus in the form mailed to the FKF shareholders, together with any and all amendments or supplements thereto, being herein referred to as the **Proxy Statement-Prospectus**). BMBC shall file the Merger Registration Statement, including the Proxy Statement-Prospectus, with the SEC within sixty (60) days after the date of

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this Agreement or as soon as reasonably practicable thereafter. Each of BMBC and FKF shall use their best efforts to have the Merger Registration Statement declared effective under the Securities Act as promptly as practicable after such filing, and each of FKF and BMBC shall thereafter promptly mail the Proxy Statement-Prospectus to the FKF shareholders. BMBC shall also use its best efforts to obtain all necessary state securities law or Blue Sky permits and approvals required to carry out the transactions contemplated by this Agreement, and FKF shall furnish all information concerning FKF and the holders of FKF Common Stock as may be reasonably requested in connection with any such action.

8.2.2. FKF shall provide BMBC with any information concerning itself that BMBC may reasonably request in connection with the drafting and preparation of the Proxy Statement-Prospectus, and BMBC shall notify FKF promptly of the receipt of any comments of the SEC with respect to the Proxy Statement-Prospectus and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to FKF promptly copies of all correspondence between BMBC or any of their representatives and the SEC. BMBC shall give FKF and its counsel reasonable opportunity to review and comment on the Proxy Statement-Prospectus prior to its being filed with the SEC and shall give FKF and its counsel reasonable opportunity to review and comment on all amendments and supplements to the Proxy Statement-Prospectus and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Each of BMBC and FKF agrees to use all reasonable efforts, after consultation with the other party hereto, to respond promptly to all such comments of and requests by the SEC and to cause the Proxy Statement-Prospectus and all required amendments and supplements thereto to be mailed to the holders of FKF Common Stock entitled to vote at the FKF Shareholders Meeting hereof at the earliest practicable time.

8.2.3. FKF and BMBC shall promptly notify the other party if at any time it becomes aware that the Proxy Statement-Prospectus or the Merger Registration Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, FKF shall cooperate with BMBC in the preparation of a supplement or amendment to such Proxy Statement-Prospectus that corrects such misstatement or omission, and BMBC shall file an amended Merger Registration Statement with the SEC, and FKF shall mail an amended Proxy Statement-Prospectus to the FKF shareholders.

8.3. *Regulatory Approvals.*

Each of FKF and BMBC will cooperate with the other and use all reasonable efforts to promptly prepare all necessary documentation, to effect all necessary filings within forty-five (45) days after the date of this Agreement or as soon as reasonably practicable thereafter and to obtain all necessary permits, consents, waivers, approvals and authorizations of the SEC, the Bank Regulators and any other third parties and governmental bodies necessary to consummate the transactions contemplated by this Agreement. FKF and BMBC will furnish each other and each other s counsel with all information concerning themselves, their subsidiaries, directors, officers and shareholders and such other matters as may be necessary or advisable in connection with the Proxy Statement-Prospectus and any application, petition or any other statement or application made by or on behalf of FKF, BMBC to any Bank Regulatory or governmental body in connection with the Merger, and the other transactions contemplated by this Agreement. Each party shall have the right to review and approve in advance all characterizations of the information relating to such party and any of its Subsidiaries, which appear in any filing made in connection with the transactions contemplated by this Agreement with any governmental body. Each party shall give the other party and its counsel reasonable opportunity to review and comment on each filing prior to its being filed with a Bank Regulator and shall give the other party and its counsel reasonable opportunity to review and comment on all regulatory filings, amendments and supplements to such filings and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, a Bank Regulator.

ARTICLE IX

CLOSING CONDITIONS

9.1. *Conditions to Each Party s Obligations under this Agreement.*

The respective obligations of each party under this Agreement shall be subject to the fulfillment at or prior to the Closing Date of the following conditions, none of which may be waived:

9.1.1. *Shareholder Approval*. This Agreement and the transactions contemplated hereby shall have been approved by the requisite vote of the shareholders of FKF.

9.1.2. *Orders and Other Prohibitions*. None of FKF, BMBC or any of their respective Subsidiaries shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction that enjoins or prohibits the consummation of the transactions contemplated by this Agreement and no statute, rule or regulation shall have been enacted, entered, promulgated, interpreted, applied or enforced by any Governmental Entity or Bank Regulator, that enjoins or prohibits the consummation of the transactions contemplated by this Agreement.

9.1.3. *Regulatory Approvals*. All Regulatory Approvals, and other necessary approvals, authorizations and consents of any Governmental Entities required to consummate the transactions contemplated by this Agreement shall have been obtained and shall remain in full force and effect and all waiting periods relating to such approvals, authorizations or consents shall have expired; and no such approval, authorization or consent shall include any condition or requirement, excluding standard conditions that are normally imposed by the regulatory authorities in bank merger transactions, that would, in the good faith reasonable judgment of the Board of Directors of BMBC, materially and adversely affect the business, operations, financial condition, property or assets of the combined enterprise of FKF, FKB and BMBC or materially impair the value of FKF or FKB to BMBC.

9.1.4. *Effectiveness of Merger Registration Statement*. The Merger Registration Statement shall have become effective under the Securities Act and no stop order suspending the effectiveness of the Merger Registration Statement shall have been issued, and no proceedings for that purpose shall have been initiated or threatened by the SEC and, if the offer and sale of BMBC Common Stock in the Merger is subject to the Blue Sky laws of any state, shall not be subject to a stop order of any state securities commissioner.

9.1.5. *Nasdaq Listing*. The shares of BMBC Common Stock to be issued in the Merger shall have been authorized for listing on the Nasdaq, subject to official notice of issuance.

9.1.6. *Tax Opinion.* On the basis of facts, representations and assumptions which shall be consistent with the state of facts existing at the Closing Date, BMBC shall have received an opinion of Stradley Ronon Stevens & Young, LLP, and FKF shall have received an opinion of Elias, Matz, Tiernan & Herrick L.L.P., each reasonably acceptable in form and substance to BMBC and FKF, dated as of the Closing Date, substantially to the effect that for federal income tax purposes, the Merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. In rendering the tax opinion described in this Section 9.1.6, the law firms may require and rely upon customary representations contained in certificates of officers of BMBC and FKF and their respective subsidiaries.

9.2. *Conditions to the Obligations of BMBC under this Agreement.*

The obligations of BMBC under this Agreement shall be further subject to the satisfaction of the conditions set forth in this Section 9.2 at or prior to the Closing Date:

9.2.1. *Representations and Warranties.* Each of the representations and warranties of FKF set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of all times up to and including the Effective Time of the Merger as though made on and as of the Effective Time of the Merger (except to the extent such representations and warranties speak as of a specified date); *provided, however*, that none of the FKF MAE Reps shall be deemed untrue or incorrect for purposes of this

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Section 9.2.1, and FKF shall not be deemed to have breached any FKF MAE Rep, in any case, as a consequence of the existence of any fact, event or circumstance except to the extent such fact, circumstance or event, individually or in the aggregate with all other facts, events or circumstances inconsistent with any representation or warranty set forth herein, has had or would be reasonably likely to have a Material Adverse Effect. FKF shall have delivered to BMBC a certificate covering the matters described in this Section 9.2.1 signed by the Chief Executive Officer and the Chief Financial Officer of FKF as of the Effective Time.

9.2.2. *Agreements and Covenants*. FKF shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the Effective Time, and BMBC shall have received a certificate signed on behalf of FKF by the Chief Executive Officer and Chief Financial Officer of FKF to such effect dated as of the Effective Time.

9.2.3. *Permits, Authorizations, Etc.* FKF shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger and the Bank Merger.

9.2.4. *FKF Delinquencies.* FKF Delinquencies at the month end immediately preceding the Closing Date shall not exceed $16.5 million.

9.2.5. *FKB Capital.* FKB shall have total risk-based capital, Tier 1 risk-based capital and leverage capital at the month end immediately preceding the Closing Date that is in each case equal to or in excess of the capital standards set forth in 12 C.F.R. §565.4(b)(1)(i) (total risk-based), (ii) (Tier 1 risk-based) and (iii) (leverage), excluding from the calculation of such capital amounts the effects of any actions required to be taken by FKF and/or FKB pursuant to the terms of this Agreement.

9.2.6. *Results of Environmental Testing*. The results of any and all Phase Is and Phase IIs conducted by BMBC shall not have determined that Materials of Environmental Concern exist on the owned FKF Real Property and for which the cost to remediate such situation is estimated to individually or in the aggregate exceed $750,000. The estimated remediation cost shall have been substantiated in a written report submitted to BMBC and FKF no less than 30 days prior to the anticipated Effective Time.

FKF will furnish BMBC with such certificates of its officers or others and such other documents to evidence fulfillment of the conditions set forth in this Section 9.2 as BMBC may reasonably request.

9.3. *Conditions to the Obligations of FKF under this Agreement.*

The obligations of FKF under this Agreement shall be further subject to the satisfaction of the conditions set forth in Sections 9.3.1 through 9.3.4 at or prior to the Closing Date:

9.3.1. *Representations and Warranties*. Each of the representations and warranties of BMBC set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of all times up to and including the Effective Time of the Merger as though made on and as of the Effective Time of the Merger (except to the extent such representations and warranties speak as of a specified date); *provided, however,* that none of the BMBC MAE Reps shall be deemed untrue or incorrect for purposes of this Section 9.2.1, and BMBC shall not be deemed to have breached any BMBC MAE Rep, in any case, as a consequence of the existence of any fact, event or circumstance except to the extent such fact, circumstance or event, individually or in the aggregate with all other facts, events or circumstances inconsistent with any representation or warranty set forth herein, has had or would be reasonably likely to have a Material Adverse Effect. BMBC shall have delivered to FKF a certificate covering the matters described in this Section 9.2.1 signed by the Chief Executive Officer and the Chief Financial Officer of BMBC as of the Effective Time.

9.3.2. *Agreements and Covenants*. BMBC shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants to be performed or complied with by it at or prior to the Effective Time, and FKF shall have received a certificate signed on behalf of BMBC by the Chief Executive Officer and Chief Financial Officer to such effect dated as of the Effective Time.

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9.3.3. *Permits, Authorizations, Etc.* BMBC shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger and the Bank Merger.

9.3.4. *Payment of Merger Consideration.* BMBC shall have delivered the Exchange Fund to the Exchange Agent on or before the Closing Date and the Exchange Agent shall provide FKF with a certificate evidencing such delivery.

BMBC will furnish FKF with such certificates of their officers or others and such other documents to evidence fulfillment of the conditions set forth in this Section 9.3 as FKF may reasonably request.

ARTICLE X

THE CLOSING

10.1. *Time and Place.*

Subject to the provisions of Articles IX and XI hereof, the Closing of the transactions contemplated hereby shall take place at the offices of Stradley Ronon Stevens & Young, LLP, 2600 One Commerce Square, Philadelphia, PA at 10:00 a.m. on the Closing Date, or at such other place or time upon which BMBC and FKF mutually agree. A pre-closing of the transactions contemplated hereby (the **Pre-Closing**) shall take place at the offices of Stradley Ronon Stevens & Young, LLP, 2600 One Commerce Square, Philadelphia, PA at 10:00 a.m. on the Business Day prior to the Closing Date.

10.2. *Deliveries at the Pre-Closing and the Closing.*

At the Pre-Closing there shall be delivered to BMBC and FKF the opinions, certificates, and other documents and instruments required to be delivered under Article IX hereof. At or prior to the Closing, BMBC shall have delivered the Merger Consideration as set forth under Section 9.3.4 hereof.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1. *Termination.*

This Agreement may be terminated at any time prior to the Closing Date, whether before or after approval of the Merger by the shareholders of FKF:

11.1.1. At any time by the mutual written agreement of BMBC and FKF;

11.1.2. By the Board of Directors of either party (*provided* that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a breach of any of the representations or warranties set forth in this Agreement on the part of the other party, which breach by its nature cannot be cured prior to the Termination Date or shall not have been cured within 30 days after written notice of such breach by the terminating party to the other party; *provided, however,* that neither party shall have the right to terminate this Agreement pursuant to this Section 11.1.2 unless the breach of representation or warranty, together with all other such breaches, would entitle the terminating party not to consummate the transactions contemplated hereby under Section 9.2.1 (in the case of a breach of a representation or warranty by FKF) or Section 9.3.1 (in the case of a breach of a representation or warranty by BMBC);

11.1.3. By the Board of Directors of either party (*provided* that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a failure to perform or comply with any of the covenants or agreements set forth in this Agreement on the part of the other party, which failure by its nature cannot be cured prior to the

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Termination Date or shall not have been cured within 30 days after written notice of such failure by the terminating party to the other party; *provided, however,* that neither party shall have the right to terminate this Agreement pursuant to this Section 11.1.3 unless the breach of covenant or agreement, together with all other such breaches, would entitle the terminating party not to consummate the transactions contemplated hereby under Section 9.2.2 (in the case of a breach of covenant by FKF) or Section 9.3.2 (in the case of a breach of covenant by BMBC);

11.1.4. At the election of the Board of Directors of either party if the Closing shall not have occurred by the Termination Date, or such later date as shall have been agreed to in writing by BMBC and FKF; *provided* that no party may terminate this Agreement pursuant to this Section 11.1.4 if the failure of the Closing to have occurred on or before said date was due to such party s material breach of any representation, warranty, covenant or other agreement contained in this Agreement;

11.1.5. By the Board of Directors of either party if the shareholders of FKF shall have voted at the FKF Shareholders Meeting on the transactions contemplated by this Agreement and such vote shall not have been sufficient to approve such transactions;

11.1.6. By the Board of Directors of either party if (a) final action has been taken by a Bank Regulator whose approval is required in connection with this Agreement and the transactions contemplated hereby, which final action (i) has become unappealable and (ii) does not approve this Agreement or the transactions contemplated hereby, or (b) any court of competent jurisdiction or other governmental authority shall have issued an order, decree, ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable;

11.1.7. By the Board of Directors of BMBC if FKF has received a Superior Proposal and, in accordance with Section 6.10 of this Agreement, the Board of Directors of FKF has entered into an acquisition agreement with respect to the Superior Proposal, terminated this Agreement, or withdrawn the FKF Recommendation, failed to make the FKF Recommendation or modified or qualified the FKF Recommendation in a manner adverse to BMBC;

11.1.8. By the Board of Directors of FKF if FKF has received a Superior Proposal and, in accordance with Section 6.10 of this Agreement, the Board of Directors of FKF has made a determination to accept such Superior Proposal;

11.2. *Effect of Termination.*

11.2.1. In the event of termination of this Agreement pursuant to any provision of Section 11.1, this Agreement shall forthwith become void and have no further force, except that the provisions of Sections 11.2, 12.1, 12.2, 12.6, 12.9, 12.10, and any other Section which, by its terms, relates to post-termination rights or obligations, shall survive such termination of this Agreement and remain in full force and effect.

11.2.2. If this Agreement is terminated, expenses and damages of the parties hereto shall be determined as follows:

(A) Except as provided below, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

(B) In the event of a termination of this Agreement because of a willful breach of any representation, warranty, covenant or agreement contained in this Agreement, the breaching party shall remain liable for any and all damages, costs and expenses, including all reasonable attorneys fees, sustained or incurred by the non-breaching party as a result thereof or in connection therewith or with respect to the enforcement of its rights hereunder.

(C) As a condition of BMBC s willingness, and in order to induce BMBC, to enter into this Agreement, and to reimburse BMBC for incurring the costs and expenses related to entering into this Agreement and consummating the transactions contemplated by this Agreement, FKF hereby agrees to pay BMBC, subject to the proviso in the following sentence, and BMBC shall be entitled to payment of a termination fee of $1.675 million (the **BMBC Payment**). The BMBC Payment shall be paid, subject to the receipt of any necessary prior non-objection or approval of the OTS, within three (3) Business Days after written demand for payment is made by BMBC, following the occurrence of any of the events set forth below:

(i) FKF terminates this Agreement pursuant to Section 11.1.8 or BMBC terminates this Agreement pursuant to Section 11.1.7; or

(ii) The entering into a definitive agreement by FKF relating to an Acquisition Proposal or the consummation of an Acquisition Proposal involving FKF within twelve (12) months after the occurrence of any of the following: (a) the termination of the Agreement by BMBC pursuant to Section 11.1.2 or 11.1.3 because of, in either case, a willful breach by FKF; or (b) the failure of the shareholders of FKF to approve this Agreement after the public disclosure or public awareness of an Acquisition Proposal.

(D) The right to receive the BMBC Payment under Section 11.2.2(C) will constitute the sole and exclusive remedy of BMBC against FKF and its Subsidiaries and their respective officers and directors with respect to a termination under (i) or (ii) above.

11.3. *Amendment, Extension and Waiver.*

Subject to applicable law, at any time prior to the Effective Time (whether before or after approval thereof by the shareholders of FKF), the parties hereto by action of their respective Boards of Directors, may (a) amend this Agreement, (b) extend the time for the performance of any of the obligations or other acts of any other party hereto, (c) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, or (d) waive compliance with any of the agreements or conditions contained herein; *provided, however,* that after any approval of this Agreement and the transactions contemplated hereby by the shareholders of FKF, there may not be, without further approval of such shareholders, any amendment of this Agreement which reduces the amount, value or changes the form of consideration to be delivered to FKF s shareholders pursuant to this Agreement. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. Any agreement on the part of a party hereto to any extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party, but such waiver or failure to insist on strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE XII

MISCELLANEOUS

12.1. *Confidentiality.*

Except as specifically set forth herein, BMBC and FKF mutually agree to be bound by the terms of the confidentiality agreements dated August 6, 2009 and September 9, 2009, respectively (collectively, the **Confidentiality Agreements**), previously executed by the parties hereto, which Confidentiality Agreements are hereby incorporated herein by reference. The parties hereto agree that the Confidentiality Agreements shall continue in accordance with their respective terms, notwithstanding the termination of this Agreement.

12.2. *Public Announcements.*

FKF and BMBC shall cooperate with each other in the development and distribution of all news releases and other public disclosures with respect to this Agreement, and except as may be otherwise

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required by law, neither FKF nor BMBC shall issue any news release, or other public announcement or communication with respect to this Agreement unless such news release, public announcement or communication has been mutually agreed upon by the parties hereto.

12.3. *Survival.*

All representations, warranties and covenants in this Agreement or in any instrument delivered pursuant hereto or thereto shall expire on and be terminated and extinguished at the Effective Time, except for those covenants and agreements contained herein which by their terms apply in whole or in part after the Effective Time.

12.4. *Notices.*

All notices or other communications hereunder shall be in writing and shall be deemed given if delivered by receipted hand delivery or mailed by prepaid registered or certified mail (return receipt requested) or by recognized overnight courier addressed as follows:

If to FKF, to:	Hugh J. Garchinsky, President and CEO First Keystone Financial, Inc. 22 West State Street Media, Pennsylvania 19063 Fax: (610) 892-5150
With required copies (which shall not constitute notice) to:	Raymond A. Tiernan, Esquire Philip Ross Bevan, Esquire Elias, Matz, Tiernan & Herrick L.L.P. 734 15th Street, N.W., 11th Floor Washington, DC 20005 Fax: (202) 347-2172
If to BMBC, to:	Frederick C. Peters II, President and CEO Bryn Mawr Bank Corporation 801 Lancaster Avenue Bryn Mawr PA 19010 Fax: (610) 525-3687
With required copies (which shall not constitute notice) to:	David F. Scranton, Esquire Stradley Ronon Stevens & Young, LLP 30 Valley Stream Parkway Malvern, PA 19355-1481

Fax: (610) 640-1965

or such other address as shall be furnished in writing by any party, and any such notice or communication shall be deemed to have been given: (a) as of the date delivered by hand; (b) three (3) Business Days after being delivered to the U.S. mail, postage prepaid; or (c) one (1) Business Day after being delivered to the overnight courier.

12.5. *Parties in Interest.*

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; *provided, however,* that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other party.

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12.6. *Complete Agreement.*

This Agreement, including the Exhibits and Disclosure Schedules hereto and the documents and other writings referred to herein or therein or delivered pursuant hereto, and the Confidentiality Agreements, referred to in Section 12.1, contains the entire agreement and understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties other than those expressly set forth herein or therein. This Agreement supersedes all prior agreements and understandings (other than the Confidentiality Agreements referred to in Section 12.1 hereof) between the parties, both written and oral, with respect to its subject matter.

12.7. *Counterparts.*

This Agreement may be executed in one or more counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original. A facsimile copy or electronic transmission of a signature page shall be deemed to be an original signature page.

12.8. *Severability.*

In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as practical, implements the purposes and intents of this Agreement.

12.9. *Governing Law.*

This Agreement shall be governed by the laws of Pennsylvania, without giving effect to its principles of conflicts of laws.

12.10. *Interpretation.*

When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. The recitals hereto constitute an integral part of this Agreement. References to Sections include subsections, which are part of the related Section (e.g., a section numbered Section 5.5.1 would be part of Section 5.5 and references to Section 5.5 would also refer to material contained in the subsection described as Section 5.5.1). The table of contents, index and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words include , includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation . The phrases the date of this Agreement , the date hereof and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the Recitals to this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

12.11. *Specific Performance; Jurisdiction.*

The parties hereto agree that irreparable damage would occur in the event that the provisions contained in this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions thereof in the United States District Court for the

Eastern District of Pennsylvania or in any state court located in the Commonwealth of Pennsylvania, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of the United States District Court for the Eastern District of Pennsylvania or of any state court located in the Commonwealth of Pennsylvania in the event any dispute arises out of this Agreement or the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or the transactions contemplated by this Agreement in any court other than the United States District Court for the Eastern District of Pennsylvania or any state court located in the Commonwealth of Pennsylvania.

Remainder of Page Intentionally Blank

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IN WITNESS WHEREOF, BMBC and FKF have caused this Agreement to be executed under seal by their duly authorized officers as of the date first set forth above.

Bryn Mawr Bank Corporation

By:	/s/ FREDERICK C. PETERS II
Name:	**Frederick C. Peters II**
Title:	**President and CEO**

First Keystone Financial, Inc.

By:	/s/ HUGH J. GARCHINSKY
Name:	**Hugh J. Garchinsky**
Title:	**President and CEO**

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EXHIBIT A

FORM OF VOTING AGREEMENT

November 3, 2009

First Keystone Financial, Inc.

22 West State Street

Media, PA 19063

Ladies and Gentlemen:

Bryn Mawr Bank Corporation (**BMBC**) and First Keystone Financial, Inc. (**FKF**) have entered into an Agreement and Plan of Merger dated as of November 3, 2009 (the **Merger Agreement**), pursuant to which, subject to the terms and conditions set forth therein, (a) FKF will merge with and into BMBC, with BMBC surviving the merger, to be followed by the merger of First Keystone Bank (**FKB**) with and into a newly chartered interim Pennsylvania stock savings bank that will be formed as a wholly owned subsidiary of The Bryn Mawr Trust Company (**BMT**), which interim Pennsylvania stock savings bank will subsequently be merged with and into BMT, with BMT surviving the merger (collectively referred to as the **Merger**); and (b) the shareholders of FKF will receive common stock of BMBC and/or cash as stated in the Merger Agreement.

BMBC has requested, as a condition to its execution and delivery to FKF of the Merger Agreement, that the undersigned, being directors and executive officers of FKF and FKB, execute and deliver to BMBC this Letter Agreement.

Each of the undersigned, in order to induce BMBC to execute and deliver to FKF the Merger Agreement, and intending to be legally bound, hereby irrevocably:

(a) Agrees to be present (in person or by proxy) at all meetings of shareholders of FKF called to vote for approval of the Merger so that all shares of common stock of FKF over which the undersigned or a member of the undersigned s immediate family now has sole or shared voting power (other than shares voted in a fiduciary capacity on behalf of a person who is not an immediate family member) will be counted for the purpose of determining the presence of a quorum at such meetings and to vote, or cause to be voted, all such shares (i) in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby (including any amendments or modifications of the terms thereof approved by the Board of Directors of FKF), and (ii) against approval or adoption of any other merger, business combination, recapitalization, partial liquidation or similar transaction involving FKF, it being understood that as to immediate family members, the undersigned will use his/her reasonable efforts to cause the shares to be present and voted in accordance with (i) and (ii) above;

(b) Agrees not to vote or execute any written consent to rescind or amend in any manner any prior vote or written consent, as a shareholder of FKF, to approve or adopt the Merger Agreement;

(c) Agrees not to sell, transfer or otherwise dispose of any common stock of FKF on or prior to the date of the meeting of FKF shareholders to vote on the Merger Agreement, except for transfers to charities, charitable trusts, or other charitable organizations under Section 501(c)(3) of the IRC, lineal descendant or a spouse of the undersigned, or to a trust or other entity for the benefit of one or more of the foregoing persons; *provided* that the transferee agrees in writing to be bound by the terms of this letter agreement; and

(d) Represents that the undersigned has the capacity to enter into this Letter Agreement and that it is a valid and binding obligation enforceable against the undersigned in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors rights and general equitable principles.

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The obligations set forth herein shall terminate concurrently with any termination of the Merger Agreement.

This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed to constitute an original, but all of which together shall constitute one and the same Letter Agreement.

The undersigned intend to be legally bound hereby.

Sincerely,

Name

Title

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EXHIBIT B

FORM OF BANK MERGER AGREEMENTS

[see attached]

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AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER (Merger Agreement) dated as of is made by and between First Keystone Bank (FKB), a federally chartered stock savings bank and Interim Merger Savings Bank, a Pennsylvania chartered stock savings bank (Interim Merger Savings Bank).

RECITALS:

WHEREAS, FKB is a federally chartered stock savings bank. As of the date hereof, FKB has authorized capital stock consisting of shares ( ) of common stock, par value $.01 per share, of which all shares are issued and outstanding.

WHEREAS, FKB is a wholly owned subsidiary of First Keystone Financial, Inc., a Pennsylvania corporation (FKF).

WHEREAS, FKF will merge with and into Bryn Mawr Bank Corporation, a Pennsylvania corporation (BMBC), pursuant to that certain Agreement and Plan of Merger dated November 3, 2009 (the Plan).

WHEREAS, as a result of the merger of FKF with and into BMBC, FKB will become a wholly owned subsidiary of BMBC.

WHEREAS, The Bryn Mawr Trust Company, a Pennsylvania chartered stock savings bank (BMTC), is a wholly owned subsidiary of BMBC.

WHEREAS, Interim Merger Savings Bank is a wholly owned subsidiary of BMTC.

WHEREAS, pursuant to the Plan and this Merger Agreement, FKB will merge with and into the Interim Merger Savings Bank with the Interim Merger Savings Bank as the survivor (the Resulting Institution). The transactions to be effected pursuant to the Plan and this Merger Agreement arc hereinafter referred to collectively as the Reorganization,

WHEREAS, [*insert voting requirements*].

WHEREAS. this Merger Agreement and the Reorganization must be approved by the Pennsylvania Department of Banking (Department), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the [Boards of Directors of FKB and BMBC].

NOW, THEREFORE, in consideration of the mutual promises and mutual agreements contained herein, the parties hereto agree as follows:

1. **Merger.** At and on the Effective Date of the Merger (as defined below), FKB shall be merged with and into the Interim Merger Savings Bank with the Interim Merger Savings Bank as the Resulting Institution. BMTC shall be the owner of 100% of the outstanding common stock of the Resulting Institution.

2. **Effective Date.** The Merger will be effective upon the filing of the Articles of Merger with the Pennsylvania Department of State or the date as specified in such Articles of Merger as the Effective Date of the Merger, as the case may be.

3. **Articles of Incorporation.** At the Effective Date, the articles of incorporation of the Resulting Institution shall be the articles of incorporation of the Interim Merger Savings Bank as in effect immediately prior to the Merger, until thereafter amended in accordance with applicable law.

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4. **Name.** The name of the Resulting Institution shall be [ ] Interim Merger Savings Bank.

5. **Offices.** The home office of the Resulting Institution shall be 801 Lancaster Avenue, Bryn Mawr, PA 19010.

6. **Directors and Officers.** The directors and officers of the Interim Merger Savings Bank immediately prior to the Effective Date shall be the directors and officers of the Resulting Institution after the Effective Date. The Interim Merger Savings Bank has [ ] directors whose names and terms are as follows:

Name	Term Expires

7. **Rights and Duties of the Resulting Institution.** The business of the Resulting Institution shall be that of a Pennsylvania stock savings bank, as provided for in its charter. All assets, rights interests, privileges, powers, franchises and property (real, personal and mixed) of Interim Merger Savings Bank and FKB shall be automatically transferred to and vested in the Resulting Institution by virtue of such Merger without any deed or other document of transfer. The Resulting Institution. without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the assets, rights, privileges, powers, properties, franchises and interests, including, without limitation, appointments, powers, designations, nominations and all other rights, interests and powers as agent or fiduciary, in the same manner and to the extent as such rights, interests and powers were held or enjoyed by Interim Merger Savings Bank and FKB, respectively. The Resulting Institution shall be responsible for all of the liabilities, restrictions and duties of every kind and description of both Interim Merger Savings Bank and FKB, immediately prior to the Merger, including, without limitation. liabilities for all deposits, debts, obligations and contracts of Interim Merger Savings Bank and FKB, respectively, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of either Interim Merger Savings Bank or FKB. Deposit accounts shall be deemed issued in the name of the Resulting Institution in accordance with applicable Department and Federal Deposit Insurance Corporation regulations. All rights of creditors and other obligees and all liens on property of either Interim Merger Savings Bank or FKB shall be preserved, shall be assumed by the Resulting Institution and shall not be released or impaired. The stockholder of the Resulting Institution shall possess all the voting rights with respect to the shares of stock of the Resulting Institution.

8. **Other Terms.** All terms used in this Merger Agreement shall, unless defined herein, have the meanings set forth in the Plan. The Plan is incorporated herein by this reference and made a part hereof to the extent necessary or appropriate to effect and consummate the terms of this Merger Agreement and the Reorganization.

IN WITNESS WHEREOF, FKB and the Interim Merger Savings Bank have caused this Agreement to be executed as of the date first above written.

ATTEST:	FIRST KEYSTONE BANK (a federally chartered stock savings bank)
	By:
Secretary	
ATTEST:	________________ INTERIM MERGER SAVINGS BANK
	By:
Secretary	

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Approval is hereby granted by the Department of Banking for the merger of FIRST KEYSTONE BANK, Bryn Mawr, PA with and into INTERIM MERGER SAVINGS BANK, Bryn Mawr, Pennsylvania, this day of , A.D., 2010, to be effective as of 3:00 p.m.

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EXHIBIT C

PER SHARE MERGER CONSIDERATION ADJUSTMENT SCHEDULE

FKF Delinquencies

(dollars in millions)	Adjusted Exchange Ratio	Adjusted Option Exchange Ratio	Adjusted Per Share Cash Consideration
$10.5 or greater, but less than $12.5	0.6834	0.8040	$ 2.02
$12.5 or greater, but less than $14.5	0.6718	0.7905	$ 1.98
$14.5 or greater, but less than $16.5	0.6589	0.7753	$ 1.95
$16.5 or greater	0.6485	0.7630	$ 1.92

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Annex B

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2009

-OR-

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 0-25328

FIRST KEYSTONE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**23-2576479** **(I.R.S. Employer Identification Number)**
22 West State Street, Media, Pennsylvania **(Address of principal executive office)**	**19063** **(Zip Code)**

Registrant s telephone number, including area code: (610) 565-6210

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

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	**The Nasdaq Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act: none

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

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

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 x NO ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

The aggregate market value of the voting stock held by non-affiliates of the Registrant based on the closing price of $6.50 on March 31, 2009, the last business day of the Registrant s second quarter was $10.6 million (2,432,998 shares outstanding less 802,784 shares held by affiliates at $6.50 per share). Although directors and executive officers of the Registrant and certain employee benefit plans were assumed to be affiliates of the Registrant for purposes of the calculation, the classification is not to be interpreted as an admission of such status.

Number of shares of Common Stock outstanding as of December 4, 2009: 2,432,998

DOCUMENTS INCORPORATED BY REFERENCE

Listed hereunder are the documents incorporated by reference and the Part of the Form 10-K into which the document is incorporated: Not applicable

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First Keystone Financial, Inc.

FORM 10-K

For the Fiscal Year Ended September 30, 2009

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Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to, without limitation, our future economic performance, plans and objectives for future operations, and projections of revenues and other financial items that are based on our beliefs, as well as assumptions made by and information currently available to us. The words may, will, anticipate, should, would, believe, contemplate, could, project, predict, expect, estimate, continue, and i words and expressions of the future, are intended to identify forward-looking statements. Our actual results, performance, or achievements may differ materially from the results expressed or implied by our forward-looking statements.

The factors set forth under Risk Factors and other cautionary statements made in this Annual Report should be read and understood as being applicable to all related forward-looking statements wherever they appear in this Annual Report on Form 10-K. In addition to the risks discussed in the Risk Factors section of this Annual Report, factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, the following: (1) changes in the interest rate environment; (2) changes in deposit flows, loan demand or real estate values; (3) changes in accounting principles, policies or guidelines; (4) legislation or regulatory changes; (5) changes in loan delinquency rates or in our levels of non-performing assets; (6) changes in the economic climate in the market areas in which we operate; (7) the economic impact of any future terrorist threats and attacks, acts of war or threats thereof and the response of the United States to any such threats and attacks; (8) the effects of the supervisory agreements entered into by each of the Company and the Bank with the Office of Thrift Supervision (OTS); (9) the proposed merger with Bryn Mawr Bank Corporation (BMBC) fails to be completed or, if completed, the anticipated benefits from the merger may not be fully realized due to, among other factors, the failure to successfully combine our business with BMBC, the anticipated synergies not being achieved or the integration proves to be more difficult, time consuming or costly than expected; and (10) other factors, if any, referenced in this Annual Report or the documents incorporated by reference.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. The forward-looking statements included in this Annual Report are made only as of the date of this Annual Report. We disclaim any obligation to update any such factors or to publicly announce the results of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Any forward-looking earnings estimates included in this Annual Report have not been examined or compiled by our independent registered public accounting firm, nor has our independent registered public accounting firm applied any procedures to our estimates. Accordingly, our accountants do not express an opinion or any other form of assurance on them. Further information concerning our business, including additional factors that could materially affect our financial results, is included in our filings with the Securities and Exchange Commission (SEC).

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PART I

Item 1. BUSINESS.

General

First Keystone Financial, Inc. (the Company) is a Pennsylvania corporation and the sole shareholder of First Keystone Bank, a federally chartered stock savings bank (the Bank), which converted to the stock form of organization in January 1995. The only significant assets of the Company are the capital stock of the Bank, the Company s loan to its employee stock ownership plan, and various equity and other investments. See Note 18 of the Notes to Consolidated Financial Statements for the fiscal year ended September 30, 2009 set forth in Item 8 hereof, Financial Statements and Supplementary Data. The primary business of the Company consists of operating the Bank.

The Bank is a community oriented bank emphasizing customer service and convenience. The Bank s primary business is attracting deposits from the general public and using those funds together with other available sources of funds, primarily borrowings, to originate loans.

On November 3, 2009, the Company announced that it had signed a definitive agreement (the Merger Agreement) to merge with and into Bryn Mawr Bank Corporation (BMBC) (the Merger). Concurrent with the Merger, the Bank will merge with and into The Bryn Mawr Trust Company (BMT), which is a wholly owned subsidiary of BMBC, in a two-step merger pursuant to which the Bank will first merge with and into a newly formed interim savings bank subsidiary of BMT, and the surviving bank will then merge with and into BMT (collectively, the Bank Merger).

Under the terms of the Merger Agreement, shareholders of the Company will receive 0.6973 shares (the Exchange Ratio) of BMBC stock for each share of Company common stock they own plus $2.06 per share cash consideration (Per Share Cash Consideration), each subject to adjustment as described below. The Exchange Ratio and Per Share Cash Consideration are subject to downward adjustment in the event that FKF Delinquencies, as defined in the Merger Agreement, are equal to or greater than $10,500,000 as of the month end prior to the closing.

Consummation of the Merger, which is expected to occur in the second calendar quarter of 2010, is subject to certain conditions, including, among others, approval of the Merger by shareholders of the Company, governmental filings and regulatory approvals and expiration of applicable waiting periods, accuracy of specified representations and warranties of the other party, effectiveness of the registration statement to be filed with the SEC to register shares of BMBC common stock to be offered to Company shareholders, absence of a material adverse effect, receipt of tax opinions, and obtaining material permits and authorizations for the lawful consummation of the Merger and the Bank Merger.

Market Area and Competition

The Bank s primary market area consists of Delaware and Chester Counties, which are located in the southeastern corner of Pennsylvania between two prominent metropolitan areas Philadelphia, Pennsylvania and Wilmington, Delaware. There is easy access to I-95, the Philadelphia International Airport and the Delaware River.

Through an extensive highway network, the economies of Delaware and Chester Counties are knitted tightly into a regional economy of more than 2.5 million workers. Delaware and Chester Counties have a large, well-educated, and skilled labor force, with nearly one quarter of the counties population having earned a four-year college degree. In addition, Philadelphia s central location in the Northeast corridor, infrastructure, and other factors have made the Bank s primary market area attractive to many large corporate employers, including Comcast, Boeing, State Farm Insurance, United Parcel Service, PECO Energy, SAP America, Inc. and Wawa.

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The Philadelphia area economy is typical of many large northeastern cities where the traditional manufacturing-based economy has declined and been replaced by the service sector, including the health care market. Crozer/Keystone Health System, Mercy Health Corp., and Astra-Zeneca are among the larger health care employers within the Bank s market area. According to the Delaware County Chamber of Commerce, there are more than 65 degree-granting institutions in the Delaware Valley region, representing a higher density of colleges and universities than any other area in the United States.

The population of Delaware County is reported at over half a million residents and is the fifth most populated county in the Commonwealth of Pennsylvania. Much of the growth and development continues to be in the western part of the county and in adjacent Chester County. Chester County s growth rate is expected to increase even further in the next decade, and some of the communities in Chester County that are experiencing the most rapid growth East Marlborough Township, New Garden Township and East Goshen surround the Bank s Chester County branch.

The Bank faces strong competition, both in attracting deposits and making real estate and commercial loans. Its most direct competition for deposits has historically come from other savings banks, credit unions, and commercial banks located in its market area. This includes many large regional financial institutions which have even greater financial and marketing resources available to them. The ability of the Bank to attract and retain core deposits depends on its ability to provide a competitive rate of return, liquidity, and service convenience comparable to those offered by competing investment opportunities. The Bank s management remains focused on attracting core deposits through its branch network, business development efforts, and commercial business relationships.

The Bank maintains seven branch offices in Delaware County with deposits totaling $326.9 million at September 30, 2009 and one branch office in Chester County with deposits totaling $20.2 million at September 30, 2009.

The Company s headquarters is located at 22 West State Street, Media, Pennsylvania, and our telephone number is 610-565-6210. We maintain a website at www.firstkeystoneonline.com. The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other documents filed by the Company with the SEC are available free of charge on the Company s website under the Investor Information menu. Such documents are available on the Company s website as soon as reasonably practicable after they have been filed electronically with the SEC. The information presented on our website currently and in the future is not considered to be part of this document or any document incorporated by reference in this document.

Supervisory Agreements

On February 13, 2006, the Company and the Bank each entered into a supervisory agreement with the OTS which primarily addressed issues identified in the OTS reports of examination of the Company s and the Bank s operations and financial condition conducted in 2005.

Under the terms of the supervisory agreement between the Company and the OTS, the Company agreed to, among other things, (i) develop and implement a three-year capital plan designed to support the Company s efforts to maintain prudent levels of capital and to reduce its debt-to-equity ratio below 50%; (ii) not incur any additional debt without the prior written approval of the OTS; and (iii) not repurchase any shares of or pay any cash dividends on its common stock until the Company complied with certain conditions. Upon reducing its debt-to-equity below 50%, the Company may resume the payment of quarterly cash dividends at the lesser of the dividend rate in effect immediately prior to entering into the supervisory agreement ($0.11 per share) or 35% of its consolidated net income (on an annualized basis), provided that the OTS, upon review of prior notice from the Company of the proposed dividend, does not object to such payment.

The Company submitted to and received from the OTS approval of a capital plan, which called for an equity infusion in order to reduce the Company s debt-to-equity ratio below 50%. As part of its capital plan, the Company conducted a private placement of 400,000 shares of common stock, raising gross proceeds of approximately $6.5 million. In June 2007, the net proceeds of approximately $5.8 million were used to reduce the amount of its outstanding debt through the redemption of $6.2 million of its junior subordinated debentures. In June, 2008, the Company utilized a portion of the proceeds from a $4.9 million dividend from the Bank to purchase $1.5 million of fixed-rate trust preferred securities issued by the Company wholly owned statutory trust and to redeem the remaining $2.1 million of floating-rate subordinated debentures that were outstanding at September 30, 2007. As a result of such redemptions and purchases, the Company s outstanding junior subordinated debt, as of September 30, 2009, was $11.6 million and its debt-to-equity ratio was less than 50%. Although the Company s debt-to-equity ratio was below 50%, it does not anticipate resuming the payment of dividends until such time as the Company s operating results improve and it is not permitted to pay dividends under the Merger Agreement without BMBC s prior consent.

Under the terms of the supervisory agreement between the Bank and the OTS, the Bank agreed to, among other things, (i) not grow in any quarter in excess of the greater of 3% of total assets (on an annualized basis) or net interest credited on deposit liabilities during such quarter; (ii) maintain its core capital and total risk-based capital in excess of 7.5% and 12.5%, respectively; (iii) adopt revised policies and procedures governing commercial lending; (iv) conduct periodic reviews of its commercial loan department; (v) conduct periodic internal loan reviews; (vi) adopt a revised asset classification policy and (vii) not amend, renew or enter compensatory arrangements with senior executive officers and directors, subject to certain exceptions, without the prior approval of the OTS. As a result of the growth restriction imposed on the Bank, the Company s growth is currently and will continue to be substantially constrained unless and until the supervisory agreements are terminated or modified.

As a result of the supervisory agreement, the Bank hired a Chief Credit Officer (CCO) and, under the direction of the Board and the CCO, enhanced its credit review analysis, developed administrative procedures and adopted an asset classification system. The CCO was appointed Chief Lending Officer (CLO) during fiscal 2008 and has continued the process of enhancing the Bank s loan department structure, in particular its commercial lending operations. The Bank continues to address these areas and to reduce the level of classified assets in order to be in full compliance with the terms of the supervisory agreements. At September 30, 2009, the Company believes it and the Bank are in full compliance with all the provisions of the supervisory agreements.

Under the terms of the Merger Agreement, we have agreed to use our best efforts to obtain confirmation from the OTS that the supervisory agreements will be terminated as of the effective time of the Merger.

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Lending Activities

Loan Portfolio Composition. The following table sets forth the composition of the Bank s loan portfolio by type of loan at the dates indicated (excluding loans held for sale).

	September 30,									
	2009		2008		2007		2006		2005	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(Dollars in thousands)									
Real estate loans:										
Single-family	$ 146,258	45.52%	$ 145,626	48.53%	$ 139,888	46.40%	$ 144,760	42.76%	$ 149,237	46.64%
Multi-family and commercial	67,241	20.93	54,419	18.14	60,026	19.91	70,439	20.81	69,704	21.78
Construction and land	28,984	9.02	27,493	9.16	23,501	7.80	38,158	11.27	36,828	11.51
Home equity loans and lines of credit	54,612	17.00	55,246	18.41	57,808	19.17	59,319	17.52	46,748	14.61
Total real estate loans	297,095	92.47	282,784	94.24	281,223	93.28	312,676	92.36	302,517	94.54
Consumer:										
Deposit	769	.24	114	.04	142	.05	170	.05	112	.04
Unsecured personal loans	609	.19	627	.21	460	.15	538	.16	641	.20
Other[(1)]	652	.20	589	.19	602	.20	667	.20	623	.19
Total consumer loans	2,030	.63	1,330	.44	1,204	.40	1,375	.41	1,376	.43
Commercial business loans	22,180	6.90	15,955	5.32	19,044	6.32	24,474	7.23	16,085	5.03
Total loans receivable[(2)]	321,305	100.00%	300,069	100.00%	301,471	100.00%	338,525	100.00%	319,978	100.00%
Less:										
Loans in process	10,228		10,802		6,008		12,081		14,614	
Deferred loan origination fees and discounts	(180)		(292)		(277)		(143)		(90)	
Allowance for loan losses	4,657		3,453		3,322		3,367		3,475	
Total loans receivable, net	$ 306,600		$ 286,106		$ 292,418		$ 323,220		$ 301,979	

(1) Consists primarily of credit card loans.

(2) Does not include $0, $0, $0, $1.3 million and $41,000 of loans held for sale at September 30, 2009, 2008, 2007, 2006 and 2005, respectively.

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Contractual Principal Repayments. The following table sets forth the scheduled contractual principal repayments of the Bank s loans held to maturity at September 30, 2009. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdraft loans are reported as due in one year or less. The amounts shown for each period do not take into account loan prepayments of the Bank s loan portfolio held to maturity.

	Real Estate Loans					
	Single-family[1]	Multi-family and Commercial	Construction and Land	Total	Consumer and Commercial Business Loans	Total
	(Dollars in thousands)					
Amounts due in:						
One year or less	$ 12,611	$ 9,127	$ 28,984	$ 50,722	$ 8,297	$ 59,019
After one year through three years	26,407	6,424		32,831	2,329	35,160
After three years through five years	26,384	6,061		32,445	1,784	34,229
After five years through ten years	67,913	13,446		81,359	3,801	85,160
After ten years through fifteen years	25,099	12,660		37,759	2,958	40,717
Over fifteen years	42,456	19,523		61,979	5,041	67,020
Total[2]	$ 200,870	$ 67,241	$ 28,984	$ 297,095	$ 24,210	$ 321,305
Interest rate terms on amounts due after one year:						
Fixed				$ 143,015	$ 2,510	$ 145,525
Adjustable				103,358	13,403	116,761
Total[2]				$ 246,373	$ 15,913	$ 262,286

(1) Includes home equity loans and lines of credit.
(2) Does not include adjustments relating to loans in process, allowances for loan losses and deferred fee income and discounts.

Scheduled contractual amortization of loans does not reflect the expected maturity of the Bank s loan portfolio. The average life of loans is substantially less than their contractual terms because of prepayments and due-on-sale clauses which give the Bank the right to declare a conventional loan immediately due and payable in the event, among other things, that the borrower sells the real property subject to the mortgage and the loan is not repaid. The average life of mortgage loans tends to increase when current mortgage loan rates are higher than rates on existing mortgage loans and, conversely, decrease when current mortgage loan rates are lower than rates on existing mortgage loans, due to refinancings of adjustable-rate and fixed-rate loans at lower rates. Under the latter circumstances, the weighted average yield on loans decreases as higher yielding loans are repaid or refinanced at lower rates.

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Loan Origination, Purchase and Sale Activity. The following table shows the loan origination, purchase and sale activity of the Bank during the periods indicated.

	Year Ended September 30, 2009	2008 (Dollars in thousands)	2007
Gross loans at beginning of period(1)	$ 300,069	$ 301,471	$ 339,859
Loan originations for investment:			
Real estate:			
Residential	29,167	28,358	16,838
Commercial and multi-family	23,795	6,929	6,679
Construction	9,697	11,948	11,366
Home equity and lines of credit	28,903	22,026	30,106
Total real estate loans originated for investment	91,562	69,261	64,989
Consumer	2,797	3,398	1,953
Commercial business	31,033	12,497	18,979
Total loans originated for investment	125,392	85,156	85,921
Loans originated for resale	13,653	1,444	271
Total originations	139,045	86,600	86,192
Deduct:			
Principal loan repayments and prepayments	(102,271)	(86,313)	(122,505)
Transferred to real estate owned			
Charge-offs	(1,885)	(245)	(470)
Loans sold in secondary market	(13,653)	(1,444)	(1,605)
Subtotal	(117,809)	(88,002)	(124,580)
Net (decrease) increase in loans(1)	21,236	(1,402)	(38,388)
Gross loans at end of period(1)	$ 321,305	$ 300,069	$ 301,471

(1) There were no loans held for sale at September 30, 2009, 2008, and 2007.

The residential lending activities of the Bank are subject to written underwriting standards and loan origination procedures established by the Bank s Board of Directors and management. Loan applications may be taken at all of the Bank s branch offices by the branch manager or other designated loan officers. Applications for single-family residential mortgage loans for portfolio retention are obtained predominately through loan originators who are employees of the Bank. The Bank s residential loan originators will take loan applications outside of the Bank s offices at the customer s convenience and are compensated on a commission basis. The Residential Lending Department supervises the process of obtaining credit reports, appraisals and other documentation involved with the origination of a loan. In most cases, the Bank requires that a property appraisal be obtained in connection with all new first mortgage loans. Generally, appraisals are not required on home equity loans below $250,000 because alternative means of valuation are used (i.e., tax assessments, home value estimators). Property appraisals generally are performed by an independent appraiser selected from a list approved by the Bank s Board of Directors. The Bank requires that title insurance (other than with respect to home equity loans) and hazard insurance be maintained on all security properties and that flood insurance be maintained if the property is within a designated flood plain.

Residential mortgage loan applications are primarily developed from referrals from real estate brokers and builders, existing customers and walk-in customers. Commercial and multi-family real estate loan applications are obtained primarily from previous borrowers, direct solicitations by Bank personnel, as well as referrals.

Consumer loans originated by the Bank are obtained primarily through existing and walk-in customers who have been made aware of the Bank s programs by advertising and other means.

Applications for single-family residential mortgage loans which may be originated for resale in the secondary market or loans designated for portfolio retention that conform to the requirements for resale into the secondary market and do not exceed Fannie Mae (FNMA) or Freddie Mac (FHLMC) limits are approved by at least one of the following: the Bank s CLO, the Senior Mortgage Loan Underwriter or the Loan Committee (a committee comprised of four directors and the Chief Credit Officer). Residential mortgage loans in excess of FNMA/FHLMC maximum amounts (currently $417,000 for single-family properties in the Bank s market area) but less than $1.0 million must be approved by the Loan Committee. Commercial and multi-family residential real estate mortgage loans in excess of $250,000 and all construction loans must be approved by the Loan Committee. All mortgage loans in excess of $1.0 million must be approved by the Bank s Board of Directors or the Executive Committee thereof. All mortgage loans which do not require approval by the Board of Directors are submitted to the Board at its next meeting for review and ratification. Home equity loans and lines of credit up to $250,000 can be approved by the Chief Credit Officer, the Vice President of Construction Loans or the Administrative Vice President of Residential Lending. Loans in excess of such amount must be approved by the Loan Committee.

Single-Family Residential Loans. Substantially all of the Bank s single-family residential mortgage loans consist of conventional loans. Conventional loans are loans that are neither insured by the Federal Housing Administration nor partially guaranteed by the Department of Veterans Affairs. The vast majority of the Bank s single-family residential mortgage loans are secured by properties located in Pennsylvania, primarily in Delaware and Chester Counties, and are originated under terms and documentation which permit their sale to FHLMC or FNMA. During fiscal 2009, although the Bank experienced some easing in the interest rate compression that had affected it during the prior fiscal year, the Bank elected to retain approximately two-thirds of the newly originated 30-year term fixed-rate residential mortgage loans in its portfolio. The Bank will also continue to retain its adjustable-rate mortgage loans and shorter term fixed-rate residential mortgage loans. See Mortgage-Banking Activities.

The single-family residential mortgage loans offered by the Bank currently consist of fixed-rate loans, including bi-weekly and balloon loans and adjustable-rate loans. Fixed-rate loans generally have maturities ranging from 15 to 30 years and are fully amortized with monthly loan payments sufficient to repay the total amount of the loan with interest by the end of the loan term. The Bank s fixed-rate loans are originated under terms, conditions and documentation which permit them to be sold to U.S. Government-sponsored agencies, such as FHLMC or FNMA, and other purchasers in the secondary mortgage market. The Bank also offers bi-weekly loans under the terms of which the borrower makes payments every two weeks. Although such loans have a 30-year amortization schedule, due to the bi-weekly payment schedule, such loans repay substantially more rapidly than a standard monthly amortizing 30-year fixed-rate loan. The Bank also offers five and seven year balloon loans which provide that the borrower can conditionally renew the loan at the fifth or seventh year at a then to-be-determined interest rate for the remaining 25 or 23 years, respectively, of the amortization period. At September 30, 2009, $123.4 million, or 84.4% of the Bank s single-family residential mortgage loans held in portfolio were fixed-rate loans, including $10.2 million of bi-weekly, fixed-rate residential mortgage loans.

The adjustable-rate loans currently offered by the Bank have interest rates which adjust every one, three or five years in accordance with a designated index, such as U.S. Treasury obligations, adjusted to a constant maturity (CMT), plus a stipulated margin. The Bank s adjustable-rate single-family residential real estate loans generally have a cap of 2% on any increase or decrease in the interest rate at any adjustment date, and a maximum adjustment limit of 6% on any such increase or decrease over the life of the loan. In order to increase the originations of adjustable-rate loans, the Bank has been originating loans which bear a fixed interest rate for a period of three to five years after which they convert to one-year adjustable-rate loans. The Bank s adjustable-rate loans require that any payment adjustment resulting from a change in the interest rate of an adjustable-rate loan be sufficient to result in full amortization of the loan by the end of the loan term and, thus, do not permit any of the increased payment to be added to the principal amount of the loan, creating negative amortization. Although the Bank does offer adjustable-rate loans with initial rates below the fully indexed rate, loans tied to the one-year CMT are underwritten using methods approved by FHLMC or FNMA which require borrowers to be qualified at 2% above the discounted loan rate under certain conditions. The Bank has taken steps to increase the amount of such loans originated in recent years, but with limited success due to limited interest by consumers. At September 30, 2009, $22.9 million, or 15.6%, of the Bank s single-family residential mortgage loans held in portfolio were adjustable-rate loans.

For conventional residential mortgage loans held in portfolio and also for those loans originated for sale in the secondary market, the Bank s maximum loan-to-value (LTV) ratio is 97%, and is based on the lesser of sales price or appraised value. On loans with a LTV ratio of over 80%, private mortgage insurance may be required to be obtained or the Bank, on occasion, may lend the excess as a home equity loan.

Commercial and Multi-Family Residential Real Estate Loans. During fiscal 2008 and 2007, the Bank decreased its investment in commercial and multi-family residential loans due to the Company s self-imposed curtailment of such lending activity while implementing substantially enhanced credit review and administration infrastructure. The limited amount of such loans being originated during fiscal 2008 and 2007 were being made primarily to small- and medium-sized businesses located in the Bank s primary market area, a segment of the market that the Bank believes has continued to be underserved in recent years. However, with the improvements in procedures and processes that were put in place during the latter part of fiscal 2008, combined with the addition of a seasoned commercial lender and other personnel, the Company was able to re-emphasize this lending area during fiscal 2009. Loans secured by commercial and multi-family residential real estate amounted to $67.2 million, or 20.9%, of the Bank s total loan portfolio, at September 30, 2009. The Bank s commercial and multi-family residential real estate loans are secured primarily by professional office buildings, small retail establishments, warehouses and apartment buildings (with 36 units or less) located in the Bank s primary market area.

The Bank s adjustable-rate multi-family residential and commercial real estate loans generally are either three or five-year adjustable-rate loans indexed to the CMT plus a margin. In addition, depending on collateral value and strength of the borrower, fixed-rate balloon loans and longer term fixed-rate loans may be originated. Generally, fees of up to 1% of the principal loan balance are charged to the borrower upon closing. Although terms for multi-family residential and commercial real estate loans may vary, the Bank s underwriting standards generally provide for terms of up to 20 years with amortization of the principal over the term of the loan and LTV ratios of not more than 80%. Generally, the Bank obtains personal guarantees of the principals of the borrower as additional security for any commercial real estate and multi-family residential loan and requires that the borrower have at least a 25% equity investment in the property which is the subject of the loan.

The Bank evaluates various aspects of commercial and multi-family residential real estate loan transactions in an effort to mitigate risk to the extent possible. In underwriting these loans, consideration is given to the stability of the property s cash flow history, future operating projections, current and projected occupancy, position in the market, location and physical condition. In recent periods, the Bank has generally imposed a debt coverage ratio (the ratio of net cash from operations before payment of debt service to debt service) of not less than 120%. The underwriting analysis also includes credit checks and a review of the financial condition of the borrower and guarantor, if applicable. An appraisal report is prepared by a state-licensed and certified appraiser (generally an appraiser who is qualified as a Member of the Appraisal Institute (MAI)) commissioned by the Bank to substantiate property values for every commercial real estate and multi-family loan transaction. All appraisal reports are reviewed by the commercial loan underwriter prior to the closing of the loan.

Multi-family residential and commercial real estate lending entails different and significant risks when compared to single-family residential lending because such loans often involve large loan balances to single borrowers and because the payment experience on such loans is typically dependent on the successful operation of the project or the borrower s business. These risks also can be significantly affected by supply and demand

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conditions in the local market for apartments, offices, warehouses or other commercial space. The Bank attempts to minimize its risk exposure by limiting such lending to proven owners, only considering properties with existing operating performance which can be analyzed, requiring conservative debt coverage ratios, and periodically monitoring the operation and physical condition of the collateral. See Asset Quality Non-performing Assets , for further discussion of the Bank s non-performing loans.

Construction Loans. Substantially all of the Bank s construction loans consist of loans for acquisition and development of properties to construct single-family properties extended either to individuals or to selected developers with whom the Bank is familiar to build such properties on a pre-sold or limited speculative basis.

To a lesser extent, the Bank provides financing for construction to permanent commercial real estate properties. Commercial construction loans have a maximum term of 24 months during the construction period with interest based upon the prime rate published in the Wall Street Journal (Prime Rate) plus a margin and have LTV ratios of 80% or less of the appraised value of the project upon completion. The loans may convert to permanent commercial real estate loans upon completion of construction. With respect to construction loans to individuals, such loans have a maximum term of 12 months, have variable rates of interest based upon the Prime Rate plus a margin and have LTV ratios of 80% or less of the appraised value of the property upon completion and generally do not require the amortization of principal during the term. Upon completion of construction, the borrower is required to refinance the loan although the Bank may be the lender of the permanent loan secured by the property.

The Bank also provides construction loans (including acquisition and development loans) and revolving lines of credit to developers. The majority of construction loans consists of loans to selected local developers with whom the Bank is familiar and who build single-family dwellings on a pre-sold or, to a significantly lesser extent, on a speculative basis. The Bank generally limits to two the number of unsold units that a developer may have under construction in a project. Such loans generally have terms of 36 months or less, generally have a maximum LTV ratio of 75% of the appraised value of the property upon completion and do not require the amortization of the principal during the term. The loans are made with variable rates of interest based on the Prime Rate plus a margin adjusted on a monthly basis. The Bank also receives origination fees that generally range from 0.5% to 3.0% of the amount of the loan commitment. The borrower is required to fund a portion of the project s costs, the exact amount being determined on a case-by-case basis but usually not less than 25%. Loan proceeds are disbursed by percentage of completion of the cost of the project after inspections indicate that such disbursements are for costs already incurred and which have added to the value of the project. Only interest payments are due during the construction phase and the Bank may provide the borrower with an interest reserve from which it can pay the stated interest due thereon.

At September 30, 2009, residential construction loans totaled $20.0 million, or 6.2%, of the total loan portfolio, primarily consisting of construction loans to developers.

The Bank also originates ground or land loans to individuals to purchase a property on which they intend to build their primary residences, as well as to developers to purchase lots to build speculative homes at a later date. Such loans have terms of 36 months or less with a maximum LTV ratio of 75% of the lower of appraised value or sale price. The loans are made with variable rates based on the Prime Rate plus a margin. The Bank also receives origination fees, which generally range between 1.0% and 3.0% of the loan amount. At September 30, 2009, land loans (including loans to acquire and develop land) totaled $9.0 million, or 2.8%, of the total loan portfolio.

At September 30, 2009, loans to developers included both secured and unsecured lines of credit (which are classified as commercial business loans) with outstanding commitments totaling $720,000. All have personal guarantees of the principals and are cross-collateralized with existing loans. At September 30, 2009, loans outstanding under builder lines of credit totaled $490,000, all of which were unsecured. Such loans are only given to the Bank s most creditworthy long standing customers.

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Prior to making a commitment to fund a construction loan, the Bank requires an appraisal of the property by an appraiser approved by the Board of Directors. In addition, during the term of the construction loan, the project is inspected by an independent inspector.

Construction financing generally is considered to involve a higher degree of risk of loss than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property s value at completion of construction or development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of value proves to be inaccurate, the Bank may be confronted, at or prior to the maturity of the loan, with a project, when completed, having a value which is insufficient to assure full repayment. Loans on lots may run the risk of adverse zoning changes as well as environmental or other restrictions on future use.

Home Equity Loans and Lines of Credit. Home equity loans and home equity lines of credit are secured by the underlying equity in the borrower s primary residence or, occasionally, other types of real estate. Home equity loans are amortizing loans with fixed interest rates with a maximum term of 20 years while equity lines of credit have adjustable interest rates indexed to the Prime Rate with a term of 10 years and interest-only payments. Generally, home equity loans or home equity lines of credit do not exceed $100,000. The Bank s home equity loans and lines of credit generally require combined LTV ratios of 80% or less. Loans with higher LTV ratios are available but with higher interest rates and stricter credit standards. At September 30, 2009, home equity loans and lines of credit amounted to $54.6 million, or 17.0%, of the Bank s total loan portfolio.

Commercial Business Loans. The Bank s strategic plan focuses the growth of its commercial business loan portfolio by granting such loans directly to business enterprises that are located in its market area. The majority of such loans are for less than $1.0 million. The Bank actively targets and markets this product to small- and medium-sized businesses. Applications for commercial business loans are obtained from existing commercial customers, branch and customer referrals, direct inquiry and the new business development efforts of the Bank s staff. As of September 30, 2009, commercial business loans amounted to $22.2 million, or 6.9%, of the Bank s total loan portfolio. The commercial business loans consist of a limited number of commercial lines of credit secured by equipment and securities, some working capital financings secured by accounts receivable and inventory and, to a limited extent, unsecured lines of credit. Commercial business loans originated by the Bank ordinarily have terms of five years or less and fixed rates or adjustable rates tied to the Prime Rate plus a margin.

Although commercial business loans generally are considered to involve greater credit risk than certain other types of loans, we offer commercial business loans to small- and medium-sized businesses in an effort to better serve our community s needs, obtain core non-interest-bearing deposits and increase the Bank s interest rate spread, improve interest rate sensitivity and improve the Bank s profitability. See Asset Quality for discussion of the Bank s non-performing and classified assets.

Consumer Lending Activities. The Bank also offers a variety of consumer loans in order to provide a full range of retail financial services to its customers. At September 30, 2009, $2.0 million, or 0.6%, of the Bank s total loan portfolio was comprised of consumer loans. The Bank originates substantially all of such loans in its market area. At September 30, 2009, the Bank s consumer loan portfolio was comprised of credit card, deposit, automobile, unsecured personal loans and other consumer loans. The Bank s credit card program is primarily offered to only the Bank s most creditworthy customers. At September 30, 2009, these loans totaled $614,000, or 0.19%, of the total loan portfolio. Other components of the consumer loan portfolio include unsecured personal loans and loans on deposits amounting to $609,000 and $769,000, respectively or 0.19% and 0.24%, respectively, of the Bank s loan portfolio at September 30, 2009.

Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans because of the type and nature of the collateral and, in certain cases, the absence of collateral.

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Mortgage-Banking Activities. Due to customer preference for fixed-rate loans, the Bank has continued to originate fixed-rate loans secured by first mortgages on owner occupied single-family residences. Long-term (generally 30 years) fixed-rate loans not taken into portfolio for asset/liability management purposes are sold into the secondary market. The Bank s net gain on sales of single-family residential loans amounted to $125,000 and $9,000 during the fiscal years ended September 30, 2009 and 2008, respectively. The Bank retained, in its portfolio, approximately two-thirds of its long-term (generally 30 years) fixed-rate single-family residential mortgage loans originated during fiscal 2009. The Bank did not have any single-family residential loans held for sale at September 30, 2009 and 2008.

The Bank s conforming mortgage loans sold to others generally are sold with servicing retained, on a loan-by-loan basis primarily to FHLMC or FNMA. A period of less than five days generally elapses between the closing of the loan by the Bank and its purchase by the investor. Mortgages with established interest rates generally will decrease in value during periods of increasing interest rates. Accordingly, fluctuations in prevailing interest rates may result in a gain or loss to the Bank as a result of adjustments to the carrying value of loans held for sale or upon sale of loans. The Bank attempts to protect itself from these market fluctuations through the use of forward commitments entered into at the same time of the commitment by the Bank of a loan rate to the borrower. These commitments are mandatory delivery contracts with the purchaser, generally FHLMC or FNMA, within a certain time frame and within certain dollar amounts by a price determined at the commitment date. Market risk does exist as non-refundable points paid by the borrower may not be sufficient to offset fees associated with closing the forward commitment contract.

Loan Origination Fees and Servicing. Borrowers may be charged an origination fee, which is a percentage of the principal balance of the loan. The various fees, net of costs, received by the Bank in connection with the origination of loans are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. However, when such loans are sold, the remaining unamortized fees (which are all or substantially all of such fees due to the relatively short period during which such loans are held) are recognized as income on the sale of loans held for sale.

The Bank, for conforming loan products, generally retains the servicing on all loans sold to others. In addition, the Bank services substantially all of the loans that it retains in its portfolio. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, making advances to cover delinquent payments, making inspections as required of mortgaged premises, contacting delinquent mortgagors, supervising foreclosures and property dispositions in the event of unremedied defaults and generally administering the loans. Funds that have been escrowed by borrowers for the payment of mortgage-related expenses, such as property taxes and hazard and mortgage insurance premiums, are maintained in non-interest-bearing accounts at the Bank.

The following table presents information regarding the loans serviced by the Bank for others at the dates indicated. Substantially all the loans were secured by properties in Pennsylvania. A small percentage of the loans are secured by properties located in Delaware, Maryland or New Jersey.

	September 30,		
	2009	**2008**	**2007**
	(Dollars in thousands)		
Loans originated by the Bank and serviced for:			
FNMA	$ 387	$ 446	$ 491
FHLMC	46,304	42,119	46,193
Others	259	278	295
Total loans serviced for others	$ 46,950	$ 42,843	$ 46,979

The Bank receives fees for servicing mortgage loans, which generally amount to 0.25% per annum on the declining principal balance of mortgage loans. Such fees serve to compensate the Bank for the costs of performing the servicing function. Other sources of loan servicing revenues include late charges. The Bank retains a portion of funds received from borrowers on the loans it services for others in payment of its servicing fees received on loans serviced for others. For fiscal years ended September 30, 2009, 2008 and 2007, the Bank earned gross fees of $114,000, $114,000 and $124,000, respectively, from loan servicing.

Loans-to-One Borrower Limitations. Regulations impose limitations on the aggregate amount of loans that a savings institution could make to any one borrower, including related entities. Under such regulations, the permissible amount of loans-to-one borrower follows the national bank standard for all loans made by savings institutions, which generally does not permit loans-to-one borrower to exceed 15% of unimpaired capital and surplus. Loans in an amount equal to an additional 10% of unimpaired capital and surplus also may be made to a borrower if the loans are fully secured by readily marketable securities. At September 30, 2009, the Bank s five largest loans or groups of loans-to-one borrower, including related entities, ranged from an aggregate of $5.4 million to $6.4 million. The Bank s loans-to-one borrower limit was $7.0 million at such date.

Asset Quality

General. As a part of the Bank s ongoing efforts to improve its asset quality, it has developed and implemented an asset classification system. The Bank s assets are subject to review under the classification system, but particular emphasis is placed on the review of multi-family residential and commercial real estate loans, construction loans and commercial business loans. All assets of the Bank are periodically reviewed and the classification recommendations submitted to the Asset Quality Review Committee. The Asset Quality Review Committee is composed of the Chief Executive Officer, the Chief Financial Officer, Chief Lending Officer, the Vice President of Loan Administration, the Internal Auditor and the Vice President of Construction Lending and meets at least monthly. All assets are placed into one of the five following categories: pass, special mention, substandard, doubtful and loss. A rating system was implemented which provides for the grading of assets as follows: 1-6 as pass, 7, 8, 9 and 10 as an adverse classification (special mention, substandard, doubtful and loss, respectively). Loans classified as pass are then placed into one of the six grades based on objective underwriting criteria. See Non-Performing Assets and Other Classified Assets for a discussion of certain of the Bank s assets which have been classified as substandard and regulatory classification standards generally.

When a borrower fails to make a required payment on a loan, the Bank attempts to cure the deficiency by contacting the borrower and requesting payment. Contact is generally made after the expiration of the grace period (usually fifteen days) in the form of telephone calls and/or correspondence. In most cases, deficiencies are cured promptly. If the delinquency increases, the Bank will initiate foreclosure actions or legal collection actions if a borrower fails to enter into satisfactory repayment arrangements. Such actions generally commence at sixty to ninety days of delinquency.

Loans are placed on non-accrual status when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income. As a matter of policy, the Bank generally does not accrue interest on loans past due 90 days or more. See Note 2 of the Notes to Consolidated Financial Statements set forth in Item 8 hereof.

Real estate acquired by the Bank as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until sold. Real estate owned is initially recorded at the lower of fair value less estimated costs to sell the property, or cost (generally the balance of the loan on the property at the date of acquisition). After the date of acquisition, all costs incurred in maintaining the property are expensed and costs incurred for the improvement or development of such property are capitalized up to the extent of their net realizable value.

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Under GAAP, the Bank is required to account for certain loan modifications or restructurings as troubled debt restructurings . In general, the modification or restructuring of a debt constitutes a troubled debt restructuring if the Bank, for economic or legal reasons related to the borrower s financial difficulties, grants a concession to the borrower that the Bank would not otherwise consider under current market conditions. Debt restructuring or loan modifications for a borrower do not necessarily always constitute troubled debt restructuring, however, and troubled debt restructuring does not necessarily result in non-accrual loans.

Delinquent Loans. The following table sets forth information concerning delinquent loans at the dates indicated, in dollar amounts and as a percentage of each category of the Bank s loan portfolio. The amounts presented represent the total outstanding principal balances of the related loans, rather than the actual payment amounts which are past due.

	At September 30, 2009		At September 30, 2008	
	30 to 59 days overdue	60 to 89 days overdue	30 to 59 days overdue	60 to 89 days overdue
Real estate loans:				
Single-family residential	$	$ 501	$ 9	$ 250
Commercial and multi-family		1,035		137
Home equity	50	107	127	39
Construction	1,090	1,055	824	1,407
Consumer loans	13	6	4	
Commercial business loans		785		267
Total	$ 1,153	$ 3,489	$ 964	$ 2,100

Non-performing Assets. The following table sets forth the amounts and categories of the Bank s non-performing assets at the dates indicated.

	September 30,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Non-performing loans:					
Single-family residential	$ 1,119	$ 297	$ 174	$ 189	$ 378
Commercial and multi-family(1)	2,050		1,148		3,337
Home equity loans and lines of credit	308	237	274	47	60
Consumer	3	8		4	5
Commercial business	396	443	26	26	500
Total non-accrual loans	3,876	985	1,622	266	4,280
Accruing loans more than 90 days delinquent(2)	1,541	1,435	3,063	11	772
Total non-performing loans	5,417	2,420	4,685	277	5,052
Real estate owned				2,450	760
Total non-performing assets	$ 5,417	$ 2,420	$ 4,685	$ 2,727	$ 5,812
Total non-performing loans as a percentage of gross loans receivable(3)	1.74%	0.84%	1.55%	0.08%	1.65%
Total non-performing assets as a percentage of total assets	1.03%	0.46%	0.89%	0.52%	1.12%

(1) Consisted of three loans to different borrowers at September 30, 2009 with principal balances ranging from $51,000 to $1.4 million, two loans to the same borrower at September 30, 2007 and one loan at September 30, 2005 which became real estate owned during fiscal 2006. The loans to the same borrower as of September 30, 2007 were repaid in full subsequent to September 30, 2007.

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(2) Consisted of nine loans at September 30, 2009 (see below), 10 loans at September 30, 2008, 11 loans at September 30, 2007, three credit card accounts at September 30, 2006 and four loans at September 30, 2005 of which a $770,000 construction loan returned to current status subsequent to September 30, 2005.

(3) Includes loans receivable and loans held for sale, less construction and land loans in process and deferred loan origination fees and discounts.

The $1.1 million of non-performing single-family residential loans at September 30, 2009 consisted of five loans with principal balances ranging from $59,000 to $407,000, with an average balance of approximately $224,000. The $407,000 non-performing loan became real estate owned at the beginning of fiscal 2010. Included within the five loans is one loan of $59,000 to a credit impaired borrower.

The $396,000 of non-performing commercial business loans at September 30, 2009 is comprised of four loans to different borrowers with principal balances ranging from $5,000 to $216,000, with an average balance of $99,000.

The $308,000 of non-performing home equity loans and lines of credit at September 30, 2009 consisted of five loans with principal balances ranging from $5,000 and $110,000, with an average balance of $62,000.

Accruing loans more than 90 days delinquent, which consist of loans 90 days or more past maturity which continued to make payments on a basis consistent with the original repayment schedule, amounted to $1.5 million at September 30, 2009 and were comprised of three residential construction loans for land totaling $554,000, one residential construction loan of $194,000, one commercial real estate loan of $358,000 and one $428,000 commercial real estate loan on a single-family investment property. All these loans exceeded their contractual maturity and continue to make interest payments on the outstanding balance at the stated loan interest rate. The principal balance of the loans is included in the accruing loans past due 90 days or more category of non-performing assets.

Other Classified Assets. Federal banking regulations require that each insured savings association classify its assets on a regular basis. In addition, in connection with examinations of insur