S&P Global
Market Intelligence

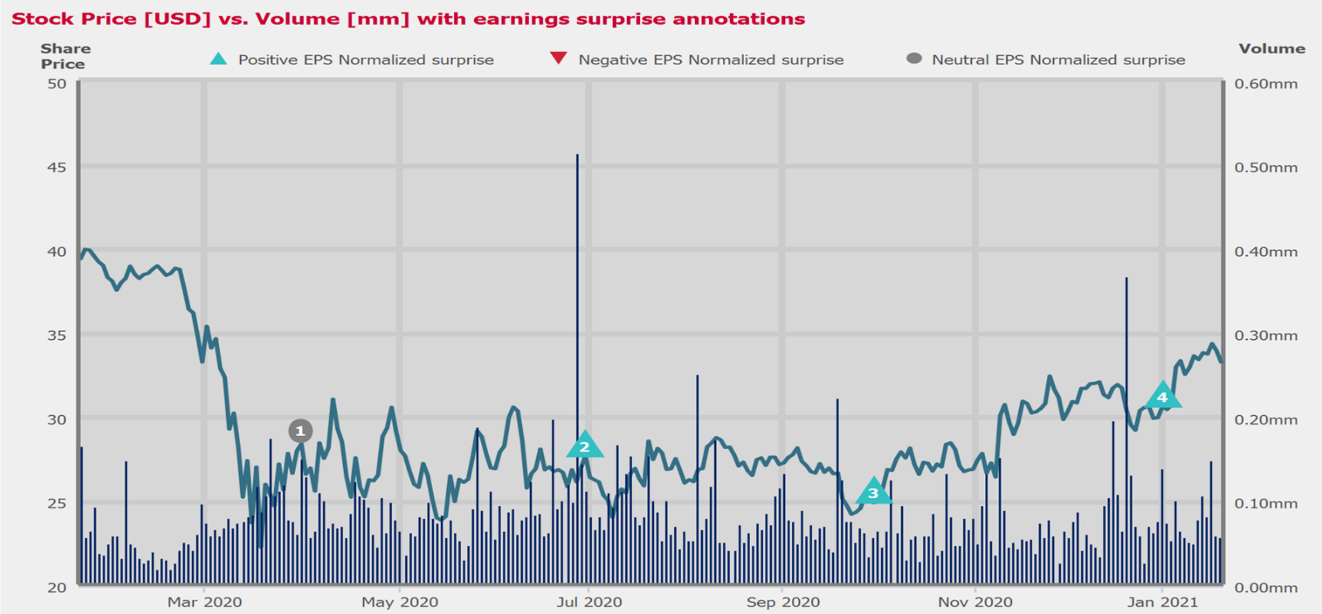
Bryn Mawr Bank Corporation NasdaqGS:BMTC FQ4 2020 Earnings Call Transcripts

Friday, January 22, 2021 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-			-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.61	0.77	▲26.23	0.68	1.49	1.64	▲10.07	2.68
Revenue (mm)	34.77	35.14	▲1.06	34.27	143.78	144.20	▲0.29	140.60

Currency: USD
Consensus as of Jan-22-2021 3:35 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2020	0.52	(0.56)	NM
FQ2 2020	0.49	0.77	▲1 57.14 %
FQ3 2020	0.61	0.66	▲2 8.20 %
FQ4 2020	0.61	0.77	▲3 26.23 %

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Call Participants

EXECUTIVES

Francis J. Leto
President, CEO & Director

Liam M. Brickley
Senior VP & Chief Credit Officer

Michael William Harrington
Chief Financial Officer

ANALYSTS

Bernard Robert Horn
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Matthew M. Breese
Stephens Inc., Research Division

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good morning, ladies and gentlemen, and welcome to the Bryn Mawr Bank Corporation's Fourth Quarter 2020 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded. On the call today, we have Frank Leto, President and Chief Executive Officer; Mike Harrington, Chief Financial Officer; and Liam Brickley, Chief Credit Officer.

Before we begin, please be advised that during this conference call, management may make forward-looking statements. Please refer to the disclaimer labeled forward-looking statements and safe harbor in the earnings release and presentation for more information regarding what constitutes a forward-looking statement.

All forward-looking statements discussed during this call are based on management's current beliefs and assumptions and speak only as of the date and time they are made. The corporation does not undertake to update forward-looking statements. For a more complete discussion of the assumptions, risks and uncertainties related to the business, you are encouraged to review the corporation's filings with the Securities and Exchange Commission located on their website at www.bmt.com.

I would now like to turn the call over to Frank. Please go ahead.

Francis J. Leto
President, CEO & Director

Thanks, Elissa, and I'd like to thank you all for joining our call today. While 2020 was a year full of unimaginable challenges, it confirms what we've always believed at Bryn Mawr. We can survive and thrive in the most difficult circumstances. We all went through very difficult times in 2020, but I'm hopeful we're headed toward recovery and that all of us will come together as a nation united in a common purpose to deal with all of the challenges of the current environment.

At Bryn Mawr, we focused our attention on our core strength, providing exceptional service to our clients. Our past successes are indicative of our perseverance and the perseverance of our employees who not only met but have exceeded expectations time and time again. We look forward to better days ahead, but acknowledge that these days may be preceded by more challenges, and therefore, we continue to be prepared for such.

We ended the year on a positive note, reporting fourth quarter net income of $15.5 million or $0.78 of diluted earnings per share. For the full year 2020, we reported net income of $32.6 million or $1.63 diluted earnings per share. In a year in which we experienced unparalleled uncertainty around credit, liquidity, interest rates, the economy and our personal well being, we're very pleased with our performance.

While the loan portfolio shrunk modestly year-over-year due to lower demand in the marketplace, coupled with a more conservative approach in light of economic uncertainty. Our diversified business model proved its efficacy. Specifically, our wealth group set a new record high. At the end of 2020, assets under management grew to $19 billion under Jen Fox's leadership. This represents growth of 10% from the third quarter and 15% from the end of 2019. Nearly all of our wealth business lines grew quarter-over-quarter and year-over-year.

Our Bryn Mawr Trust Company of Delaware Group has done particularly well, increasing assets under management by over 26% from last year. This again speaks to the importance of our diversified businesses and times such as we are experiencing.

Other core fundamentals at Bryn Mawr remain strong. Capital and liquidity have grown throughout 2020, credit quality continues to improve, and we completed several initiatives, as discussed earlier this year. As Liam will discuss in more detail momentarily, loan deferrals were just above 2% at the end of the year from a peak of over 20% in June, and I'm proud of our credit team's work in helping our clients through this pandemic.

One initiative I'd like to highlight includes the ongoing investments in technology. Investments in periods past allowed the majority of our employees to quickly and effectively transition to a remote working environment. Because of the success of our working environment, we made the decision to make working from home permanent and subsequently exited a substantial portion of our office space in Bryn Mawr. Further, ongoing reviews of our branch locations and customer behavior led to the announcement of additional planned branch closure expected in April.

We remain committed to the ongoing review of our branch network, but have elected to take a measured approach to ensure we align our physical distribution in a way that is consistent with our customers' needs post pandemic. That said, the likely outcome of this alignment will be fewer branches over the next few years.

Heading into 2021, we're cautiously optimistic as it pertains to the general economy and our ability to grow organically. Another example of our focus towards organic growth is the announced hiring of George Robostello, who will serve as our Managing Director of Commercial Banking in the Southern New Jersey market. South Jersey is a natural extension of our current markets, and George will work to accelerate our commercial client acquisition in this region.

While we believe uncertainties will persist, we have positioned ourselves accordingly and identify opportunities within our market in order to drive shareholder returns. Our markets remain competitive from high levels of liquidity within the industry. However, we're confident in our team's ability to capture our market share with our one BMT approach.

Finally, I'm proud to announce the Board of Directors approved 27% share dividend. This marks our 10th consecutive year of full year dividends with an increase.

I'd like to now turn over the call to Mike to discuss our fourth quarter results. Mike?

Michael William Harrington
Chief Financial Officer

Thank you, Frank, and good morning, everyone. As Frank noted, for the fourth quarter 2020, we posted GAAP income of $15.5 million or $0.78 per diluted share. The fourth quarter included several nonrecurring items that nearly offset one another. These nonrecurring items related to the downsizing of our real estate portfolio. As you may recall, included the sale of one back office building, the early lease termination of 2 back offices and [Technical Difficulty]. The savings related to the closures will begin to be realized in the first quarter of 2021.

For the fourth quarter, net interest income was flat. A lack of loan growth, coupled with a stable net interest margin contributed to this outcome. While we continue to see pressure on loan yields, we were able to offset these lower yields by reducing rates paid on deposits. Related to the provision for credit losses, improvements to the current and forward-looking economic conditions, specifically Pennsylvania unemployment led to the release of the allowance for credit losses during the quarter of $1.2 million.

Noninterest income was up 4% quarter-over-quarter. This was primarily a result of the sale of the building, as discussed a moment ago. Nonetheless, during the fourth quarter and throughout 2020, our fee income held up extremely well, with wealth of particular note as overall revenue was up almost 8% relative to the same quarter last year. Noninterest expenses increased 10% during the quarter. The increase was primarily as a result of expenses related to the downsizing of the bank's facilities portfolio, incentives related to sales activity in the wealth division and an increase in our deferred compensation liability, a function of the strong gains in the stock market during the quarter.

Expenses would have been essentially flat quarter-over-quarter, if not for these three items. Further, a portion of the incentives paid during the fourth quarter related to revenue that will be recognized in 2021. Turning to the full year results. Net interest income for the full year 2020 decreased 3% due to significant drop in yields that impacted both our loan portfolio and deposit pricing. This can be seen in our tax equivalent net interest margin, which decreased 39 basis points during the year. Provision for credit losses nearly increased fourfold from 2019. The primary driver of the increase was the adoption of CECL, coupled with the deterioration in the economy related to the pandemic following our day 1 adjustment.

Noninterest income year-over-year was nearly flat and held up very well in light of the pandemic. As Frank discussed, the wealth division had a great year in terms of assets under management growth and year-over-year revenue growth, which was over 5% when adjusted to exclude the mitigation payment related to the unwinding of the mutual fund. A particular note is the Delaware Trust business, which grew assets 26% and revenue by 29% year-over-year. Noninterest expenses decreased 3% from 2019.

As some of you may recall, last year, we mentioned we were taking a more diligent and proactive approach towards expense control even prior to the pandemic. When the pandemic hit, we accelerated several of our expense savings initiatives. The result of these initiatives helped support our ongoing investment in technology, while allowing us to keep expenses essentially flat versus the same quarter last year, when adjusted for the cost of downsizing our facilities portfolio in this quarter.

At the end of 2020, our balance sheet was positioned to handle the challenges and opportunities headed into 2021. We have ample liquidity and a strong capital position. As depicted on Slide 7, asset quality has improved after the deterioration earlier in the pandemic. We have seen the vast majority of our asset quality indicators improve and stabilize from the high points. And as we sit here today, we are confident with the level of our allowance for credit losses.

Looking ahead, we anticipate continued uncertainty and the potential for ongoing volatility as it pertains to the overall economy and markets. As for the net interest margin, we believe it could come under renewed pressure if the over abundance of liquidity in the marketplace causes additional compression of loan spreads. As a potential counter to the net interest margin pressure, if the yield curve can hold on to its recent steepening, we could see modest improvement in the margin.

Regarding loan growth, there's still great uncertainty as it relates to the direction of the economy, areas like the speed of the vaccine rollout, government stimulus and the resumption of pre pandemic economic activity are variables that will influence demand for credit. Given these unknowns, loan growth is likely to be muted in the first half of the year and rebound thereafter.

Similar to the past year, we remain committed to thoughtful expense control. We will continue to execute our technology plan and hire talent to expand our business. That said, given the actions we took in 2020 we expect expense growth to be minimal in 2021.

With that, I'll turn it over to Liam to discuss credit.

Liam M. Brickley
Senior VP & Chief Credit Officer

Thanks, Mike. The overall loan portfolio saw a slight shift in composition during the third quarter. We experienced solid growth in the commercial real estate segment, specifically the nonowner-occupied segment. Offset by decreases in our residential construction and commercial C&I business.

Looking closer on Slide 10. Some of the main real estate segments within the portfolio, which we consider more susceptible in the current environment, we saw stabilized to improving conditions and outlooks from our clients. We worked very closely with our clients, and there has been a growing positive sentiment around the future operating environment and the ability to manage through the uncertainties going into the first half of 2021.

While we believe it will still take some time to fully rebound from the difficulties of 2020, we are noticing improving client confidence since the last quarter. We recorded a modest reduction in hotel exposure at year-end. A substantial number of borrowers in this sector went into the crisis with modest leverage and have fared better than expected. Overall, our commercial real estate portfolio remains strong, with strong underlying fundamentals, including stable loan to values.

Flipping to Slide 11. We are pleased to report deferrals declined to approximately 2% of the total portfolio at year-end. This is significantly lower than the approximately 21% high point at the end of the second quarter of 2020. Our largest loan segment, which is our CRE nonowner-occupied, decreased from a high of 28% in June to 4% at year-end.

We saw a significant decrease of deferrals in the CRE owner-occupied portfolio from a high of 29% down to 2% at year-end. The hard work of the team working closely alongside our clients yields confidence in the improvements.

During the fourth quarter, overall criticized loans decreased. There has been substantial reduction in classified loans as we successfully reduced our exposure or exited several transactions. This was partially offset by net new downgrades to the special mention category for a number of clients whose business models such as commercial real estate operators in the retail space and for outpatient surgical centers have been impacted by COVID.

Despite the increase in special mention credits, the reduction in NPA and classified exposure is a positive sign. However, it remains too early to tell that this is the beginning of a trend. We will have a clearer view of the new normal trading conditions as the COVID vaccine rolls out over the next few quarters. If economic conditions continue to improve, along with an increase to our customer sentiment, we would expect that these portfolios could show further improvement.

Slides 12 and 13 provide a more granular view of our deferral history, and future expectations as of 12/31/20.

As we see on Slide 12, a portion of the CRE nonowner-occupied concentrated in hospitality and restaurant borrowers continued deferments into this year. The vast majority, approximately 87% of these commercial deferrals are currently on an interest-only payment schedule. These deferred loans are expected to return to regular P&I schedules in the second quarter of 2021. We remain committed to working alongside COVID-impacted clients to assist where prudent and necessary.

Slide 13 details the breakout between first, second and third term deferrals. As seen in the slide, the third deferrals are continuing into 2021, and are expected to reduce to near 0 in the second half of the year.

Slide 14 breaks out the deferral information for our largest loan segment, the CRE nonowner-occupied segment. As mentioned a moment ago, this segment represents the bulk of the third time deferrals, but we are confident that the majority of these borrowers will resume full payments later this year.

As Frank and Mike touched on the 2021 outlook earlier, I wanted to add a few comments. After working with many of our customers during the pandemic over the last 10-months, we have managed through a wide range of unknowns and uncertainties. Some of which persist to this day. We all have considered worst-case scenarios at one point or another. But at the end of the day, we relied on our sound underwriting practice, experience and patience to overcome these obstacles.

From where we were at the middle of 2020 to now, I can say that customer sentiment has improved, and there is improving clarity and enhanced confidence with respect to the prospects of a continuing economic recovery. If we continue on the path of improving economic conditions, I believe our credit quality measures will improve, and the prospect for loan growth will as well.

With that, we'll turn the call back to Frank.

Francis J. Leto
President, CEO & Director
Thanks, Liam. And with that, operator, we'll open up the line to questions, please.

Question and Answer

Operator

[Operator Instruction]. The first question today comes from Casey Whitman of Piper Sandler.

Casey Cassiday Whitman
Piper Sandler & Co., Research Division

So congrats on the success in the wealth businesses last year. So just wondering, it's been a while since you did any acquisitions in the wealth space. So I was just curious as to what your guys appetite was for wealth acquisitions this year.

Francis J. Leto
President, CEO & Director

Casey, I think we're always looking at things and opportunities. Nothing's come across that has made sense for us. Just generally, the RIA acquisitions that banks have done, if you look around the country, they haven't all been that successful. I think probably our most successful acquisitions in the past have been of trust companies that have a similar structure and model to what we've had.

So we don't need to stretch. We're not trying to take any unnecessary risk with these types of acquisitions because we've had such success with the organic loan growth. I think we'll continue to look at opportunities as they say, as they develop. And if there's something that makes sense and is strategic to what we're doing, we'll obviously execute on it. But for the time being, we'll continue our focus on organic growth.

Casey Cassiday Whitman
Piper Sandler & Co., Research Division

Makes sense. I guess, while we're on the topic, any updated thoughts on just how you're looking at bank M&A this year as well?

Francis J. Leto
President, CEO & Director

I very much did always uptake that wealth in RIA. I mean just we haven't seen anything really that is strategic for us, and that really is going to -- it wouldn't be franchise dilutive, for example, or that would be -- that will really be additive in our markets. So again, we're just -- we've been spending the last couple of years building up the infrastructure for growth, building up technology for growth, putting a really -- I think, one of the best teams in community banking in place. And I think that will continue to be our focus as we go forward unless something pops up that will make sense for us to jump into.

I mean I think you know our market pretty well. There's a lot of opportunity here on the organic side. So we think we can keep that growth trajectory going. Once this pandemic settles down, we'll keep it going in the right direction.

Casey Cassiday Whitman
Piper Sandler & Co., Research Division

Understood. Makes sense. I'll just ask 1 more maybe on the margin. We saw it stabilize this quarter. I appreciate the outlook you gave. Just wondering if you could give us some details on where new production yields are coming on relative to the portfolio yield? And just whether there's still any pressure there if the gap has kind of narrowed enough here?

Michael William Harrington
Chief Financial Officer

Yes, I'll take that, Casey. Yes. I mean, new yields are coming on lower than, I'd say, on average than the actual yield, but it's -- they're pretty close to one another. So that the overall yield on the book is about [3 90,] [3 89], [3 90]. And we're probably putting on new business just below that at this point.

I think the -- what I alluded to in the prepared commentary is that there's so much liquidity out there, and then there's there's not as much demand for credit. So it's 2 things are working against each other to potentially drive spreads lower.

But the good news is the curve steepened a little bit. So that might offset some of that. That downside pressure on the new yields.

Operator

Next question today comes from Michael Perito of KBW.

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Thanks for the color on the call and on the outlook for 2021. I had a few on expenses. I wanted to get a little bit more clarification on -- in the -- on the slide -- apologies, Slide 8, you guys mentioned that expense growth is expected to be minimal versus prior year. If I'm looking at the prior year, I have a core number of about $141 million for 2020. I'm just curious, I guess, is that how you're thinking about the number for 2020 when you talk about minimal growth? Or are there some of those items in the fourth quarter that you alluded to in your prepared remarks, Mike?

Michael William Harrington
Chief Financial Officer

I tried to keep it simple and just use the GAAP numbers because the -- so I think it's -- we're just -- we want to hold it flat relative to the actual reported number. Not trying to do all the ins and outs gets too complicated to explain and disect. So I would just think I normalize the number for Q4, in particular, just because there was a lot of expense related to that.

So if you normalize the number for Q4 and use $35 million, that would have taken a number down to about $35 million. And then we just expect that number to kind of hold on a relative basis going forward, and that should be pretty close to...

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Okay. So you guys are investing...

Michael William Harrington
Chief Financial Officer

That's around the -- sorry.

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Yes, right. But you mean when you say minimal versus prior year, it sounds more so like that fourth quarter run rate you guys are hoping that will hold, but there could be some upward pressure to it, depending on the pace of your investments and your growth opportunity?

Michael William Harrington
Chief Financial Officer

Yes. I mean, so the occupancy expense coming down will be lower year-over-year, that money is getting redeployed into technology and people, basically. But again, we expect the expense growth number to be very minimal, so very low single digits, if 0, if not 0.

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. That's helpful. And then Mike or Frank, I was wondering if you guys can maybe walk us through a little bit the kind of updated technology road map for the next year or 2 as you guys see it? I mean I know you guys are pretty advanced in your rollout of nCino across the platform at this point. Just curious if there's any other kind of specifics that you can share that you guys are looking at that you think could be impactful, and we should be mindful of as we move -- as we be in 2021 here.

Francis J. Leto
President, CEO & Director

Sure. Well, nCino really is, I think, the story for the first half of this year, for sure. We've launched 3 modules of nCino between the end of '19 through '20. And the commercial piece, which is the largest piece and probably the most complicated of all is what bring the throes of right now. Should be done, hopefully, close to the end of the second quarter. That's the goal.

So I don't want to say we're not doing anything in the interim, but that is really prime focus for everybody to get that completed and try to get the efficient -- start to get the efficiencies of a system like that. We're also in the [indiscernible] technology transformation internally. And hopefully, maybe next quarter, we'll have Adam on the call, and he can give you a little bit more color like he did at our last Investor Day, but we're moving a lot of our technology into the cloud, getting out of it. Management -- managing hardware business literally getting out of that. So that's a big focus going forward.

Some of our subsidiaries are looking at platform changes and some upgrades and additions to their platforms. And as always, just like any, I think, appropriate strategic planning we've -- Adam has done a really nice job of putting together a plan for us over the next 2 to 3 years. So there'll be a continued investment in upgrade in our technology, hopefully resulting in continued efficiencies.

And I think part of what you're hearing from Mike, just keeping expenses flat. And one of the reasons we're able to do that is because of what we've invested in over the last couple of years. And I think everything we do going forward is with an eye towards that kind of efficiency build. Does that help you?

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Helpful. Yes. No, it does. Thanks, Frank. And that -- it does. And then just lastly, as we -- just a little bit of a 2-part question here, but just -- it sounds like the credit environment is fairly stable. And the optimism of the clients is improving, although you guys are still remaining a little cautious and just making sure that it doesn't go the other way, and we'll see what the stimulus and the vaccine looks like. But for the most -- but it seems like it's fair to think that certainly, provision expense in 2021 will be lower than what it was in 2020.

But as I think about profitability overall. Obviously, the somewhat more normalized credit cost will help, but how do you guys think about -- I mean, is there room with kind of that expense outlook that you laid out to improve the pre-provision earnings profile of the bank in 2021? Or does the low rate environment make that kind of a challenging endeavor and likely, maybe more of a 2022 environment if we get some steepness at that point? Or any kind of color on how you guys are thinking about that over the next 12-months or so?

Michael William Harrington
Chief Financial Officer

Want me take that, Frank?

Francis J. Leto
President, CEO & Director

Yes, go ahead.

Michael William Harrington
Chief Financial Officer

So Mike, I think that's the latter. So I think the an idea around holding expenses flat as a function of just the pressure on the earnings side of the house and growing that year-over-year. As we mentioned, I think the loan growth is probably loaded on the back end of the year. So we -- so you end up with a modest increase in average balances year-over-year and then you get the full effect of the decrease in the margin from the prior year. So we're going to endeavor to grow.

We think we can grow our fee income business to offset some of that. So -- and that leaves you with the situation you described. The second part of your second kind of scenario, which is it's difficult until until we see the average growth -- average loan growth start to materialize on the balance sheet, and that really throws you into 2022.

Francis J. Leto
President, CEO & Director

I think it's consistent with what we're hearing with respect to the vaccine rollout. I mean, I think we're just trying to be cautious about how we look at the environment really prior to getting back to some kind of a normalized life that we're going to lead.

Michael Perito
Keefe, Bruyette, & Woods, Inc., Research Division

Yes. Makes sense. And I got one more quick follow-up because you brought something up, Mike, I just want to clarify. What -- if I look at the earning asset base today, right, there's still probably like year-on-year up maybe $300 million, $400 million, right, with some of the liquidity that came in from PPP. And just the environment itself.

I mean, at this point, is it still safe to assume near-term that a lot of that liquidity and that balance sheet size is probably going to stick around? Or are you seeing any updated thoughts around kind of liquidity normalizing from some of your customer base?

Michael William Harrington
Chief Financial Officer

Well, we haven't seen it normalize yet. So in fact, at the end of the year, we sort of saw a liquidity washing out of the bank. Now some of that's going back out. But we don't feel like there's going to be a big change in the liquidity profile.

And again, it goes back to -- that's one of the constraints, we believe, in terms of loan growth, especially in the first half, as there's so much liquidity that, when is the uptick going to be there to use that liquidity and then subsequent to that, then when will the credit demand return to where it was pre pandemic.

So -- but no real change, Mike. I think we're still going to see us sitting on a decent amount of excess liquidity. When I say that the balance sheet will be liquid from a deposit standpoint, I'm trying to run that out where we can, where it doesn't make sense to hold it and put it in overnight. And then we've also done some things in the investment portfolio to try to get some of those dollars invested. With a little bit better yields than overnight cash.

So been successful there. And you can see we've had a -- if and when you take a deeper look at the at the information, you'll see we've grown -- we've put a credit book on of about $100 million of CLOs and some sub debt and things like that to supplement the lack of loan growth.

Operator

Next question comes from Erik Zwick of Boenning and Scattergood.

Erik Edward Zwick
Boenning and Scattergood, Inc., Research Division

I just wanted to start on noninterest income and the capital markets revenue specifically. That obviously varies from quarter-to-quarter based on certain activity. I guess if I look at it from a full year perspective, level about $9.5 million in 2020. Any thoughts on how that trends going forward here in 2021?

Francis J. Leto
President, CEO & Director

Mike, do you want to take that?

Michael William Harrington
Chief Financial Officer

Yes, I think that number is a good -- that's a good way to think about it, Erik. So we're just going to have volatility. The -- a lot of that revenue is dependent on when we close loans, access to our length. So in some of what we might have expected in Q4, some of that activity rolled into Q1 of this year. But that $9.5 million number, $10 million number, we think, is a good number if you're thinking about it on a go-forward basis. And that's where we'll land -- at least land there in 2021.

Erik Edward Zwick
Boenning and Scattergood, Inc., Research Division

Got it. And then switching gears to the newly authorized ground of PPP. Just curious how much demand are you seeing? How active do you intend to be? And do you anticipate selling again as you did the first time around?

Michael William Harrington
Chief Financial Officer

Do you want me to take that, Frank?

Francis J. Leto
President, CEO & Director

Whatever you -- go ahead, Mike, if you want to help me out. Or let me -- go ahead.

Michael William Harrington
Chief Financial Officer

Yes, I mean -- go ahead.

Francis J. Leto
President, CEO & Director

Anecdotally, I mean, we're not seeing as nearly as much demand as we saw the first time through. But not to say there isn't. I mean we've had some requests. We are not going to participate in round two. We sold the portfolio to a very large servicer of loans. We've worked out an arrangement where we're referring our customers to them. At the end of the day, it's -- there's so much operational risk for a bank like Bryn Mawr, who's not an SBA shop and doesn't have an extra 100 people in the loan operations group to manage the credits.

As we -- if you look back, I mean, everybody thought everything was going to run off real quickly and forgiveness has taken a lot longer. So there is still a process you have to go through with those loans. And I think it served us really well to exit the portfolio back in June because we've been able to devote really 100% of our attention to the customers, which is what we wanted to do. I think that's how we got our deferrals down. And we want to be there going forward for the customers and for their needs going into '21 and '22.

Erik Edward Zwick
Boenning and Scattergood, Inc., Research Division

Got it. And yes, I agree, you guys had a lot of good and accurate foresight to anticipate some of the difficulties and the extension and the whole process. So -- and then last one just...

Michael William Harrington
Chief Financial Officer

Erik, just to add -- to add to Frank. So it's really the first -- I think it's just the first week it's been open, so we will be getting we'll be getting a report. We actually get it later today to see what's coming into our partner -- the company we partnered with that will be handling the second request will go to that partner company. And we will share in some of the revenue related to those second requests that come in. But we haven't gotten any data yet at this point. We'll actually get that later today will be our first report.

Erik Edward Zwick
Boenning and Scattergood, Inc., Research Division

Yes. Great. I look forward to that. And then last one for me, pivoting off the expense discussion. And Mike, you mentioned that any of the savings that you generate from the branch closures will likely be reinvested in tech and talent.

I guess on that latter front, in terms of the talent you guys have previously talked about wanting to add to the ranks of the commercial lenders, and it sounds like you have done so recently with the addition of the new director in Southern New Jersey. How do you think about the rest of 2021? What is the market like out there? And I guess, are there specific individuals that you target or just look for opportunities to arise naturally over time?

Francis J. Leto
President, CEO & Director

I think it's all -- it will be above, Erik. I mean, I think we obviously know some key players in the marketplace and always try to keep the channel communication open with them. And then opportunities just pop up, referrals come through, we get wind of somebody's moving on and unhappy or wants to move on of the unhappy. And we'll try to take advantage of those, and it's not just on commercial lending.

I mean, I know that in our wealth group Jen's always looking for lift out opportunities for just talent anywhere we can find it that makes sense and really fits with our culture at the bank. So it's -- I mean it's a broad answer, but it's a really pretty broad question about how we get these people in that, but I think you can look at it across the entire enterprise, not just in commercial lending.

Operator

Next question comes from Matthew Breese of Stevens Inc.

Matthew M. Breese
Stephens Inc., Research Division

A few questions. So sorry to go back to expenses. I just got a little bit confused there. On one hand, Mike, you said, hold the full year GAAP number trying to target that flat. But then I also heard you talk about the 4Q number of $35 million. Could you just clarify for me what the base is?

Michael William Harrington
Chief Financial Officer

I think the -- yes, just use 2020 as your flat number.

Matthew M. Breese
Stephens Inc., Research Division

The GAAP? $140 million?

Michael William Harrington
Chief Financial Officer

Yes. Gap number. $142 million, $143 million.

Matthew M. Breese
Stephens Inc., Research Division

Okay. And then on loan growth, I know it's been a challenge. I was hoping you could talk a little bit about the interplay between originations and payoffs and what the pipeline looks like.

Michael William Harrington
Chief Financial Officer

Well, the pipeline is building. Some of the activity, as I noted earlier, just related to my comment around capital markets, some of that activity. We expected that we might have closed in Q4, moved into Q1. We just had a board meeting yesterday and approved a bunch of credits here on the construction side.

So there's activity. And -- but again, I think just adding incremental growth, I think, in the first half is going to be like we said, we think the growth will be muted in the first half and then potentially pick up in the second half.

Matthew M. Breese
Stephens Inc., Research Division

Got it. All right. And then turning to BMT Delaware, a lot of growth there. It seems like it's doing quite well. I was hoping you can give us an update in terms of where AUM actually stands today. I was also curious in terms of business line efficiency and how the pipeline for new business looks given the new administration?

Michael William Harrington
Chief Financial Officer

Frank, do you wanna just take that?

Francis J. Leto
President, CEO & Director

Yes. I mean I don't know that we're putting out mid-quarter updates on AUM, but it continues to grow. I mean, I can say that and grow nicely. We finished the year -- it was really an extraordinary year for BMT Delaware, and that momentum has been carried into the -- certainly the first part of this month. It appears to continue forward. I think we'll see as, I guess, tax reform develops, we're going to see more -- probably more opportunity, that's usually what happens. That's usually what happens.

We saw a lot of that build up at the end of last year. But our business is so broad and our -- I don't -- it's not just going to be driven by tax law changes. And this is driven in a large part by a lot of just fundamental estate planning that people execute on.

So I think there's a great -- still great opportunity, great growth opportunity in that business. We have really, really, I think, an exceptional team down there. We hear it consistently and constantly from our clients. So I expect the momentum to continue really through most of this year.

Michael William Harrington
Chief Financial Officer

Yes. The only thing I can answer your question specifically, that business was about $11 billion at the end of the the end of the year, just under that. And then as Frank noted, I mean, the momentum in the business, especially at the end of the year, and this kind of goes back to my comment around when I was normalizing expenses, a lot of the incentives we were paying were related to new business that was being written and Bryn Mawr trusted Delaware all the way up till December 31.

It's one of the things that sets us apart is we keep -- we stay open and continue to do business right till the end of the year in that area. And it's really, really benefited us in both customer service is actually, I think it sets us apart.

Francis J. Leto
President, CEO & Director

Yes. Actually, I think Bob was -- Bob actually closed early on New Year's Eve, about 08:30. New Year's evening, literally. So that just speaks to the level of service and to why. I think this becomes a choice for most of the -- a lot of our referral sources.

Matthew M. Breese
Stephens Inc., Research Division

I appreciate that. Next one is just in the deck, there is a mention of the share repurchase authorization. Can you just talk a little bit about willingness, ability? Or what are the circumstances where you would repurchase?

Michael William Harrington
Chief Financial Officer

Well, yes, we had paused it when we first went into this -- into the pandemic, I think that pauses off now. So we have the capacity. We have authorization of our boards. We've got a $700,000 of share authorization still remaining on the original authorization that we went to them with.

And then we've got, as we noted also in the same slide, kind of a lot of cash at the holding company were sitting on over $100 million of cash here. So we'll definitely be evaluating it and looking for opportunities potentially to buy our stock back in the future.

Matthew M. Breese
Stephens Inc., Research Division

Okay. Just the last one for me. In regards to the new Regional President in South Jersey. Could you just frame for us what specific markets within South Jersey you're looking to target? Yes, and what business line, CRE, C&I, a little bit of both curious?

Francis J. Leto
President, CEO & Director

Well, George, I think his background is in C&I. So I mean, I think that will obviously be his sweet spot, but as he builds his team, I mean, there's so many opportunities on the CRE front. It's really an extension of the Philadelphia market. I mean I think you know that in South Jersey. So we get a lot of opportunities on the CRE front as a result. And it's a natural outgrowth of what Kevin Miles has been doing for us with his ties up in Princeton and that Central New Jersey area, is a natural extension of what we've been doing there. So I think you'll see a broad base of business coming out of George and his team.

Operator

[Operator Instruction]. The next question comes from Christopher Marinac of Janney Montgomery Scott.

Christopher William Marinac
Janney Montgomery Scott LLC, Research Division

I wanted to circle back on the criticized and classified assets. We saw some movement in the retail area and just a little bit in hospitality. I'm just curious kind of what the path to the further upgrades or downgrades that you see the next couple of quarters.

Michael William Harrington
Chief Financial Officer

Liam?

Liam M. Brickley
Senior VP & Chief Credit Officer

Sure. We look at our credit class book in detail monthly. And our last review was actually yesterday. So I think the ultimate trajectory is tied to the pace of economic recovery and the rollout, which in turn is tied to the rollout of the vaccine.

We're -- folks are stable right now. So we're not looking at a lot of people burning through cash. But the triggers for upgrades are really going to be kind of a return to normalized trading activities. So all things being equal, it looks like a pretty reasonable upward trajectory if the economic conditions hold and continue to accelerate. And if the impact of public health initiatives take hold in a meaningful way in the Q2, Q3 kind of context.

Christopher William Marinac
Janney Montgomery Scott LLC, Research Division

Okay. Great. That's helpful. And then just a follow-up on the utilization data that you've shared in the last couple of quarters. How does this decline with seeing utilization kind of compare back 10, 12 years ago, the last crisis? I mean is it normal to see this? Or is it somewhat unusual what we've seen this past year?

Francis J. Leto
President, CEO & Director

Well, I think the last crisis was fundamentally different than this one, in that it was driven by an imbalance of speculative real estate, both on the residential and the commercial side that came crashing down.

This recession is clearly driven by the COVID impact, and business managers are not making unnecessary investments in inventory or expansion and have been, frankly, hoarding a little bit of cash to weather the storm. And I think that's what's driving the utilization for the most part, is good, prudent balance sheet management by our counterparties. And that extends into the HELOC world in the consumer land. HELOC usage is very typically a confidence issue.

So -- and folks have not been going crazy there. But also, a lot of that's been refinancing away into long-term 30-year paper with a 2 handle because the market has provided that opportunity for folks. But we think that's -- comparing this recession with 10 years ago is apples and oranges. I don't think the comparisons really tell us anything.

Christopher William Marinac
Janney Montgomery Scott LLC, Research Division

Got it. No, I don't disagree. I just appreciate the background and comparisons.

Operator

Next question comes from Bernard Horn of Polaris Capital Market.

Bernard Robert Horn
Polaris Capital Management, LLC

I just had a forward-looking question with respect to the commercial real estate. And I know you've given some good color on that earlier. But I guess my question is more focused on what could happen as the post-COVID world changes, especially, you hear a lot of companies talking about reducing space by 25% and so forth. And I know there may be situations where people are going to need more space, but you don't hear people saying, we need 25% more space because we're going to distance people. You only hear them saying, on a net basis, we need 25% less space.

So if you -- do you have any kind of early signals or anecdotal evidence from -- it sounds like you've been very active with your customers, both on the hotel side as well as the real estate side that might suggest people are beginning to prepare for lower real estate. And if you take vacancy rates up on your portfolio, what happens and to the -- I know obviously, the LTVs could be low, but that doesn't help with rents all get ratcheted down and so forth. I know it's a long-winded question, but I think you get the point.

Michael William Harrington
Chief Financial Officer

Liam, do you want to take that?

Francis J. Leto
President, CEO & Director

Sure, Liam start, and I'll add to it, go ahead Liam.

Liam M. Brickley
Senior VP & Chief Credit Officer

Sure. Well, first and foremost, all real estate is local, and we have the benefit of sitting in a not an over built, not a frothy kind of commercial real estate market in Southeastern Pennsylvania, South Jersey. So the supply and demand dynamics were pretty well matched up going into this crisis.

We have not heard of anything about the rent -- space reductions in our office -- with our office customers. But it's early days, and those leases roll off on long-term schedule. So it's not like there's an imminent issue, at least in our book. And longer term, I think there are puts and takes. Social distancing requires more space for the same number of FTE that probably is a long-term trend. The number of FTE in a building will probably reduce.

Where that settles out is a great question, but I think it's too early to tell. In the hospitality space, our folks anticipate, and I kind of compare with their assessment that leisure oriented travel, going to your kid's soccer tournament or whatever that's going to bounce back relatively strongly with with the medical condition getting under control, right? And that's vaccine stuff. Those hospitality properties, which are more dependent on business travel, probably have a longer road to recovery just as corporate treasurers are learning to operate in budgets, a certain amount of that business will probably take years to bounce back.

So it's very different property by property, sponsor by sponsor, but we're cautiously optimistic in that trading conditions just bouncing modestly off the bottom leave us with a pretty good portfolio.

Bernard Robert Horn
Polaris Capital Management, LLC

I don't know if anybody else was -- I thought somebody else going to comment, but that's fine. That certainly covers it. I guess the only follow-up...

Francis J. Leto
President, CEO & Director

It's Frank. I'll just make 1 quick comment because you'd asked about anecdotal -- have I heard anything anecdotally? And just very anecdotally, and I'm not saying this is even occurring in our portfolio. But I have spoken to some operators who are looking to repurpose space. And I think it's no different than what you heard at a much broader level with Amazon jumping into retail space and malls, and people are looking at can they do something different with office space, whether it be residential or something else.

So I know those conversations are going on. I know people are looking at things, but we don't have any particular evidence in our portfolio.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Frank Leto for any closing remarks.

Francis J. Leto
President, CEO & Director

Well, after a very difficult year, I think we're happy to have that one behind us. We're looking forward to 2021. And again, we thank you for -- I thank our shareholders for your confidence in us, and thank everybody else on the call for your interest in Bryn Mawr Trust. Talk to you soon.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.