

PharMerica CORP
Form 4
March 23, 2015

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
WEISHAR GREGORY S

(Last) (First) (Middle)

1901 CAMPUS PLACE

(Street)

LOUISVILLE, KY 40299

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
PharMerica CORP [PMC]

3. Date of Earliest Transaction
(Month/Day/Year)
03/19/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

Chief Executive Officer

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	(A) or (D)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	Price		
Common Stock, \$0.01 par value	03/19/2015		A		62,236	\$ 0	D	
Common Stock, \$0.01 par value	03/19/2015		A		38,600	\$ 0	D	
Common Stock, \$0.01 par value	03/19/2015		F		31,115	\$ 27.85	D	

Common Stock, \$0.01 par value	1,500	I	By Son
Common Stock, \$0.01 par value	7,000	I	By Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned (Instr. 5)
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
WEISHAR GREGORY S 1901 CAMPUS PLACE LOUISVILLE, KY 40299	X		Chief Executive Officer	

Signatures

Berard Tomassetti,
Attorney-in-Fact
03/23/2015

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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66

\$

1,792

\$

-

\$

-

\$

-

\$

8

\$

-

\$

-

\$

1,866

Ending balance: collectively evaluated for impairment

\$

1,124

\$

2,194

\$

13

\$

1

\$

541

\$

421

\$

68

\$

Explanation of Responses:

195

\$

4,557

Loans receivables:

Ending balance

\$

106,033

\$

296,103

\$

46,849

\$

1,496

\$

68,321

\$

26,464

\$

Explanation of Responses:

4,473

\$

-

\$

549,739

Ending balance: individually evaluated for impairment

\$

269

\$

10,014

\$

-

\$

-

\$

260

\$

71

\$

-

\$

-

\$

10,614

Ending balance: collectively evaluated for impairment

\$

105,764

\$

286,089

\$

46,849

\$

1,496

\$

68,061

\$

26,393

Explanation of Responses:

\$
4,473

\$
-

\$
539,125

(Dollars in thousands)

As of, and for the period ended, March 31, 2013	Commercial and industrial	Commercial real estate	Commercial real estate - construction	Lease financing	Residential mortgage	Home equity	Consumer	Unallocated	Total
Allowance for loan and lease losses:									
Beginning balance	\$ 1,298	\$ 3,112	\$ 64	\$ 1	\$ 581	\$ 343	\$ 101	\$ 9	\$ 5,509
Charge-offs	(21)	(25)	-	-	(104)	-	(5)	-	(155)
Recoveries	7	3	-	-	-	3	8	-	21
Provisions	(3)	453	(25)	-	126	3	1	(60)	495
Ending balance	\$ 1,281	\$ 3,543	\$ 39	\$ 1	\$ 603	\$ 349	\$ 105	\$ (51)	\$ 5,870

Ending balance: individually evaluated for impairment	\$ 83	\$ 1,580	\$ 28	\$ -	\$ 5	\$ 17	\$ -	\$ -	\$ 1,713
Ending balance: collectively evaluated for impairment	\$ 1,198	\$ 1,963	\$ 11	\$ 1	\$ 598	\$ 332	\$ 105	\$ (51)	\$ 4,157

Loans receivables: Ending balance	\$ 83,479	\$ 285,873	\$ 35,278	\$ 1,256	\$ 59,359	\$ 22,800	\$ 7,151	\$ -	\$ 495,196
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Explanation of Responses:

Ending balance: individually evaluated for impairment	\$ 393	\$ 10,628	\$ 54	\$ -	\$ 60	\$ 188	\$ -	\$ -	\$ 11,323
Ending balance: collectively evaluated for impairment	\$ 83,086	\$ 275,245	\$ 35,224	\$ 1,256	\$ 59,299	\$ 22,612	\$ 7,151	\$ -	\$ 483,873

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MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

(Dollars in thousands)

As of December 31, 2013	Commercial and industrial	Commercial - real estate	Commercial real estate - construction	Lease financing	Residential mortgage	Home equity	Consumer	Unallocated	Total
Allowance for loan and lease losses:									
Ending balance:	\$ 1,187	\$ 4,006	\$ 9	\$ -	\$ 581	\$ 441	\$ 72	\$ 21	\$ 6,317
Ending balance: individually evaluated for impairment	\$ 42	\$ 1,860	\$ -	\$ -	\$ 25	\$ 6	\$ -	\$ -	\$ 1,933
Ending balance: collectively evaluated for impairment	\$ 1,145	\$ 2,146	\$ 9	\$ -	\$ 556	\$ 435	\$ 72	\$ 21	\$ 4,384
Loans receivables:									
Ending balance:	\$ 105,844	\$ 292,774	\$ 45,647	\$ 1,356	\$ 69,830	\$ 26,321	\$ 4,690	\$ -	\$ 546,462
Ending balance: individually evaluated for impairment	\$ 300	\$ 10,245	\$ -	\$ -	\$ 291	\$ 76	\$ -	\$ -	\$ 10,912
Ending balance: collectively evaluated for impairment	\$ 105,544	\$ 282,529	\$ 45,647	\$ 1,356	\$ 69,539	\$ 26,245	\$ 4,690	\$ -	\$ 535,550

The recorded investments in troubled debt restructured loans at March 31, 2014 and December 31, 2013 are as follows:

(Dollars in thousands)

March 31, 2014	Pre-Modification	Post-Modification
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Explanation of Responses:

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	Outstanding Recorded Investment	Outstanding Recorded Investment	Recorded Investment
Commercial and industrial	\$ 40	\$ 35	\$ 29
Commercial real estate	10,581	8,686	7,338
Residential mortgage	423	417	260
	\$ 11,044	\$ 9,138	\$ 7,627

(Dollars in thousands) December 31, 2013	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Recorded Investment
Commercial and industrial	\$ 40	\$ 35	\$ 29
Commercial real estate	10,581	8,686	7,470
Residential mortgage	423	417	266
	\$ 11,044	\$ 9,138	\$ 7,765

Mid Penn entered into forbearance agreements on all loans currently classified as troubled debt restructures and all of these agreements have resulted in additional principal repayment. The terms of these forbearance agreements vary whereby principal payments have been decreased, interest rates have been reduced and/or the loan will be repaid as collateral is sold.

Mid Penn's troubled debt restructured loans at March 31, 2014 totaled \$7,627,000, of which, \$806,000 represented five accruing loans to unrelated borrowers. One is a large commercial real estate loan for \$576,000, while the remaining four loans are residential mortgages, all in compliance with the terms of the modification. The remaining \$6,821,000, representing 12 loans, are nonaccrual impaired loans, and resulted in a collateral evaluation in accordance with the guidance on impaired loans. Of these 12 loans, one business relationship accounted for five loans totaling \$610,000, a large commercial participation totaling \$1,427,000 accounted for three loans, and the remaining four loans to unrelated borrowers totaled \$4,784,000. Included in the \$4,784,000 are two large commercial real estate loans with balances of \$3,170,000 and \$1,585,000.

At December 31, 2013, troubled debt restructured loans totaled \$7,765,000, of which, \$833,000, representing five loans to unrelated borrowers, are accruing residential mortgages in compliance with the terms of the modification. Of the \$833,000, four are accruing residential mortgages totaling \$235,000 and one is an accruing commercial real estate loan totaling \$598,000. The remaining \$6,932,000, representing 12 loans, are nonaccrual impaired loans, and resulted in a collateral evaluation in accordance with the guidance on impaired loans. Of these 12 loans, two large unrelated commercial real estate relationships accounted for two loans totaling \$4,819,000, one business relationship accounted for five loans totaling \$609,000, a large commercial participation totaling \$1,473,000 accounted for three loans, and the remaining two unrelated loans totaled \$31,000.

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

As a result of the evaluations at March 31, 2014 and March 31, 2013, a specific allocation and, subsequently, charge-offs have been taken as appropriate. As of March 31, 2014 and March 31, 2013, charge-offs associated with troubled debt restructured loans while under forbearance agreement totaled \$0 and there were no defaulted troubled debt restructured loans as all troubled debt restructured loans were current with respect to their associated forbearance agreements. As of March 31, 2014, one forbearance agreement was negotiated during 2008, 10 forbearance agreements were negotiated during 2009, one forbearance agreement was negotiated in 2010, and five forbearance agreements were negotiated in 2013.

There were no new loans modified during the three months ended March 31, 2014 that resulted in troubled debt restructurings.

The following table summarizes loans whose terms have been modified resulting in troubled debt restructurings during the three months ended March 31, 2013.

(Dollars in thousands)		Pre-Modification	Post-Modification	
March 31, 2013		Outstanding	Outstanding	
	Number of Contracts	Recorded	Recorded	Recorded
		Investment	Investment	Investment
Residential mortgage	1	\$ 60	\$ 60	\$ 60

(4) Fair Value Measurement

Fair value measurement and disclosure guidance defines fair value as the price that would be received to sell the asset or transfer the liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. This guidance provides additional information on determining when the volume and level of activity for the asset or liability has significantly decreased. The guidance also includes information on identifying circumstances when a transaction may not be considered orderly.

Fair value measurement and disclosure guidance provides a list of factors that a reporting entity should evaluate to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability. When the reporting entity concludes there has been a significant decrease in the volume and level of activity for the asset or liability, further analysis of the information from that market is needed and significant adjustments to the related prices may be necessary to estimate fair value in accordance with the fair value measurement and disclosure guidance.

This guidance clarifies that when there has been a significant decrease in the volume and level of activity for the asset or liability, some transactions may not be orderly. In those situations, the entity must evaluate the weight of the evidence to determine whether the transaction is orderly. The guidance provides a list of circumstances that may indicate that a transaction is not orderly. A transaction price that is not associated with an orderly transaction is given little, if any, weight when estimating fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own belief about the assumptions market participants would use in pricing the asset or liability based upon the best information available in the circumstances. Fair value measurement and disclosure guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. An asset's or liability's placement in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement or disclosure. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Inputs - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Inputs - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

Explanation of Responses:

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

There were no transfers of assets between fair value Level 1 and Level 2 for the three months ended March 31, 2014.

The following tables illustrate the assets measured at fair value on a recurring basis segregated by hierarchy fair value levels.

(Dollars in thousands)	Total carrying value at March 31, 2014	Fair value measurements at March 31, 2014 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
U.S. Treasury and U.S. government agencies	\$ 12,571	\$ -	\$ 12,571	\$ -
Mortgage-backed U.S. government agencies	36,117	-	36,117	-
State and political subdivision obligations	71,170	-	71,170	-
Equity securities	1,551	521	1,030	-
	\$ 121,409	\$ 521	\$ 120,888	\$ -

(Dollars in thousands)	Total carrying value at December 31, 2013	Fair value measurements at December 31, 2013 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
U.S. Treasury and U.S. government agencies	\$ 12,834	\$ -	\$ 12,834	\$ -
Mortgage-backed U.S. government agencies	39,392	-	39,392	-
State and political subdivision obligations	69,038	-	69,038	-
Equity securities	1,539	519	1,020	-
	\$ 122,803	\$ 519	\$ 122,284	\$ -

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following tables illustrate the assets measured at fair value on a nonrecurring basis segregated by hierarchy fair value levels.

(Dollars in thousands)	Fair value measurements at March 31, 2014 using:			
	Total	Quoted prices in active markets	Significant other observable inputs (Level 1)	Significant unobservable inputs (Level 3)
Assets:	31, 2014	1)	(Level 2)	(Level 3)
Impaired Loans	\$ 6,000	\$ -	\$ -	\$ 6,000
Foreclosed Assets Held for Sale	778	-	-	778
Mortgage Servicing Rights	226	-	-	226

(Dollars in thousands)	Fair value measurements at December 31, 2013 using:			
	Total	Quoted prices in active markets	Significant other observable inputs (Level 1)	Significant unobservable inputs (Level 3)
Assets:	31, 2013	1)	(Level 2)	(Level 3)
Impaired Loans	\$ 6,535	\$ -	\$ -	\$ 6,535
Foreclosed Assets Held for Sale	465	-	-	465
Mortgage Servicing Rights	223	-	-	223

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which Mid Penn has utilized Level 3 inputs to determine the fair value as of March 31, 2014 and December 31, 2013.

(Dollars in thousands) Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
March 31, 2014	Estimate				
Impaired Loans	\$ 6,000	Appraisal of collateral (1)	Appraisal adjustments (2)	10% - 95%	28%
Foreclosed Assets Held for Sale	778	Appraisal of collateral (1), (3)	Appraisal adjustments (2)	15% - 40%	24%
Mortgage Servicing Rights	226	Multiple of annual service fee	Estimated prepayment speed based on rate and term	240% - 400%	352%

(Dollars in thousands) Quantitative Information about Level 3 Fair Value Measurements					
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
December 31, 2013	Estimate				
Impaired Loans	\$ 6,535	Appraisal of collateral (1)	Appraisal adjustments (2)	10% - 95%	25%
Foreclosed Assets Held for Sale	465	Appraisal of collateral (1), (3)	Appraisal adjustments (2)	15% - 40%	24%
Mortgage Servicing Rights	223	Multiple of annual service fee	Estimated prepayment speed based on rate and term	240% - 400%	349%

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally includes various level 3 inputs which are not observable.
- (2) Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal. Higher downward adjustments are caused by negative changes to the collateral or conditions in the real estate market, actual offers or sales contracts received, or age of the appraisal.
- (3) Includes qualitative adjustments by management and estimated liquidation expenses.

The following methodologies and assumptions were used to estimate the fair value of Mid Penn's financial instruments:

Explanation of Responses:

Cash and Cash Equivalents:

The carrying value of cash and cash equivalents is considered to be a reasonable estimate of fair value.

Interest-bearing Balances with other Financial Institutions:

The estimate of fair value was determined by comparing the present value of quoted interest rates on like deposits with the weighted average yield and weighted average maturity of the balances.

Securities Available for Sale:

The fair value of securities classified as available for sale is determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather relying on the securities' relationship to other benchmark quoted prices.

Impaired Loans:

Mid Penn's rating system assumes any loans classified as substandard and non-accrual to be impaired, and all of these loans are considered collateral dependent; therefore, all of Mid Penn's impaired loans, whether reporting a specific allocation or not, are considered collateral dependent.

It is Mid Penn's policy to obtain updated third party valuations on all impaired loans collateralized by real estate within 30 days of the credit being classified as substandard non-accrual. Prior to receipt of the updated real estate valuation Mid Penn will use any existing real estate valuation to determine any potential allowance issues; however no allowance recommendation will be made until which time Mid Penn is in receipt of the updated valuation.

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

In some instances Mid Penn is not holding real estate as collateral and is relying on business assets (personal property) for repayment. In these circumstances a collateral inspection is performed by Mid Penn personnel to determine an estimated value. The value is based on net book value, as provided by the financial statements, and discounted accordingly based on determinations made by management. Occasionally, Mid Penn will employ an outside service to provide a fair estimate of value based on auction sales or private sales. Management reviews the estimates of these third parties and discounts them accordingly based on management's judgment, if deemed necessary. Mid Penn considers the estimates used in its impairment analysis to be Level 3 inputs.

Mid Penn actively monitors the values of collateral on impaired loans. This monitoring may require the modification of collateral values over time or changing circumstances by some factor, either positive or negative, from the original values. All collateral values will be assessed by management at least every 18 months for possible revaluation by an independent third party.

Mid Penn does not currently, or plan to in the future, use automated valuation methodologies as a method of valuing real estate collateral.

Loans:

For variable-rate loans that reprice frequently and which entail no significant changes in credit risk, carrying values approximated fair value. The fair value of other loans are estimated by calculating the present value of the cash flow difference between the current rate and the market rate, for the average maturity, discounted quarterly at the market rate.

Foreclosed Assets Held for Sale:

Certain assets included in foreclosed assets held for sale are carried at fair value and accordingly is presented as measured on a non-recurring basis. Values are estimated using Level 3 inputs, based on appraisals that consider the sales prices of property in the proximate vicinity.

Accrued Interest Receivable and Payable:

The carrying amount of accrued interest receivable and payable approximates their fair values.

Restricted Investment in Bank Stocks:

The carrying amount of required and restricted investment in correspondent bank stock approximates fair value, and considers the limited marketability of such securities.

Explanation of Responses:

Mortgage Servicing Rights:

The fair value of servicing rights is based on the present value of estimated future cash flows on pools of mortgages stratified by rate and maturity date.

Deposits:

The fair value for demand deposits (e.g., interest and noninterest checking, savings, and money market deposit accounts) is by definition, equal to the amount payable on demand at the reporting date (i.e. their carrying amounts). Fair value for fixed-rate certificates of deposit was estimated using a discounted cash flow calculation by combining all fixed-rate certificates into a pool with a weighted average yield and a weighted average maturity for the pool and comparing the pool with interest rates currently being offered on a similar maturity.

Short-term Borrowings:

Because of time to maturity, the estimated fair value of short-term borrowings approximates the book value.

Long-term Debt:

The estimated fair values of long-term debt were determined using discounted cash flow analysis, based on currently available borrowing rates for similar types of borrowing arrangements.

Commitments to Extend Credit and Letters of Credit:

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements.

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes the carrying value and fair value of financial instruments at March 31, 2014 and December 31, 2013.

(Dollars in thousands)	March 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 14,030	\$ 14,030	\$ 8,623	\$ 8,623
Interest-bearing time balances with other financial institutions	5,323	5,323	7,513	7,513
Investment securities	121,409	121,409	122,803	122,803
Net loans and leases	543,316	547,776	540,145	548,923
Restricted investment in bank stocks	3,146	3,146	2,969	2,969
Accrued interest receivable	2,904	2,904	2,704	2,704
Mortgage servicing rights	226	226	223	223
Financial liabilities:				
Deposits	\$ 606,675	\$ 608,611	\$ 608,130	\$ 610,419
Short-term borrowings	28,544	28,544	23,833	23,833
Long-term debt	23,100	23,244	23,145	22,988
Accrued interest payable	486	486	393	393
Off-balance sheet financial instruments:				
Commitments to extend credit	\$ -	\$ -	\$ -	\$ -
Financial standby letters of credit	-	-	-	-

The following presents the carrying amount, fair value, and placement in the fair value hierarchy of Mid Penn's financial instruments as of March 31, 2014 and December 31, 2013. Carrying values approximate fair values for cash and cash equivalents, interest-bearing time balances with other financial institutions, restricted investment in bank stocks, mortgage servicing rights, accrued interest receivable and payable, and short-term borrowings. Other than cash and cash equivalents, which are considered Level 1 Inputs and mortgage servicing rights, which are Level 3 inputs, these instruments are Level 2 Inputs. These tables exclude financial instruments for which the carrying amount approximates fair value.

Fair Value Measurements
Quoted
Prices
in
Active
Significant

(Dollars in thousands)	Carrying	Fair Value	Markets for Identical or Similar Assets or Liabilities (Level 1)			Markets for Significant Other Observable Inputs (Level 2)		Markets for Unobservable Inputs (Level 3)
			1)	(Level 2)	(Level 3)			
March 31, 2014	Amount							
Financial instruments - assets								
Net loans and leases	\$ 543,316	\$ 547,776	\$ -	\$ -			\$ 547,776	
Financial instruments - liabilities								
Deposits	\$ 606,675	\$ 608,611	\$ -	\$ 608,611	\$ -			
Long-term debt	23,100	23,244	-	23,244	-			

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

(Dollars in thousands)	Carrying Amount	Fair Value	Fair Value Measurements		
			Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013					
Financial instruments - assets					
Net loans and leases	\$ 540,145	\$ 548,923	\$ -	\$ -	\$ 548,923
Financial instruments - liabilities					
Deposits	\$ 608,130	\$ 610,419	\$ -	\$ 610,419	\$ -
Long-term debt	23,145	22,988	-	22,988	-

(5) Guarantees

In the normal course of business, Mid Penn makes various commitments and incurs certain contingent liabilities, which are not reflected in the accompanying consolidated financial statements. The commitments include various guarantees and commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Mid Penn evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the customer. Standby letters of credit and financial guarantees written are conditional commitments to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Mid Penn had \$8,797,000 and \$8,458,000 standby letters of credit outstanding as of March 31, 2014 and December 31, 2013, respectively. Mid Penn does not anticipate any losses because of these transactions. The current amount of the liability as of March 31, 2014 for payment under standby letters of credit issued was not material.

(6) Defined Benefit Plans

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Mid Penn has an unfunded noncontributory defined benefit retirement plan for directors. The plan provides defined benefits based on years of service. In addition, Mid Penn sponsors a defined benefit health care plan that provides post-retirement medical benefits and life insurance to qualifying full-time employees. These health care and life insurance plans are noncontributory. A December 31 measurement date for the plans is used.

The components of net periodic benefit costs from these benefit plans are as follows:

(Dollars in thousands)	Three Months Ended			
	March 31,		Other	
	Pension		Benefits	Benefits
	2014	2013	2014	2013
Service cost	\$ 8	\$ 8	\$ 3	\$ 4
Interest cost	13	11	9	9
Amortization of prior service cost	3	5	-	-
Net periodic benefit cost	\$ 24	\$ 24	\$ 12	\$ 13

(7) Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income, net of taxes, are as follows:

(Dollars in thousands)	Unrealized (Loss) Gain on Securities	Defined Benefit Plans Liabilities	Accumulated Other Comprehensive (Loss) Income
Balance - March 31, 2014	\$ 318	\$ (125)	\$ 193
Balance - December 31, 2013	\$ (745)	\$ (127)	\$ (872)

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

(8) Preferred Stock

On December 19, 2008, Mid Penn entered into and closed a letter agreement with the United States Department of the Treasury (the "Treasury") pursuant to which the Treasury invested \$10,000,000 in the Mid Penn Bank under the Treasury's Capital Purchase Program (the "CPP"). Under the letter agreement, the Treasury received (1) 10,000 shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock, \$1,000 liquidation preference ("Series A Preferred Stock"), and (2) warrants to purchase up to 73,099 shares of Mid Penn common stock at an exercise price of \$20.52 per share (the "Warrants").

On December 28, 2012, Mid Penn entered into a letter agreement with the Treasury pursuant to which Mid Penn repurchased from the Treasury all 10,000 shares of the Series A Preferred Stock issued to the Treasury which constitutes all of the issued and outstanding shares of Series A Preferred Stock. Mid Penn repurchased the Series A Preferred Stock for a purchase price equal to the aggregate liquidation amount of the Preferred Stock of \$10,000,000, plus accrued but unpaid dividends of \$59,722. All 10,000 shares of Series A Preferred Stock have subsequently been cancelled.

On January 23, 2013, Mid Penn entered into a letter agreement with the Treasury pursuant to which Mid Penn repurchased from the Treasury on that date the Warrants for \$58,479. The Warrants have subsequently been cancelled.

As of the date hereof, Mid Penn has no further financial obligations under the Series A Preferred Stock, the Warrants or the Treasury's CPP.

(9) Stock Issued Under Private Placement Offering

On September 26, 2012, Mid Penn filed with the Pennsylvania Department of State a Statement with Respect to Shares which, effective upon filing, designated a series of preferred stock as "7% Non-Cumulative Non-Voting Non-Convertible Perpetual Preferred Stock, Series B" ("Series B Preferred Stock"), and set forth the voting and other powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions of the Series B Preferred Stock.

Sales of Preferred Stock

Mid Penn sold shares of its Series B Preferred Stock, in transactions exempt from registration under the Securities Act of 1933, pursuant to Section 4(a)(2) thereof.

Between September 26, 2012 and December 31, 2012, Mid Penn sold 4,880 shares of its Series B Preferred Stock for total gross proceeds of \$4,880,000, which have been offset by issuance costs of \$50,000. On January 3, 2013, 120 additional shares were sold resulting in total gross proceeds of \$5,000,000 for the Series B Preferred Stock offering.

The following table summarizes the Series B Preferred Stock shares sold and the gross proceeds received through the private placement offering as of March 31, 2014:

(Dollars in thousands)

Period	Shares	Gross Proceeds
September 26, 2012 - September 30, 2012	345	\$ 345,000
October 1, 2012 - December 31, 2012	4,535	4,535,000
January 1, 2013 - December 31, 2013	120	120,000
January 1, 2014 - March 31, 2014	-	-
Total	5,000	\$ 5,000,000

Terms of the Series B Preferred Stock

The annual dividend rate for the Series B Preferred Stock is 7% per annum of the liquidation preference of the Series B Preferred Stock or \$70.00 per annum for each share of Series B Preferred Stock. The Board of Directors must approve each dividend payment from legally available funds. Dividends are payable to holders of record of the Series B Preferred Stock as they appear on our books on the record dates fixed by our Board of Directors. Dividends on any of Series B Preferred Stock are non-cumulative. If and when dividends are declared, they will be paid on February 15, May 15, August 15, and November 15 of each year. If a dividend payment date is not a business day, the dividend will be paid on the immediately preceding business day but no additional dividend payment will be prorated from the date of purchase to the first dividend payment date over a quarterly dividend period of 90 days.

MID PENN BANCORP, INC. Notes to Consolidated Financial Statements (Unaudited)

Mid Penn may redeem shares of its Series B Preferred Stock at its option, in whole or in part, at any time subject to prior approval of the Federal Reserve Board, if then required, at a redemption price of \$1,020 per share of Series B Preferred Stock plus an amount equal to any declared but unpaid dividends and in accordance with the terms and conditions set forth in a Certificate of Designations for the Series B Preferred Stock as filed with the Pennsylvania Department of State.

(10) Earnings per Common Share

Earnings per share are computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each of the years presented. The following data show the amounts used in computing basic and diluted earnings per share. As shown in the table that follows, diluted earnings per share is computed using weighted average common shares outstanding, plus weighted average common shares available from the exercise of all dilutive stock warrants issued to the U.S. Treasury under the provisions of the Capital Purchase Program, based on the average share price of Mid Penn's common stock during the period.

The computations of basic earnings per common share follow:

(Dollars in thousands, except per share data)	Three Months Ended	
	March 31,	
	2014	2013
Net Income	\$ 1,511	\$ 685
Less: Accretion of Series A preferred stock discount	-	(14)
Dividends on Series B preferred stock	(87)	(47)
Net income available to common shareholders	\$ 1,424	\$ 624
Weighted average common shares outstanding	3,494,408	3,489,729
Basic earnings per common share	\$ 0.41	\$ 0.18

Mid Penn did not have dilutive securities outstanding as of March 31, 2014 and 2013.

(11) Recent Accounting Pronouncements

ASU 2014-01: The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) 2014-01, Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update permit a reporting entity that invests in qualified affordable housing projects to account for the investments using a proportional amortization method if certain conditions are met.

The Low Income Housing Tax Credit is a program designed to encourage investment of private capital for use in the construction and rehabilitation of low income housing, which provides certain tax benefits to investors in those projects. If an entity elects the proportional amortization method, it will amortize the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense. Otherwise, the entity would apply either the equity method or the cost method, as appropriate.

Amendments in this Update are effective for public business entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. If adopted, the amendments should be applied retrospectively to all periods presented. A reporting entity that uses the effective yield method to account for its investments in qualified affordable housing projects before the date of adoption may continue to apply the effective yield method for those preexisting investments.

Mid Penn is currently evaluating the effects this ASU will have on its consolidated financial statements.

MID PENN BANCORP, INC.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is Management's Discussion of Consolidated Financial Condition as of March 31, 2014, compared to year-end 2013, and the Results of Operations for the three months ended March 31, 2014, compared to the same period in 2013.

This discussion should be read in conjunction with the financial tables, statistics, and the audited financial statements and notes thereto included in Mid Penn's Annual Report on Form 10-K for the year ended December 31, 2013. The results of operations for interim periods are not necessarily indicative of operating results expected for the full year.

Certain of the matters discussed in this document and in documents incorporated by reference herein, including matters discussed under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Mid Penn to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "anticipates", "intend", "plan", "believe", "estimate", and similar expressions are intended to identify such forward-looking statements.

Mid Penn's actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation:

- The effects of future economic conditions on Mid Penn and its customers;
- Governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- Future actions or inactions of the United States government, including a failure to increase the government debt limit or a prolonged shutdown of the federal government;
- Possible impacts of the capital and liquidity requirements of Basel III standards and other regulatory pronouncements, regulations and rules;
 - The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, Financial Accounting Standards Board, and other accounting standard setters;
- The risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements, as well as interest rate risks;
- The effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in Mid Penn's market area 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;

- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- Technological changes;
- Acquisitions and integration of acquired businesses;
- The failure of assumptions underlying the establishment of reserves for loan and lease losses and estimations of values of collateral and various financial assets and liabilities;
- Acts of war or terrorism;
- Our ability to maintain compliance with the exchange rules of the NASDAQ Stock Market, Inc.;
- Our ability to maintain the value and image of our brand and protect our intellectual property rights;
- Volatilities in the securities markets; and
- Slow economic conditions.

Mid Penn undertakes no obligation to publicly revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report. Readers should carefully review the risk factors described in the documents that Mid Penn periodically files with the SEC, including Mid Penn's Annual Report on Form 10-K for the year ended December 31, 2013.

Critical Accounting Estimates

Mid Penn's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and conform to general practices within the banking industry. Application of these principles involves significant judgments and estimates by management that have a material impact on the carrying value of certain assets and liabilities. The judgments and estimates Mid Penn used are based on historical experiences and other factors, which are believed to be reasonable under the circumstances. Because of the nature of the judgments and estimates that Mid Penn has made, actual results could differ from these judgments and estimates, which could have a material impact on the carrying values of assets and liabilities and the results of our operations.

Management of Mid Penn considers the accounting judgments relating to the allowance for loan and lease losses, the evaluation of the Corporation's investment securities for other-than-temporary impairment, the assessment of goodwill for impairment, and the valuation of deferred tax assets to be the accounting areas that require the most subjective and complex judgments.

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The allowance for loan and lease losses represents management's estimate of probable incurred credit losses inherent in the loan and lease portfolio. Determining the amount of the allowance for loan and lease losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan and lease portfolio also represents the largest asset type on the consolidated balance sheet. Throughout the remainder of this report, the terms "loan" or "loans" refers to both loans and leases.

Valuations for the investment portfolio are determined using quoted market prices, where available. If quoted market prices are not available, investment valuation is based on pricing models, quotes for similar investment securities, and observable yield curves and spreads. In addition to valuation, management must assess whether there are any declines in value below the carrying value of the investments that should be considered other than temporary or otherwise require an adjustment in carrying value and recognition of the loss in the consolidated statement of income.

Accounting Standards Codification ("ASC") Topic 350, Intangibles-Goodwill and Other, requires that goodwill is not amortized to expense, but rather that it be tested for impairment at least annually. Impairment write-downs are charged to results of operations in the period in which the impairment is determined. The Corporation did not identify any impairment on its outstanding goodwill from its most recent testing, which was performed as of December 31, 2013. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested when such events occur.

Mid Penn recognizes deferred tax assets and liabilities for the future effects of temporary differences and tax credits. Enacted tax rates are applied to cumulative temporary differences based on expected taxable income in the periods in which the deferred tax asset or liability is anticipated to be realized. Future tax rate changes could occur that would require the recognition of income or expense in the consolidated statements of income in the period in which they are enacted. Deferred tax assets must be reduced by a valuation allowance if in management's judgment, it is "more likely than not" that some portion of the asset will not be realized. Management may need to modify their judgment in this regard from one period to another should a material change occur in the business environment, tax legislation, or in any other business factor that could impair Mid Penn's ability to benefit from the asset in the future.

Results of Operations

Overview

Net income available to common shareholders was \$1,424,000, \$0.41 basic earnings per common share, for the quarter ended March 31, 2014, as compared to net income available to common shareholders of \$624,000, or \$0.18 basic earnings per common share, for the quarter ended March 31, 2013, a 128.2% increase.

Net interest income increased \$813,000, or 14.9%, to \$6,272,000 for the quarter ended March 31, 2014 from \$5,459,000 during the quarter ended March 31, 2013.

The provision for loan and lease losses in the first quarter of 2014 was \$547,000, compared to \$495,000 in the first quarter of 2013.

Net income as a percent of average assets (return on average assets or “ROA”) and shareholders' equity (return on average equity or “ROE”) were as follows on an annualized basis:

	Three Months Ended March 31,	
	2014	2013
Return on average assets	0.86%	0.40%
Return on average equity	11.22%	5.26%

Total assets increased \$5,351,000 to \$718,476,000 at March 31, 2014, from \$713,125,000 at December 31, 2013. Gross loans, increased \$3,277,000 from \$546,462,000 at December 31, 2013 to \$549,739,000 at March 31, 2014. Interest-bearing time deposits with other financial institutions declined \$2,190,000 from \$7,513,000 at December 31, 2013 to \$5,323,000 at March 31, 2014 and available for sale investment securities declined by \$1,394,000 from \$122,803,000 at December 31, 2013 to \$121,409,000 at March 31, 2014. Mid Penn has been allowing the maturing interest-bearing time deposits with other financial institutions run off to fund loan growth and the available for sale securities balance has declined from a combination of security sales and the rapid amortization of the MBS and CMO portfolios. Total deposits decreased \$1,455,000 from \$608,130,000 at December 31, 2013 to \$606,675,000 at March 31, 2014. The money market balance decreased \$3,180,000 from \$196,736,000 at December 31, 2013 due to a rate reduction in the second quarter of 2013 and higher certificate of deposit rate alternatives in the local marketplace. Total noninterest-bearing and interest-bearing demand deposits increased \$4,234,000 from \$249,436,000 at December 31, 2013, primarily in cash management, government, and non-profit accounts, while time deposits declined \$3,389,000 from \$132,373,000 at December 31, 2013 as less aggressive certificate of deposit rates have allowed non-relationship time deposits to run off and shifted the funding composition towards lower-cost deposits and overnight borrowings. This strategy, coupled with the shift in earning assets from lower yielding investments into loans, has provided positive momentum to net interest income during the first quarter of 2014.

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Net Interest Income/Funding Sources

Net interest income, Mid Penn's primary source of revenue, is the amount by which interest income on loans and investments exceeds interest incurred on deposits and borrowings. The amount of net interest income is affected by changes in interest rates and changes in the volume and mix of interest-sensitive assets and liabilities. Net interest income and corresponding yields are presented in the analysis below on a taxable-equivalent basis. Income from tax-exempt assets, primarily loans to or securities issued by state and local governments, is adjusted by an amount equivalent to the federal income taxes which would have been paid if the income received on these assets was taxable at the statutory rate of 34%.

For the three months ended March 31, 2014, Mid Penn's taxable-equivalent net interest margin increased to 4.00%, from 3.53%, for the three months ended March 31, 2013. Net interest income, on a taxable-equivalent basis, in the three months ended March 31, 2014, increased to \$6,655,000 from \$5,785,000 during the same three months of 2013. These increases are primarily attributable to the rise in investment security yields, increasing tax-effected investment security income by 30.9%, as well as the reduction in the cost of supporting liabilities by 23.3% during the three months ended March 31, 2014 compared to the same period in 2013.

Although the effective interest rate impact on earning assets and funding sources can be reasonably estimated at current interest rate levels, the options selected by customers, and the future mix of the loan, investment, and deposit products in the Bank's portfolios, may significantly change the estimates used in the simulation models. In addition, our net interest income may be impacted by further interest rate actions of the Federal Reserve Bank.

Provision for Loan Losses

The provision for loan and lease losses is the expense necessary to maintain the allowance for loan and lease losses at a level adequate to absorb management's estimate of probable losses in the loan and lease portfolio. Mid Penn's provision for loan and lease losses is based upon management's monthly review of the loan portfolio. The purpose of the review is to assess loan quality, identify impaired loans and leases, analyze delinquencies, ascertain loan and lease growth, evaluate potential charge-offs and recoveries, and assess general economic conditions in the markets Mid Penn serves.

Mid Penn has maintained the allowance for loan and lease losses in accordance with Mid Penn's assessment process, which takes into consideration the risk characteristics of the loan and lease portfolio, the growth in the loan and lease portfolio during the first three months of 2014, and shifting collateral values from December 31, 2013 to March 31, 2014.

Explanation of Responses:

Following its model for loan and lease loss allowance adequacy, management recorded a \$547,000 provision for the three months ended March 31, 2014, as compared to a provision of \$495,000 for the three months ended March 31, 2013. The allowance for loan and lease losses as a percentage of total loans was 1.17% at March 31, 2014, compared to 1.16% at December 31, 2013. For further discussion of factors affecting the provision for loan and lease losses please see Credit Quality, Credit Risk, and Allowance for Loan and Lease Losses in the Financial Condition section of this Management's Discussion and Analysis.

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Noninterest Income

Noninterest income increased \$44,000, or 5.2%, during the first quarter of 2014 versus the same period in 2013. The following components of noninterest income showed significant changes:

(Dollars in Thousands)	Three Months Ended March 31,			
	2014	2013	Variance	% Variance
			\$	
Income from fiduciary activities	\$ 158	\$ 139	\$ 19	13.7%
Net gain on sales of investment securities	150	-	150	N/A
Mortgage banking income	38	110	(72)	-65.5%
Merchant services income	67	87	(20)	-23.0%
Net gain on sales of loans	51	-	51	NA
Other income	126	203	(77)	-37.9%

Income from fiduciary activities increased during the three months ended March 31, 2014 versus the same period in 2013. This variance is the result of increased sales of third party mutual funds and annuities during 2014 versus 2013. Mid Penn recognized investment security gains in the three months ended March 31, 2014 to take advantage of opportunities to enhance the investment portfolio's overall performance. Mortgage banking income was down during the three months ended March 31, 2014. Refinancing activity has subsided due to recent rate increases while purchase activity has been hampered by harsh winter weather conditions throughout our market area. Merchant services income has also been adversely impacted by harsh weather conditions during the first quarter as merchants lose out on sales due to lack of traffic. Net gain on sales of loans increased during the three months ended March 31, 2014 versus the same period in 2013 due to Mid Penn beginning the sale of the guaranteed portion of Small Business Association (SBA) loans in the secondary market. Other income declined in the first quarter of 2014 compared to the same period in 2013 because 2013's figure included reimbursements from loan collection costs by a commercial borrower and unclaimed funds from the flexible spending and dental reimbursement Plans from the 2011-2012 plan year, which were not received in 2014.

Noninterest Expenses

Noninterest expenses decreased \$299,000, or 5.9%, during the first quarter of 2014, versus the same period in 2013. The changes were primarily a result of the following components of noninterest expense:

(Dollars in Thousands)	Three Months Ended March 31,			
	2014	2013	Variance	% Variance
			\$	
Salaries and employee benefits	\$ 2,548	\$ 2,857	\$ (309)	-10.8%
Occupancy expense, net	382	310	72	23.2%
Pennsylvania Bank Shares tax expense	99	128	(29)	-22.7%
FDIC Assessment	132	202	(70)	-34.7%
Legal and professional fees	97	154	(57)	-37.0%
Software licensing	237	181	56	30.9%
Loss (gain) on sale/write-down of foreclosed assets	87	(19)	106	-557.9%
Other expenses	554	610	(56)	-9.2%

Salaries and employee benefits decreased during the three months ended March 31, 2014, primarily due to improved actual medical claims from Mid Penn's self-funded insurance plan. The first quarter of 2014 also reflects the benefit of lower staffing levels in operational areas derived from the conversion to a hosted computer environment with our primary computer vendor during the fourth quarter of 2013. Occupancy expense increased during the three months ended March 31, 2014 due to increases in snow removal costs and heating as a result of the harsh weather conditions during the first quarter. Pennsylvania Bank Shares tax expense decreased during the three months ended March 31, 2014 due to a change in the calculation methodology. FDIC assessments consist of premiums paid by FDIC-insured institutions. The assessments are based on statutory and risk classification factors. FDIC assessments decreased during the three months ended March 31, 2014 mainly due to a reduction in the Bank's risk rating over that period. Legal and professional fees decreased during the three months ended March 31, 2014 due to a decrease in consultant expenses over the same period last year, which included one-time set-up fees associated with the migration of Mid Penn's core banking data from an in-house environment to a service bureau hosted platform. Software licensing increased during the three months ended March 31, 2014, primarily due to the per item cost structure associated with the transition to a hosted computer environment with our primary computer vendor during the fourth quarter of 2013. Loss (gain) on sale/write-down of foreclosed assets increased during the three months ended March 31, 2014 versus the same periods in 2013 due to the write-down of foreclosed assets as a result of updated appraisals on subject properties within the portfolio. Other expenses declined during the three months ended March 31, 2014 versus the same period in 2013 primarily due to a decrease in contract labor costs, as well as from cost-savings associated with licensing transferred during the computer migration.

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Income Taxes

The provision for income taxes was \$370,000 for the three months ended March 31, 2014, as compared to the provision for income taxes of \$92,000 in the same period last year. The effective tax rate for the three months ended March 31, 2014, was 19.7% compared to 11.8% for the three months ended March 31, 2013. This increase is mainly due to Mid Penn's strong first quarter earnings in 2014 as compared to the same period last year, while earnings on tax-exempt income remained relatively stable in each period. Generally, our effective tax rate is below the statutory rate due to earnings on tax-exempt loans, investments, and bank-owned life insurance, as well as the impact of tax credits. The realization of deferred tax assets is dependent on future earnings. Mid Penn currently anticipates that future earnings will be adequate to fully utilize deferred tax assets.

Financial Condition

Loans

During the first three months of 2014, Mid Penn experienced an increase in loans outstanding of \$3,277,000, or 0.6%. Commercial real estate accounted for the majority of the growth while balances in the residential portfolio eroded due to weaker demand in the mortgage market.

(Dollars in thousands)	March 31, 2014		December 31, 2013	
	Amount	%	Amount	%
Commercial real estate, construction and land development	\$ 278,589	50.7%	\$ 274,279	50.2%
Commercial, industrial and agricultural	107,952	19.6%	107,492	19.7%
Residential mortgage	159,147	28.9%	160,294	29.3%
Consumer	4,051	0.8%	4,397	0.8%
	\$ 549,739	100.0%	\$ 546,462	100.0%

Most of Mid Penn's lending activities are with customers located within the trading area of Dauphin County, lower Northumberland County, western Schuylkill County and eastern Cumberland County, Pennsylvania. This region currently, and historically, has lower unemployment than the U.S. as a whole. This is due in part to a diversified manufacturing and services base and the presence of state government offices which help shield the local area from national trends. At March 31, 2014, the unadjusted unemployment rate for the Harrisburg/Carlisle area was 5.6% versus the seasonally adjusted national unemployment rate of 6.7%.

Credit Quality, Credit Risk, and Allowance for Loan and Lease Losses

During the first three months of 2014, Mid Penn had net charge-offs of \$441,000 compared to net charge-offs of \$134,000 during the same period of 2013. Loans charged off during the first three months of 2014 were comprised of seven commercial real estate loans spread among four relationships totaling \$368,000, two residential real estate loans to unrelated borrowers totaling \$59,000, a commercial and industrial loan for \$40,000, and two consumer loans to unrelated borrowers totaling \$14,000. The remaining \$2,000 was comprised of deposit account charge-offs. Mid Penn may need to make future adjustments to the allowance and the provision for loan and lease losses if economic conditions or loan credit quality differs substantially from the assumptions used in making Mid Penn's evaluation of the level of the allowance for loan losses as compared to the balance of outstanding loans.

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Changes in the allowance for loan and lease losses for the three months ended March 31, 2014 and 2013 are summarized as follows:

(Dollars in thousands)	Three Months Ended	
	March 31, 2014	2013
Average total loans outstanding (net of unearned interest)	\$ 544,914	\$ 479,507
Period ending total loans outstanding (net of unearned interest)	549,739	495,196
Balance, beginning of period	6,317	5,509
Loans charged off during period	(483)	(155)
Recoveries of loans previously charged off	42	21
Net chargeoffs	(441)	(134)
Provision for loan and lease losses	547	495
Balance, end of period	\$ 6,423	\$ 5,870
Ratio of net loans charged off to average loans outstanding (annualized)	0.33%	0.11%
Ratio of allowance for loan losses to net loans at end of period	1.17%	1.19%

Other than as described herein, Mid Penn does not believe there are any trends, events or uncertainties that are reasonably expected to have a material impact on future results of operations, liquidity, or capital resources. Further, based on known information, Mid Penn believes that the effects of current and past economic conditions and other unfavorable business conditions may influence certain borrowers' abilities to comply with their repayment terms. Mid Penn continues to monitor closely the financial strength of these borrowers. Mid Penn does not engage in practices which may be used to artificially shield certain borrowers from the negative economic or business cycle effects that may compromise their ability to repay. Mid Penn does not normally structure construction loans with interest reserve components. Mid Penn has not in the past performed any commercial real estate or other type loan workouts whereby an existing loan was restructured into multiple new loans. Also, Mid Penn does not extend loans at maturity solely due to the existence of guarantees, without recognizing the credit as impaired. While the existence of a guarantee may be a mitigating factor in determining the proper level of allowance once impairment has been identified, the guarantee does not affect the impairment analysis.

At March 31, 2014, total nonperforming loans amounted to \$11,550,000, or 2.10% of loans and leases net of unearned income, as compared to levels of \$11,710,000, or 2.14%, at December 31, 2013 and \$12,149,000, or 2.45%, at March 31, 2013.

(Dollars in thousands)

	March 31, 2014	December 31, 2013	March 31, 2013
Nonperforming Assets:			
Nonaccrual loans	\$ 10,744	\$ 10,877	\$ 11,802
Accruing troubled debt restructured loans	806	833	347
Total nonperforming loans	11,550	11,710	12,149
Foreclosed real estate	1,078	965	772
Total non-performing assets	12,628	12,675	12,921
Accruing loans 90 days or more past due	-	-	-
Total risk elements	\$ 12,628	\$ 12,675	\$ 12,921
Nonperforming loans as a % of total loans outstanding	2.10%	2.14%	2.45%
Nonperforming assets as a % of total loans outstanding and other real estate	2.29%	2.32%	2.61%
Ratio of allowance for loan losses to nonperforming loans	55.61%	53.94%	48.32%

In the table above, loans renegotiated with borrowers represent Mid Penn's accruing troubled debt restructured loans. Troubled debt restructured loans that are no longer accruing interest are included in nonaccrual loans.

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Mid Penn assesses a specific allocation for both commercial loans and commercial real estate loans prior to charging down or charging off the loan. Once the charge down is taken, the remaining balance remains a nonperforming loan with the original terms and interest rate intact and is not treated as a restructured credit. The following table provides additional analysis of partially charged-off loans.

(Dollars in thousands)

	March 31, 2014	December 31, 2013
Period ending total loans outstanding (net of unearned interest)	\$ 549,739	\$ 546,462
Allowance for loan and lease losses	6,423	6,317
Total Nonperforming loans	11,550	11,710
Nonperforming and impaired loans with partial charge-offs	2,050	2,103
Ratio of nonperforming loans with partial charge-offs to total loans	0.37%	0.38%
Ratio of nonperforming loans with partial charge-offs to total nonperforming loans	17.75%	17.96%
Coverage ratio net of nonperforming loans with partial charge-offs	67.61%	65.75%
Ratio of total allowance to total loans less nonperforming loans with partial charge-offs	1.17%	1.16%

Mid Penn has not experienced any additional charge-offs on loans for which a partial charge-off had originally been taken.

Mid Penn considers a commercial loan or commercial real estate loan to be impaired when it becomes 90 days or more past due and not in the process of collection. This methodology assumes the borrower cannot or will not continue to make additional payments. At that time the loan would be considered collateral dependent as the discounted cash flow (“DCF”) method indicates no operating income is available for evaluating the collateral position; therefore, all impaired loans are deemed to be collateral dependent.

Mid Penn evaluates loans for charge-off on a monthly basis. Policies that govern the recommendation for charge-off are unique to the type of loan being considered. Commercial loans rated as nonaccrual or lower will first have a collateral evaluation completed in accordance with the guidance on impaired loans. Once the collateral evaluation has been completed, a specific allocation of allowance is made based upon the results of the evaluation. In the event the loan is unsecured, the loan would have been charged-off at the recognition of impairment. If the loan is secured, it

will undergo a 90 day waiting period to ensure the collateral shortfall identified in the evaluation is accurate and then charged down by the specific allocation. Once the charge down is taken, the remaining balance remains a nonperforming loan with the original terms and interest rate intact (not restructured). Commercial real estate loans rated as impaired will also have an initial collateral evaluation completed in accordance with the guidance on impaired loans. An updated real estate valuation is ordered and the collateral evaluation is modified to reflect any variations in value. A specific allocation of allowance is made for any anticipated collateral shortfall and a 90-day waiting period begins to ensure the accuracy of the collateral shortfall. The loan is then charged down by the specific allocation. Once the charge down is taken, the remaining balance remains a nonperforming loan with the original terms and interest rate intact (not restructured). The process of charge-off for residential mortgage loans begins upon a loan becoming delinquent for 90 days and not in the process of collection. The existing appraisal is reviewed and a lien search is obtained to determine lien position and any instances of intervening liens. A new appraisal of the property will be ordered if deemed necessary by management and a collateral evaluation is completed. The loan will then be charged down to the value indicated in the evaluation. Consumer loans are recommended for charge-off after reaching delinquency of 90 days and the loan is not in the process of collection. The entire balance of the consumer loan is recommended for charge-off at this point.

As noted above, Mid Penn assesses a specific allocation for both commercial loans and commercial real estate loans prior to charging down or charging off the loan. Once the charge down is taken, the remaining balance remains a nonperforming loan with the original terms and interest rate intact (not restructured). In addition, Mid Penn takes a preemptive step when any commercial loan or commercial real estate loan becomes classified under its internal classification system. A preliminary collateral evaluation in accordance with the guidance on impaired loans is prepared using the existing collateral information in the loan file. This process allows Mid Penn to review both the credit and documentation files to determine the status of the information needed to make a collateral evaluation. This collateral evaluation is preliminary but allows Mid Penn to determine if any potential collateral shortfalls exist.

Larger groups of small-balance loans, such as residential mortgages and consumer installment loans are collectively evaluated for impairment. Accordingly, individual consumer and residential loans are not separately identified for impairment disclosures unless such loans are the subject of a restructuring agreement.

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Mid Penn's rating system assumes any loans classified as substandard and non-accrual to be impaired, and all of these loans are considered collateral dependent; therefore, all of Mid Penn's impaired loans, whether reporting a specific allocation or not, are considered collateral dependent.

It is Mid Penn's policy to obtain updated third party valuations on all impaired loans collateralized by real estate within 30 days of the credit being classified as substandard non-accrual. Prior to receipt of the updated real estate valuation Mid Penn will use any existing real estate valuation to determine any potential allowance issues; however no allowance recommendation will be made until which time Mid Penn is in receipt of the updated valuation. The credit department employs an electronic tracking system to monitor the receipt of and need for updated appraisals. To date, there have been no significant time lapses noted with the above processes.

In some instances Mid Penn is not holding real estate as collateral and is relying on business assets (personal property) for repayment. In these circumstances a collateral inspection is performed by Mid Penn personnel to determine an estimated value. The value is based on net book value, as provided by the financial statements, and discounted accordingly based on determinations made by management. Occasionally, Mid Penn will employ an outside service to provide a fair estimate of value based on auction sales or private sales. Management reviews the estimates of these third parties and discounts them accordingly based on management's judgment, if deemed necessary.

For impaired loans with no valuation allowance required, Mid Penn's practice of obtaining independent third party market valuations on the subject property within 30 days of being placed on non-accrual status sometimes indicates that the loan to value ratio is sufficient to obviate the need for a specific allocation in spite of significant deterioration in real estate values in Mid Penn's primary market area. These circumstances are determined on a case by case analysis of the impaired loans.

Mid Penn actively monitors the values of collateral on impaired loans. This monitoring may require the modification of collateral values over time or changing circumstances by some factor, either positive or negative, from the original values. All collateral values will be assessed by management at least every 12 months for possible revaluation by an independent third party.

Mid Penn does not currently, or plan in the future to, use automated valuation methodologies as a method of valuing real estate collateral.

As of March 31, 2014, Mid Penn had several loan relationships, with an aggregate carrying balance of \$10,614,000, deemed impaired. This group of loans is further broken down into a group of loans with an aggregate carrying balance of \$7,243,000 for which specific allocations totaling \$1,866,000 have been included within the allowance for loan and lease losses. The remaining \$3,371,000 of loans requires no specific allocation within the loan loss reserve. The \$10,614,000 of impaired loan relationships is comprised of \$8,806,000 in real estate secured commercial

relationships and \$1,808,000 in business relationships. There are specific allocations against the real estate secured group totaling \$1,249,000, spread among 13 loans and 10 relationships. One relationship is comprised of three loans totaling \$101,000 and another is comprised of two loans totaling \$114,000. The remaining eight loans are to unrelated borrowers with three accounting for \$852,000 of the total real estate secured group with specific allocations. The group of impaired business relationships with specific allocations is made up of four relationships to unrelated borrowers and specific allocations of \$617,000 has been set aside against these credits. One large commercial participation loan is responsible for a specific allocation of \$493,000 of the total pool attributable to this segment. Management currently believes that the specific reserves are adequate to cover probable future losses related to these relationships.

The allowance for loan losses is a reserve established in the form of a provision expense for loan and lease losses and is reduced by loan charge-offs net of recoveries. In conjunction with an internal loan review function that operates independently of the lending function, management monitors the loan portfolio to identify risk on a monthly basis so that an appropriate allowance is maintained. Based on an evaluation of the loan portfolio, management presents a monthly review of the allowance for loan and lease losses to the Board of Directors, indicating any changes in the allowance since the last review. In making the evaluation, management considers the results of recent regulatory examinations, which typically include a review of the allowance for loan and lease losses an integral part of the examination process.

In establishing the allowance, management evaluates on a quantitative basis individual classified loans and nonaccrual loans, and determines an aggregate reserve for those loans based on that review. In addition, an allowance for the remainder of the loan and lease portfolio is determined based on historical loss experience within certain components of the portfolio. These allocations may be modified if current conditions indicate that loan and lease losses may differ from historical experience.

In addition, a portion of the allowance is established for losses inherent in the loan and lease portfolio which have not been identified by the quantitative processes described above. This determination inherently involves a higher degree of subjectivity, and considers risk factors that may not have yet manifested themselves in historical loss experience. These factors include:

- Changes in local, regional, and national economic and business conditions affecting the collectability of the portfolio, the values of underlying collateral, and the condition of various market segments.
- Changes in the volume and severity of past due loans, the volume of nonaccrual loans, and the volume and severity of adversely classified loans.
- Changes in the experience, ability, and depth of lending management and other relevant staff as well as the quality of the institution's loan review system.
- Changes in the nature and volume of the portfolio and the terms of loans generally offered.

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- The existence and effect of any concentrations of credit and changes in the level of such concentrations.

While the allowance for loan and lease losses is maintained at a level believed to be adequate by management for covering estimated losses in the loan and lease portfolio, determination of the allowance is inherently subjective, as it requires estimates, all of which may be susceptible to significant change. Changes in these estimates may impact the provisions charged to expense in future periods.

Management believes, based on information currently available, that the allowance for loan and lease losses of \$6,423,000 is adequate as of March 31, 2014.

Liquidity

Mid Penn's objective is to maintain adequate liquidity to meet funding needs at a reasonable cost and to provide contingency plans to meet unanticipated funding needs or a loss of funding sources, while minimizing interest rate risk. Adequate liquidity provides resources for credit needs of borrowers, for depositor withdrawals and for funding corporate operations. Sources of liquidity are as follows:

- A growing core deposit base;
- Proceeds from the sale or maturity of investment securities;
- Proceeds from interest-bearing time deposits with other financial institutions;
- Payments received on loans and mortgage-backed securities;
- Overnight correspondent bank borrowings on various credit lines; and,
- Borrowing capacity available from the FHLB.

Major sources of cash in the first quarter of 2014 came from the sale of investment securities of \$7,199,000, the maturities of investment securities and interest-bearing time deposits with other financial institutions totaling \$5,565,000, and the increase in short-term borrowings of \$4,711,000.

Major uses of cash in the first quarter of 2014 were the purchases of investment securities of \$7,462,000, the increase in net loans and leases of \$3,982,000, and the decrease in time deposits of \$3,389,000.

Major sources of cash in the first quarter of 2013 came from the maturities of investment securities and interest-bearing time deposits with other financial institutions totaling \$21,881,000 and the increase in demand deposits and savings accounts of \$21,658,000.

Explanation of Responses:

Major uses of cash in the first quarter of 2013 were the increase in net loans and leases of \$11,401,000, the purchases of investment securities of \$7,995,000, and the decrease in time deposits of \$6,934,000.

Mid Penn believes its core deposits are stable even in periods of changing interest rates. Liquidity is measured and monitored daily, allowing management to better understand and react to balance sheet trends. These measurements indicate that liquidity generally remains stable and exceeds our minimum defined levels of adequacy. Other than the trends of continued competitive pressures and volatile interest rates, there are no known demands, commitments, events, or uncertainties that will result in, or that are reasonably likely to result in, liquidity increasing or decreasing in any material way.

On a quarterly basis, a comprehensive liquidity analysis is reviewed by the Asset Liability Committee and Board of Directors. The analysis provides a summary of the current liquidity measurements, projections, and future liquidity positions given various levels of liquidity stress. Management also maintains a detailed Contingency Funding Plan designed to respond to an overall decline in the financial condition of the banking industry or a problem specific to Mid Penn.

Capital Resources

Shareholders' equity, or capital, is evaluated in relation to total assets and the risk associated with those assets. The greater a corporation's capital resources, the more likely it is to meet its cash obligations and absorb unforeseen losses. Too much capital, however, indicates that not enough of the corporation's earnings have been invested in the continued growth of the business or paid to shareholders. The buildup makes it difficult for a corporation to offer a competitive return on the shareholders' capital going forward. For these reasons capital adequacy has been, and will continue to be, of paramount importance.

Shareholders' equity increased during the three months ended March 31, 2014 by \$2,329,000, or 4.4%, from December 31, 2013. Capital has been positively impacted in 2014 by positive earnings available to common shareholders of \$1,424,000 and accumulated other comprehensive income of \$1,065,000. All of Mid Penn's investment securities are classified as available for sale, making this portion of the balance sheet more sensitive to the changing market value of investments. Accumulated other comprehensive income associated with the change in investment securities increased \$1,063,000 from December 31, 2013, and accounts for the majority of the change in accumulated other comprehensive income.

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Banks are evaluated for capital adequacy based on the ratio of capital to risk-weighted assets and total assets. The risk-based capital standards require all banks to have Tier 1 capital of at least 4.0% and total capital (including Tier 1 capital) of at least 8.0% of risk-weighted assets. The capital standard based on average assets, also known as the “leverage ratio”, requires all, but the most highly-rated banks, to have Tier 1 capital of at least 4.0% of total average assets. At March 31, 2014, Mid Penn met the definition of a “well-capitalized” institution.

Mid Penn maintained the following regulatory capital levels, leverage ratios, and risk-based capital ratios as of March 31, 2014 and December 31, 2013.

(Dollars in thousands)	Capital Adequacy				To Be Well-Capitalized Under Prompt Corrective Action Provisions:	
	Actual: Amount	Ratio	Minimum Capital Required: Amount	Ratio	Amount	Ratio
Corporation						
As of March 31, 2014:						
Tier 1 Capital (to Average Assets)	\$ 53,965	7.6%	\$ 28,353	4.0%	\$ N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	53,965	10.2%	21,234	4.0%	N/A	N/A
Total Capital (to Risk Weighted Assets)	60,464	11.4%	42,468	8.0%	N/A	N/A
Bank						
As of March 31, 2014:						
Tier 1 Capital (to Average Assets)	\$ 53,885	7.6%	\$ 28,351	4.0%	\$ 35,438	5.0%
Tier 1 Capital (to Risk Weighted Assets)	53,885	10.2%	21,234	4.0%	31,851	6.0%
Total Capital (to Risk Weighted Assets)	60,384	11.4%	42,468	8.0%	53,084	10.0%
Corporation						
As of December 31, 2013:						
Tier 1 Capital (to Average Assets)	\$ 52,693	7.5%	\$ 28,031	4.0%	\$ N/A	N/A
Tier 1 Capital (to Risk Weighted Assets)	52,693	9.9%	21,234	4.0%	N/A	N/A
Total Capital (to Risk Weighted Assets)	59,100	11.1%	42,467	8.0%	N/A	N/A
Bank						
As of December 31, 2013:						
Tier 1 Capital (to Average Assets)	\$ 52,598	7.5%	\$ 28,041	4.0%	\$ 35,051	5.0%
Tier 1 Capital (to Risk Weighted Assets)	52,598	9.9%	21,234	4.0%	31,850	6.0%
Total Capital (to Risk Weighted Assets)	59,005	11.1%	42,467	8.0%	53,084	10.0%

Regulatory Capital Changes

Explanation of Responses:

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The phase-in period for community banking organizations begins January 1, 2015, while larger institutions (generally those with assets of \$250 billion or more) must begin compliance on January 1, 2014. The final rules call for the following capital requirements:

- A minimum ratio of common tier 1 capital to risk-weighted assets of 4.5%.
- A minimum ratio of tier 1 capital to risk-weighted assets of 6%.
 - A minimum ratio of total capital to risk-weighted assets of 8% (no change from the current rule).
- A minimum leverage ratio of 4%.

In addition, the final rules establishes a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations. If a banking organization fails to hold capital above the minimum capital ratios and the capital conservation buffer, it will be subject to certain restrictions on capital distributions and discretionary bonus payments. The phase-in period for the capital conservation and countercyclical capital buffers for all banking organizations will begin on January 1, 2016.

Under the proposed rules, accumulated other comprehensive income (AOCI) would have been included in a banking organization's common equity tier 1 capital. The final rules allow community banks to make a one-time election not to include these additional components of AOCI in regulatory capital and instead use the existing treatment under the general risk-based capital rules that excludes most AOCI components from regulatory capital. The opt-out election must be made in the first call report or FR Y-9 series report that is filed after the financial institution becomes subject to the final rule.

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The final rules permanently grandfather non-qualifying capital instruments (such as trust preferred securities and cumulative perpetual preferred stock) issued before May 19, 2010 for inclusion in the tier 1 capital of banking organizations with total consolidated assets less than \$15 billion as of December 31, 2009 and banking organizations that were mutual holding companies as of May 19, 2010.

The proposed rules would have modified the risk-weight framework applicable to residential mortgage exposures to require banking organizations to divide residential mortgage exposures into two categories in order to determine the applicable risk weight. In response to commenter concerns about the burden of calculating the risk weights and the potential negative effect on credit availability, the final rules do not adopt the proposed risk weights but retain the current risk weights for mortgage exposures under the general risk-based capital rules.

Consistent with the Dodd-Frank Act, the new rules replace the ratings-based approach to securitization exposures, which is based on external credit ratings, with the simplified supervisory formula approach in order to determine the appropriate risk weights for these exposures. Alternatively, banking organizations may use the existing gross-ups approach to assign securitization exposures to a risk weight category or choose to assign such exposures a 1,250% risk weight.

Under the new rules, mortgage servicing assts (MSAs) and certain deferred tax assets (DTAs) are subject to stricter limitations than those applicable under the current general risk-based capital rule. The new rules also increase the risk weights for past-due loans, certain risk weights and credit conversion factors.

Capital Purchase Program Participation

On December 19, 2008, Mid Penn entered into and closed a letter agreement with the United States Department of the Treasury (the "Treasury") pursuant to which the Treasury invested \$10,000,000 in Mid Penn under the Treasury's Capital Purchase Program (the "CPP"). Under the letter agreement, the Treasury received (1) 10,000 shares of Series A Fixed Rate Cumulative Perpetual Preferred Stock, \$1,000 liquidation preference ("Series A Preferred Stock"), and (2) warrants to purchase up to 73,099 shares of the Mid Penn common stock at an exercise price of \$20.52 per share (the "Warrants").

On December 28, 2012, Mid Penn entered into a letter agreement with the Treasury pursuant to which Mid Penn repurchased from the Treasury all 10,000 shares of the Series A Preferred Stock issued to the Treasury, which constitutes all of the issued and outstanding shares of Series A Preferred Stock. Mid Penn repurchased the Series A Preferred Stock for a purchase price equal to the aggregate liquidation amount of the Preferred Stock of \$10,000,000, plus accrued but unpaid dividends of \$59,722. All 10,000 shares of Series A Preferred Stock have subsequently been cancelled.

On January 23, 2013, Mid Penn entered into a letter agreement with the Treasury pursuant to which Mid Penn repurchased from the Treasury on that date the Warrants for \$58,479. The Warrants have subsequently been cancelled.

As of the date hereof, Mid Penn has no further financial obligations under the Series A Preferred Stock, the Warrants, or the Treasury's CPP.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material change in market risk since December 31, 2013, as reported in Mid Penn's Form 10-K filed with the SEC on March 21, 2014.

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Mid Penn maintains controls and procedures designed to ensure that information required to be disclosed in the reports that Mid Penn files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures as of March 31, 2014, Mid Penn's management, with the participation of the Principal Executive Officer and Principal Financial and Accounting Officer, concluded that the disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

During the three months ended March 31, 2014, there were no changes in Mid Penn's internal control over financial reporting, that have materially affected, or are reasonable likely to materially affect, Mid Penn's internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Management is not aware of any litigation that would have a material adverse effect on the consolidated financial position of Mid Penn or its subsidiaries taken as a whole. There are no proceedings pending other than ordinary routine litigation occurring in the normal course of business. In addition, management does not know of any material proceedings contemplated by governmental authorities against Mid Penn or any of its properties.

ITEM 1A – RISK FACTORS

Management has reviewed the risk factors that were previously disclosed in the Annual Report on Form 10-K for the fiscal year ended December 31, 2013. There are no material changes from the risk factors as previously disclosed in the Form 10-K.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

Explanation of Responses:

ITEM 4 - MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5 – OTHER INFORMATION

None

ITEM 6 – EXHIBITS

- Exhibit 3(i) – The Registrant’s amended Articles of Incorporation (Incorporated by reference to Exhibit 3(i) to Registrant’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2009.)
- Exhibit 3(ii) – Statement with Respect to Shares for Series B Preferred Stock. (Incorporated by reference to Exhibit 3.1 to Registrant’s Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 28, 2012.)
- Exhibit 3(iii) – The Registrant’s By-laws (Incorporated by reference to Exhibit 3(ii) to Registrant’s Current Report on form 8-K filed with the Securities and Exchange Commission on August 30, 2010.)
- Exhibit 11 – Statement re: Computation of Per Share Earnings. (Incorporated by reference to Part I Item 1 of this Quarterly Report on Form 10-Q.)
- Exhibit 31.1 – Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 31.2 - Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.
- Exhibit 32 – Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002.
- Exhibit 101.LAB – XBRL Taxonomy Extension Label Linkbase
- Exhibit 101.PRE – XBRL Taxonomy Extension Presentation Linkbase
- Exhibit 101.INS – XBRL Instance Document
- Exhibit 101.SCH – XBRL Taxonomy Extension Schema
- Exhibit 101.CAL – XBRL Taxonomy Extension Calculation Linkbase
- Exhibit 101.DEF – XBRL Taxonomy Extension Definition Linkbase

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SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Mid Penn Bancorp, Inc.

(Registrant)

By: /s/ Rory G. Ritrievi
Rory G. Ritrievi
President and CEO
(Principal Executive Officer)

Date: May 15, 2014

By: /s/ Kevin W. Laudenslager
Kevin W. Laudenslager
Treasurer
(Principal Financial and Principal Accounting Officer)

Date: May 15, 2014

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