

MID PENN BANCORP INC
Form 10-Q
November 10, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-13677

MID PENN BANCORP, INC.

(Exact Name of Registrant as Specified in its Charter)

Pennsylvania (State or Other Jurisdiction of Incorporation or Organization)	25-1666413 (I.R.S. Employer Identification Number)
349 Union Street Millersburg, Pennsylvania (Address of Principal Executive Offices)	17061 (Zip Code)

Registrant's telephone number, including area code 1.866.642.7736

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Edgar Filing: MID PENN BANCORP INC - Form 10-Q

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One).

Large accelerated filer Accelerated Filer Non-accelerated Filer Smaller Reporting Company

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

As of November 10, 2016, the registrant had 4,232,166 shares of common stock outstanding.

MID PENN BANCORP, INC.

FORM 10-Q

TABLE OF CONTENTS

<u>PART 1 – FINANCIAL INFORMATION</u>	2
<u>Item 1 – Financial Statements</u>	2
<u>Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015 (Unaudited)</u>	2
<u>Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited)</u>	3
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited)</u>	4
<u>Consolidated Statements of Changes in Shareholders’ Equity for the Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited)</u>	5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and September 30, 2015 (Unaudited)</u>	6
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	8
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	37
<u>Item 3 – Quantitative and Qualitative Disclosures about Market Risk</u>	50
<u>Item 4 – Controls and Procedures</u>	50
<u>PART II – OTHER INFORMATION</u>	51
<u>Item 1 – Legal Proceedings</u>	51
<u>Item 1A – Risk Factors</u>	51
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	51
<u>Item 3 – Defaults upon Senior Securities</u>	51
<u>Item 4 – Mine Safety Disclosures</u>	51
<u>Item 5 – Other Information</u>	51
	3

<u>Item 6 – Exhibits</u>	51
<u>Signatures</u>	52

Unless the context otherwise requires, the terms “Mid Penn”, “we”, “us”, and “our” refer to Mid Penn Bancorp, Inc. and its consolidated subsidiaries.

MID PENN BANCORP, INC.

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Dollars in thousands, except share data)	September 30, 2016	December 31, 2015
ASSETS		
Cash and due from banks	\$ 15,697	\$ 12,329
Interest-bearing balances with other financial institutions	942	955
Federal funds sold	27,130	-
Total cash and cash equivalents	43,769	13,284
Interest-bearing time deposits with other financial institutions	-	4,317
Investment securities available for sale	173,444	135,721
Loans and leases, net of unearned interest	791,484	739,191
Less: Allowance for loan and lease losses	(7,482)	(6,168)
Net loans and leases	784,002	733,023
Bank premises and equipment, net	13,325	13,993
Cash surrender value of life insurance	12,716	12,516
Restricted investment in bank stocks	2,709	4,266
Foreclosed assets held for sale	501	1,185
Accrued interest receivable	4,032	3,813
Deferred income taxes	1,076	1,821
Goodwill	3,918	3,918
Core deposit and other intangibles, net	562	665
Other assets	2,633	3,116
Total Assets	\$ 1,042,687	\$ 931,638
LIABILITIES & SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	\$ 128,013	\$ 103,721
Interest-bearing demand	321,976	247,356
Money Market	249,204	208,386
Savings	59,302	56,731
Time	179,722	160,849
Total Deposits	938,217	777,043
Short-term borrowings	-	31,596

Edgar Filing: MID PENN BANCORP INC - Form 10-Q

Long-term debt	13,638	40,305
Subordinated debt	7,411	7,414
Accrued interest payable	748	390
Other liabilities	7,588	4,822
Total Liabilities	967,602	861,570
Shareholders' Equity:		
Common stock, par value \$1.00; authorized 10,000,000 shares; 4,232,166 and 4,226,717 shares issued and outstanding at September 30, 2016, and at December 31, 2015, respectively		
	4,232	4,227
Additional paid-in capital	40,644	40,559
Retained earnings	27,253	23,470
Accumulated other comprehensive income	2,956	1,812
Total Shareholders' Equity	75,085	70,068
Total Liabilities and Shareholders' Equity	\$ 1,042,687	\$ 931,638

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

MID PENN BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Dollars in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	September 30, 2016	2015	September 30, 2016	2015
INTEREST INCOME				
Interest and fees on loans and leases	\$9,134	\$8,448	\$26,846	\$24,345
Interest on interest-bearing balances	2	12	11	34
Interest and dividends on investment securities:				
U.S. Treasury and government agencies	339	293	972	928
State and political subdivision obligations, tax-exempt	550	484	1,562	1,532
Other securities	64	102	236	301
Interest on federal funds sold	36	-	54	1
Total Interest Income	10,125	9,339	29,681	27,141
INTEREST EXPENSE				
Interest on deposits	1,162	987	3,293	2,881
Interest on short-term borrowings	-	14	15	36
Interest on long-term and subordinated debt	205	149	657	511
Total Interest Expense	1,367	1,150	3,965	3,428
Net Interest Income	8,758	8,189	25,716	23,713
PROVISION FOR LOAN AND LEASE LOSSES				
Net Interest Income After Provision for Loan and Lease Losses	8,173	7,924	24,396	22,848
NONINTEREST INCOME				
Income from fiduciary activities	104	120	349	367
Service charges on deposits	171	186	484	503
Net gain on sales of investment securities	200	138	413	315
Earnings from cash surrender value of life insurance	65	71	200	198
Mortgage banking income	266	106	698	326
ATM debit card interchange income	214	189	623	540
Merchant services income	89	64	241	175
Net gain on sales of SBA loans	89	73	354	216
Other income	221	138	687	487
Total Noninterest Income	1,419	1,085	4,049	3,127
NONINTEREST EXPENSE				
Salaries and employee benefits	3,982	3,471	11,428	10,231
Occupancy expense, net	496	498	1,542	1,448
Equipment expense	412	346	1,258	1,081
Pennsylvania Bank Shares Tax expense	197	106	606	337
FDIC Assessment	134	166	434	470
Legal and professional fees	130	151	515	455
Marketing and advertising expense	146	137	369	372
Software licensing	350	380	1,015	1,103
Telephone expense	135	169	420	432
Loss on sale or write-down of foreclosed assets	26	47	158	64

Edgar Filing: MID PENN BANCORP INC - Form 10-Q

Intangible amortization	31	36	102	79
Merger and acquisition expense	-	-	-	762
Other expenses	1,126	1,062	3,231	3,017
Total Noninterest Expense	7,165	6,569	21,078	19,851
INCOME BEFORE PROVISION FOR INCOME TAXES	2,427	2,440	7,367	6,124
Provision for income taxes	526	546	1,639	1,223
NET INCOME	1,901	1,894	5,728	4,901
Series B preferred stock dividends	-	88	-	263
Series C preferred stock dividends	-	4	-	8
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 1,901	\$ 1,802	\$ 5,728	\$ 4,630
PER COMMON SHARE DATA:				
Basic Earnings Per Common Share	\$0.45	\$0.43	\$1.35	\$1.14
Cash Dividends Paid	\$0.12	\$0.12	\$0.46	\$0.32

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

3

MID PENN BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Dollars in thousands)	Three Months Ended September 30, 2016 2015	
Net income	\$1,901	\$1,894
Other comprehensive (loss) income:		
Unrealized (losses) gains arising during the period on available-for-sale securities, net of income taxes of (\$349) and \$464, respectively	(677)	898
Reclassification adjustment for net gain on sales of available-for-sale securities included in net income, net of income taxes of (\$68) and (\$47), respectively (a)	(132)	(91)
Change in defined benefit plans, net of income taxes of (\$6) and \$2, respectively (b)	(11)	2
Total other comprehensive (loss) income	(820)	809
Total comprehensive income	\$1,081	\$2,703

(Dollars in thousands)	Nine Months Ended September 30, 2016 2015	
Net income	\$5,728	\$4,901
Other comprehensive income (loss):		
Unrealized gains arising during the period on available-for-sale securities, net of income taxes of \$795 and \$66, respectively	1,543	128
Reclassification adjustment for net gain on sales of available-for-sale securities included in net income, net of income taxes of (\$141) and (\$107), respectively (a)	(272)	(208)
Change in defined benefit plans, net of income taxes of (\$66) and \$4, respectively (b)	(127)	7
Total other comprehensive income (loss)	1,144	(73)
Total comprehensive income	\$6,872	\$4,828

(a) Amounts are included in net gain on sales of investment securities on the Consolidated Statements of Income as a separate element within total noninterest income.

(b) Amounts are included in the computation of net periodic benefit cost and are included in salaries and employee benefits on the Consolidated Statements of Income as a separate element within total noninterest expense.

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

MID PENN BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the Nine Months Ended September 30, 2016 and 2015

(Dollars in thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2016	\$ -	\$ 4,227	\$ 40,559	\$ 23,470	\$ 1,812	\$ 70,068
Net income	-	-	-	5,728		