

MID PENN BANCORP INC
Form 10-Q
August 14, 2015

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 June 30, 2015

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)

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(State or Other Jurisdiction of Incorporation or Organization)	(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

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 August 14, 2015, the registrant had 4,223,695 shares of common stock outstanding.

MID PENN BANCORP, INC.

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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.

Consolidated Balance Sheets (Unaudited)

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)	June 30, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$ 9,712	\$ 8,869
Interest-bearing balances with other financial institutions	831	1,013
Federal funds sold	838	-
Total cash and cash equivalents	11,381	9,882
Interest-bearing time deposits with other financial institutions	5,669	5,772
Available for sale investment securities	137,198	141,634
Loans and leases, net of unearned interest	705,152	571,533
Less: Allowance for loan and lease losses	(6,851)	(6,716)
Net loans and leases	698,301	564,817
Bank premises and equipment, net	14,344	12,225
Restricted investment in bank stocks	3,824	3,181
Foreclosed assets held for sale	767	565
Accrued interest receivable	3,465	3,058
Deferred income taxes	2,973	2,125
Goodwill	3,918	1,016
Core deposit and other intangibles, net	735	187
Cash surrender value of life insurance	12,375	8,575
Other assets	4,392	2,620
Total Assets	\$ 899,342	\$ 755,657
LIABILITIES & SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing demand	\$ 85,097	\$ 60,613
Interest bearing demand	234,702	222,712
Money Market	217,914	197,418
Savings	58,048	32,394
Time	158,164	124,785
Total Deposits	753,925	637,922
Short-term borrowings	14,981	578
Long-term debt	51,421	52,961
Accrued interest payable	541	349
Other liabilities	5,089	4,717
Total Liabilities	825,957	696,527
Shareholders' Equity:		
Series B Preferred stock, par value \$1.00; liquidation value \$1,000; authorized 5,000 shares; 7% non-cumulative dividend; 5,000 shares issued and outstanding at June 30, 2015 and		

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at December 31, 2014; total redemption value \$5,100,000	5,000	5,000
Series C Preferred stock, par value \$1.00; liquidation value \$1,000; authorized 1,750 shares; 1% non-cumulative dividend; 1,750 shares issued and outstanding at June 30, 2015 and 0 shares issued and outstanding at December 31, 2014; total redemption value \$1,750,000	1,750	-
Common stock, par value \$1.00; authorized 10,000,000 shares; 4,223,695 shares issued and outstanding at June 30, 2015 and 3,497,829 at December 31, 2014	4,224	3,498
Additional paid-in capital	40,507	29,902
Retained earnings	21,273	19,217
Accumulated other comprehensive income	631	1,513
Total Shareholders' Equity	73,385	59,130
Total Liabilities and Shareholders' Equity	\$ 899,342	\$ 755,657

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		Six Months Ended	
	Ended June 30, 2015	2014	June 30, 2015	2014
INTEREST INCOME				
Interest & fees on loans and leases	\$ 8,743	\$ 6,925	\$ 15,897	\$ 13,465
Interest on interest-bearing balances	11	10	22	20
Interest and dividends on investment securities:				
U.S. Treasury and government agencies	304	358	635	635
State and political subdivision obligations, tax-exempt	517	536	1,048	1,055
Other securities	68	41	199	75
Interest on federal funds sold and securities purchased under agreements to resell	1	-	1	-
Total Interest Income	9,644	7,870	17,802	15,250
INTEREST EXPENSE				
Interest on deposits	980	990	1,894	1,968
Interest on short-term borrowings	11	7	22	21
Interest on long-term debt	167	122	362	238
Total Interest Expense	1,158	1,119	2,278	2,227
Net Interest Income	8,486	6,751	15,524	13,023
PROVISION FOR LOAN AND LEASE LOSSES				
Net Interest Income After Provision for Loan and Lease Losses	8,186	6,476	14,924	12,201
NONINTEREST INCOME				
Income from fiduciary activities	120	167	247	325
Service charges on deposits	167	136	317	263
Net gain on sales of investment securities	-	-	177	150
Earnings from cash surrender value of life insurance	71	51	127	102
Mortgage banking income	153	75	220	113
ATM debit card interchange income	196	139	351	265
Merchant services income	61	66	111	133
Net gain on sales of SBA loans	143	27	143	78
Other income	182	113	349	239
Total Noninterest Income	1,093	774	2,042	1,668
NONINTEREST EXPENSE				
Salaries and employee benefits	3,440	2,843	6,760	5,391
Occupancy expense, net	496	322	950	704
Equipment expense	422	310	735	611
Pennsylvania Bank Shares tax expense	116	109	231	208
FDIC Assessment	165	139	304	271
Legal and professional fees	161	168	304	265
Director fees and benefits expense	92	76	175	155
Marketing and advertising expense	147	84	235	132
Software licensing	404	212	723	449
Telephone expense	140	100	263	196
(Gain) loss on sale/write-down of foreclosed assets	(15)	(30)	17	57
Intangible amortization	26	7	35	14
Loan collection costs	88	82	168	153

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Merger and acquisition expense	-	-	784	-
Other expenses	960	646	1,598	1,200
Total Noninterest Expense	6,642	5,068	13,282	9,806
INCOME BEFORE PROVISION FOR INCOME TAXES	2,637	2,182	3,684	4,063
Provision for income taxes	593	475	677	845
NET INCOME	2,044	1,707	3,007	3,218
Series B preferred stock dividends	88	88	175	175
Series C preferred stock dividend	4	-	4	-
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 1,952	\$ 1,619	\$ 2,828	\$ 3,043
PER COMMON SHARE DATA:				
Basic Earnings Per Common Share	\$ 0.46	\$ 0.46	\$ 0.71	\$ 0.87
Cash Dividends	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.15

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

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MID PENN BANCORP, INC.

Consolidated Statements of Comprehensive Income (Unaudited)

(Dollars in thousands)	Three Months Ended June 30,	
	2015	2014
Net income	\$ 2,044	\$ 1,707
Other comprehensive (loss) income:		
Unrealized (losses) gains arising during the period on available for sale securities, net of income taxes of (\$642) and \$532, respectively	(1,245)	1,031
Change in defined benefit plans, net of income taxes of \$1 and \$2, respectively (2) (3)	2	4
Total other comprehensive (loss) income	(1,243)	1,035
Total comprehensive income	\$ 801	\$ 2,742

(Dollars in thousands)	Six Months Ended June 30,	
	2015	2014
Net income	\$ 3,007	\$ 3,218
Other comprehensive (loss) income:		
Unrealized (losses) gains arising during the period on available for sale securities, net of income taxes of (\$398) and \$1,131, respectively	(770)	2,193
Reclassification adjustment for net gain on sales of available for sale securities included in net income, net of income taxes of (\$60) and (\$51), respectively (1) (3)	(117)	(99)
Change in defined benefit plans, net of income taxes of \$2 and \$3, respectively (2) (3)	5	6
Total other comprehensive (loss) income	(882)	2,100
Total comprehensive income	\$ 2,125	\$ 5,318

- (1) 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
- (2) 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
- (3) Income tax amounts are included in the provision for income taxes in the Consolidated Statements of Income

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

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MID PENN BANCORP, INC. Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

(Dollars in thousands)

	Preferred	Common	Additional Paid-in	Retained	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Stock	Stock	Capital	Earnings		
Balance, January 1, 2015	\$ 5,000	\$ 3,498	\$ 29,902	\$ 19,217	\$ 1,513	\$ 59,130
Net income	-	-	-	3,007	-	3,007
Total other comprehensive loss, net of taxes	-	-	-	-	(882)	(882)
Employee Stock Purchase Plan (1,002 shares)	-	2	29	-	-	31
Common stock dividends	-	-	-	(772)	-	(772)
Series B preferred stock dividends	-	-	-	(175)	-	(175)
Series C preferred stock dividends	-	-	-	(4)	-	(4)
SBLF preferred stock in connection with Phoenix acquisition	1,750	-	-	-	-	1,750
Common stock issued to Phoenix shareholders	-	724	10,568	-	-	11,292
Restricted stock compensation expense	-	-	8	-	-	8
Balance, June 30, 2015	\$ 6,750	\$ 4,224	\$ 40,507	\$ 21,273	\$ 631	\$ 73,385
Balance, January 1, 2014	\$ 5,000	\$ 3,494	\$ 29,853	\$ 15,441	\$ (872)	\$ 52,916
Net income	-	-	-	3,218	-	3,218
Total other comprehensive income, net of taxes	-	-	-	-	2,100	2,100
Employee Stock Purchase Plan (1,657 shares)	-	2	23	-	-	25
Common stock dividends	-	-	-	(524)	-	(524)
Series B preferred stock dividends	-	-	-	(175)	-	(175)
Balance, June 30, 2014	\$ 5,000	\$ 3,496	\$ 29,876	\$ 17,960		