

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

MID PENN BANCORP INC
Form 10-Q
August 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the quarterly period ended June 30, 2007

Commission file number 001-13677

Mid Penn Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
Incorporation or Organization) 25-1666413
(IRS Employer ID No)

349 Union Street, Millersburg, PA 17061
(Address of principal executive offices) (Zip Code)

(717) 692-2133
(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act)

Large accelerated Accelerated Non-accelerated

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Indicate the number of shares outstanding of each of the classes of common stock, as of the latest practical date.

3,494,377 shares of Common Stock, \$1.00 par value per share, were outstanding as of August 3, 2007.

PART I
MID PENN BANCORP, INC.
ITEM I: FINANCIAL INFORMATION

MID PENN BANCORP, INC.
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

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

	June 30, 2007	Dec. 31, 2006
	----- (Unaudited)	----- (Audited)
ASSETS:		
Cash and due from banks	\$ 6,962	\$ 9,498
Interest-bearing balances	46,351	46,921
Available-for-sale securities	53,442	57,261
Federal funds sold	0	0
Loans and leases	364,150	358,573
Less,		
Allowance for loan and lease losses	4,260	4,187
	-----	-----
Net loans and leases	359,890	354,386
	-----	-----
Bank premises and equip't, net	10,795	9,562
Foreclosed assets held for sale	68	146
Accrued interest receivable	2,761	2,822
Goodwill	1,016	1,016
Core deposit intangible, net	395	428
Cash surrender value of life insurance	7,289	7,154
Deferred income taxes	1,822	1,610
Other assets	1,369	890
	-----	-----
Total Assets	492,160	491,694
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY:		
Deposits:		
Demand	41,518	44,097
NOW	33,904	32,978
Money Market	64,676	59,640
Savings	26,774	25,397
Time	206,489	202,114
	-----	-----
Total deposits	373,361	364,226
	-----	-----
Short-term borrowings	19,750	24,275
Accrued interest payable	2,731	1,912
Other liabilities	2,671	2,483
Long-term debt	54,648	59,713
	-----	-----
Total Liabilities	453,161	452,609
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock, par value \$1 per share; authorized 10,000,000 shares; issued 3,533,340 and 3,367,119 shares at June 30, 2007 and December 31, 2006, resp	3,533	3,367
Additional paid-in capital	31,107	27,452
Retained earnings	5,651	8,583
Accumulated other comprehensive inc(loss)	(273)	317
Treasury Stock at cost (38,898 and 19,086 shs. resp.)	(1,019)	(634)
	-----	-----
Total Stockholders' Equity	38,999	39,085
	-----	-----
Total Liabilities & Equity	492,160	491,694
	=====	=====

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

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

2

MID PENN BANCORP, INC.
CONSOLIDATED STATEMENT OF INCOME
(Unaudited; dollars in thousands)

	Three Months Ended June 30,		Six Moths Ended June 30,	
	2007	2006	2007	2006
INTEREST INCOME:				
Interest & fees on loans and leases	\$ 6,521	\$ 5,834	\$ 12,936	\$ 11,296
Int.-bearing balances	631	506	1,257	1,042
Treas. & Agency securities	239	232	498	469
Municipal securities	332	332	660	627
Other securities	49	46	101	96
Fed funds sold and repos	8	12	33	12
Total Int. Income	7,780	6,962	15,485	13,542
INTEREST EXPENSE:				
Deposits	2,893	2,094	5,692	4,016
Short-term borrowings	145	160	344	305
Long-term borrowings	728	817	1,457	1,557
Total Int. Expense	3,766	3,071	7,493	5,878
Net Int. Income	4,014	3,891	7,992	7,664
PROVISION FOR LOAN AND LEASE LOSSES	125	225	200	360
Net Int. Inc. after Prov	3,889	3,666	7,792	7,304
NON-INTEREST INCOME:				
Trust dept	75	65	156	131
Service chgs. on deposits	365	349	732	678
Gain on Sale of Loans	21	0	21	0
Investment securities				
Gains(losses), net	0	0	0	0
Income on life insurance	66	52	135	108
Income on sale of other real estate	--	--	0	152
Other	330	275	650	497
Total Non-Interest Income	857	741	1,694	1,566
NON-INTEREST EXPENSE:				
Salaries and benefits	1,601	1,562	3,324	3,147
Occupancy, net	222	152	438	311
Equipment	246	210	511	417
PA Bank Shares tax	82	71	163	142
ATM/Debit card expenses	30	31	74	65
Professional fees	128	94	240	209
Director fees and benefits	90	67	170	120
Advertising Expense	142	42	226	119
Computer software licensing	39	52	138	101
Stationery and supplies	55	45	117	97

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

Early withdrawal fee on int-bearing bals	0	99	0	191
Other	555	470	1,080	889
	-----	-----	-----	-----
Tot. Non-int. Exp	3,190	2,895	6,481	5,808
	-----	-----	-----	-----
Income before income tax provision	1,556	1,512	3,005	3,062
INCOME TAX PROVISION	377	395	742	789
	-----	-----	-----	-----
NET INCOME	\$ 1,179	\$ 1,117	\$ 2,263	\$ 2,273
	=====	=====	=====	=====
NET INCOME PER SHARE	\$ 0.34	\$ 0.32	\$ 0.65	\$ 0.65
	=====	=====	=====	=====
DIVIDENDS PER SHARE	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.40
	=====	=====	=====	=====
Weighted Average No. of Shares Outstanding	3,496,680	3,515,466	3,502,667	3,515,466

Earnings per share has been adjusted to reflect the 5% stock dividend paid in May of 2007.

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

3

MID PENN BANCORP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited; Dollars in thousands)

	For the Six Months Ended June 30,	
	2007	2006
	-----	-----
Operating Activities:		
Net Income	\$ 2,263	\$ 2,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan and lease losses	200	360
Depreciation	387	316
Incr. in cash-surr. value of life insurance	(135)	(108)
Investment securities gains, net	0	0
Amortization	66	18
Loss (gain) on sale of loans	(21)	0
Loss (gain) on sale/disposal of bank premises and equipment	0	(9)
Loss (gain) on the sale of foreclosed assets	21	(131)
Deferred income taxes	93	(216)
Change in accrued interest receivable	61	(91)
Change in other assets	(512)	(231)
Change in accrued interest payable	819	451
Change in other liabilities	(123)	343
	-----	-----
Net cash provided by operating activities	3,119	2,975
	-----	-----

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

Investing Activities:

Net decr in int-bearing balances	570	13,764
Incr. in federal funds sold	0	(5,000)
Proceeds from sale of securities	0	0
Proceeds from the maturity of secs	5,306	2,533
Purchases of investment securities	(2,071)	(11,525)
Net increase in loans and leases	(5,763)	(16,616)
Purchases of bank premises & equip't	(1,620)	(230)
Proceeds from sale of foreclosed assets	137	205
Proceeds from Sale of Bank Premises & Equip't	0	9
Capitalized additions - ORE	0	0
	-----	-----
Net cash used in investing activities	(3,441)	(16,860)
	-----	-----

Financing Activities:

Net incr. in demand and savings	4,760	6,584
Net incr. in time deposits	4,375	10,056
Net decrease in federal funds sold	0	0
Net decrease in short-term borrowings	(4,525)	(4,338)
Long-term debt repayments	(5,065)	(5,062)
Increase in long-term borrowings	0	10,000
Cash dividend paid	(1,374)	(1,314)
Purchase of treasury stock	(385)	0
	-----	-----
Net cash (used in) provided by financing activities	(2,214)	15,926
	-----	-----
Net (decr)incr in cash & due from banks	(2,536)	2,041
Cash & due from banks, beg of period	9,498	6,350
	-----	-----
Cash & due from banks, end of period	6,962	8,391
	=====	=====

Supplemental Disclosures of

Cash Flow Information:

Interest paid	6,674	5,427
Income taxes paid	880	775

Supplemental Noncash Disclosures:

Loan charge-offs, net	127	119
Transfers to other real estate	80	184

Mid Penn Bancorp, Inc. Notes to Consolidated Financial Statements

1. The consolidated interim financial statements, with the exception of the consolidated balance sheet dated December 31, 2006, are unaudited and have been prepared according to the rules and regulations of the Securities and Exchange Commission with respect to Form 10-Q. The financial information reflects all adjustments (consisting only of normal recurring adjustments), which are, in our opinion, necessary for a fair statement of results for the periods covered. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted according to these rules and regulations. We believe, however, that the disclosures are adequate so that the information is not misleading. You should read these interim financial statements along with the financial statements including the notes included in the Corporation's most recent Form 10-K.

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

2. Interim statements are subject to possible adjustments in connection with the annual audit of the Corporation's accounts for the full fiscal year. In our opinion, all necessary adjustments have been included so that the interim financial statements are not misleading.

3. The results of operations for the interim periods presented are not necessarily an indicator of the results expected for the full year.

4. Management considers the allowance for loan and lease losses to be adequate at this time.

5. Short-term borrowings as of June 30, 2007, and December 31, 2006, consisted of:

(Dollars in thousands)

	6/30/07	12/31/06	
	-----	-----	
Repurchase agreements	\$ 8,235	\$ 9,175	
Treasury, tax and loan note	615	600	
Federal funds purchased	10,900	14,500	
	-----	-----	
	\$19,750	\$24,275	
	=====	=====	

5

Federal funds purchased represent overnight funds. Securities sold under repurchase agreements generally mature between one day and one year. Treasury, tax and loan notes are open-ended interest bearing notes payable to the U.S. Treasury upon call. All tax deposits accepted by the Bank are placed in the Treasury note option account.

6. During the second quarter, Mid Penn Bank ("MPB") did not enter into any long-term borrowings.

7. MPB has an unfunded noncontributory defined benefit retirement plan for directors. The plan provides defined benefits based on years of service. MPB also has other postretirement benefit plans covering full-time employees. These health care and life insurance plans are noncontributory. MPB uses a December 31 measurement date for its plans.

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

		Six months ended June 30:			
		(Dollars in thousands)			
		Pension Benefits		Other Benefits	
		2007	2006	2007	2007
		----	----	----	----
Service cost		\$ 20	\$ 20	\$ 12	\$ 10
Interest cost		\$ 16	\$ 14	\$ 30	\$ 18
Expected return on plan assets		\$ --	\$ --	\$ --	\$ --
Amortization of transition obligation		\$ 8	\$ 8	\$ --	\$ --
Amortization of prior service cost		\$ --	\$ --	\$ 14	\$ --
Amortization of net (gain) loss		\$ (4)	\$ (2)	\$ --	\$ --
		-----	-----	-----	-----
Net periodic benefit cost		\$ 40	\$ 40	\$ 56	\$ 28
		-----	-----	-----	-----

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

8. Earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during each of the periods presented, giving retroactive effect to stock dividends. The basic and diluted earnings per share are the same since there are no dilutive shares of securities outstanding.

6

9. The purpose of reporting comprehensive income (loss) is to report a measure of all changes in the Corporation's equity resulting from economic events other than transactions with stockholders in their capacity as stockholders. For the Corporation, "comprehensive income(loss)" includes traditional income statement amounts as well as unrealized gains and losses on certain investments in debt and equity securities (i.e. available for sale securities). Because unrealized gains and losses are part of comprehensive income (loss), comprehensive income (loss) may vary substantially between reporting periods due to fluctuations in the market prices of securities held. Other comprehensive income will annually include a pension component in accordance with Financial Accounting Standards Board No. 158.

(In thousands)	Three Months Ended June 30:		Six Months Ended June 30:	
	2007	2006	2007	2006
Net Income	\$ 1,179	\$ 1,117	\$ 2,263	\$ 2,263
Other comprehensive income(loss):				
Unrealized holding gains (losses) on securities arising during the period	(562)	(546)	(583)	(600)
Less: reclassification adjs for losses(gains) included in net income	0	0	0	0
Other comprehensive income(loss) before income tax (provision) benefit	(562)	(546)	(583)	(600)
Other comprehensive income related to SFAS 158	0	0	(311)	0
Income tax (provision) benefit related to other comp.income (loss)	191	186	304	200
Other comprehensive inc(loss)	(371)	(360)	(590)	(400)
Comprehensive Income (Loss)	808	757	1,673	1,863

7

Mid Penn Bancorp, Inc.
Millersburg, Pennsylvania

ITEM 2: Management's Discussion of Consolidated Financial Condition

Special Cautionary Notice Regarding Forward-looking Statements

Certain of the matters discussed in this document and in documents incorporated

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

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 MPB to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect," "anticipate," "intend," "plan," "believe," "estimate," and similar expressions are intended to identify such forward-looking statements.

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

- o The effects of future economic conditions on MPB and the Bank's customers;
- o The costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- o Governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- o The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters;
- o 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;

8

- o 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 MPB'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;
- o Technological changes;
- o Acquisitions and integration of acquired businesses;
- o 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; and
- o Acts of war or terrorism

Management's Discussion of Consolidated Financial Condition as of June 30, 2007, compared to year-end 2006 and the Results of Operations for the second quarter and the first six months of 2007 compared to the same periods in 2006.

CONSOLIDATED FINANCIAL CONDITION

Total assets as of June 30, 2007, were \$492,160,000 compared to \$491,694,000 as

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

of December 31, 2006.

Asset growth was hindered during the first half of 2007 primarily by weakened loan demand coupled with a highly competitive lending environment. In addition, MPB experienced the payoff of two large commercial loans during the first quarter. Consequently, assets remained flat at June 30, 2007 compared with December 31, 2006.

Total deposits balances were boosted by net growth in money market deposit accounts of approximately \$5 million as well as the execution of a \$10 million brokered certificate of deposit issue. These increases in deposit balances were used to pay down borrowings.

9

As of June 30, 2007, the Bank's capital ratios are well in excess of the minimum and well-capitalized guidelines, and the Corporation's capital ratios are in excess of the Bank's capital ratios. The changes in MPB's additional paid in capital account resulted from the 5% stock dividend paid to shareholders in May of 2007. In September of 2005, Mid Penn Bancorp's Board of Directors approved a Stock Repurchase Program under which the Corporation could buy back up to 250,000 shares of Mid Penn Bancorp common stock. As of June 30, 2007, 19,842 shares have been repurchased at an average price of \$24.31 per share. During the second quarter of 2007, 3,605 shares were repurchased at an average price of \$23.76.

RESULTS OF OPERATIONS

Net income for the first six months of 2007 was relatively flat at \$2,263,000, compared with \$2,273,000 earned in the same period of 2006. Net income per share was \$.65 for both periods. Net income as a percentage of average stockholders' equity, also known as return on equity, (ROE), was 11.6% on an annualized basis for the first half of 2007 and 12.3% for the same period of 2006.

Net income for the second quarter of 2007 was \$1,179,000, compared with \$1,117,000 earned in the same quarter of 2006, an increase of 5.6%. Net income per share for the second quarters of 2007 and 2006 was \$.34 and \$.32, respectively. The increase in net income was due largely to year-over-year increases in earning assets.

Net interest income of \$4,014,000 for the quarter ended June 30, 2007, increased by 3% over the \$3,891,000 earned in the same quarter of 2006. Despite the growth in earning assets over the past twelve months, net interest income was restricted to a degree by the flat yield curve and the competition for interest-yielding assets during the past two quarters.

During the second quarter of 2007, MPB analyzed interest rate risk using the Profitstar Asset-Liability Management Model. Using the computerized model, Management reviews interest rate risk on a periodic basis. This analysis includes an earnings scenario whereby interest rates are increased by 200 basis points (2 percentage points) and another whereby they are decreased by 200 basis points. At June 30, 2007, these scenarios were within the policy limits of +/- 15% in net interest income for the next twelve

10

months; however, actual results could vary significantly from the calculations prepared by management.

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

Based on Management's analysis of the loan portfolio, the Bank recorded a \$125,000 provision for possible loan and lease losses during the second quarter of 2007, compared to a provision of \$225,000 made during the second quarter of 2006. The provision was lower in 2007 due to slower growth in the loan portfolio compared with the same quarter of 2006. On a quarterly basis, senior management reviews potentially unsound loans taking into consideration judgments regarding risk of loss, economic conditions, trends and other factors in determining a reasonable allowance for the period. A portion of the allowance for loan and lease losses is based on applying historical loss ratios to the existing loan portfolio.

Non-interest income amounted to \$857,000 for the second quarter of 2007 compared to \$741,000 earned during the same quarter of 2006. One significant contributor to non-interest income is insufficient fund (NSF) fee income. NSF fee income contributed approximately \$287,000 of income during the second quarter of 2007 compared to the \$277,000 earned during the same quarter of 2006. Non-interest income during the second quarter was also bolstered by the \$21,000 gain on the sale of an SBA loan, and \$62,000 in fees earned through the third-party sale of non-deposit investment products.

Non-interest expense amounted to \$3,190,000 for the second quarter of 2007 compared to \$2,895,000 incurred during the same quarter of 2006. A major increase in non-interest expense during the second quarter of 2007 as compared to the same period in 2006, was caused by the \$39,000 increase in salary and benefits expense, which is largely attributable to the addition of fifteen full-time equivalent personnel during the last year including those at our two newest offices in Middletown and Steelton, which were acquired in December of 2006. Expenses related to property, plant and equipment increased by approximately \$106,000 compared to the second quarter of 2006. This increase reflects higher depreciation, tax and utility costs as well as the addition of the two new offices mentioned previously and the relocation of our Lykens Valley Office to a newly constructed building at a site adjoining a new Walmart Superstore in Elizabethville, PA, as well as the purchase of a property in Camp Hill, PA, which was purchased as a future office site. Advertising expense also increased by approximately \$100,000 as the Bank is in the midst of a marketing campaign to further develop brand recognition and

11

market penetration in conjunction with the recent announcement of the sale of one of the Bank's major competitors.

The income tax provision for the second quarter of 2007 was slightly lower than that of the same period of 2006 despite slightly higher earnings in the period due to a higher percentage of tax-free income in 2007 from increased BOLI (Bank Owned Life Insurance) and municipal lease balances. Management uses a consistent formula for determining the income tax provision each quarter.

LIQUIDITY

The Bank's objective is to maintain adequate liquidity 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 include interest-bearing balances, maturing investment securities, borrowings, payments received on loans, and increases in deposit liabilities.

Funds generated from operations were a significant source of funds for the first half of 2007. Another significant source of funds came from a \$10M five-year, brokered CD issue at a rate of 5.15%. These funds were used to pay down borrowings, which decreased by approximately \$9.5M during the period.

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

The net increase in loans and leases of approximately \$5.5M during the period was funded largely by the proceeds from the maturity of securities and interest-bearing balances.

CREDIT RISK AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Total non-performing assets were \$3,260,000, representing 0.66% of total assets at June 30, 2007, compared to \$2,434,000, or 0.50% of total assets, at December 31, 2006. Most non-performing assets are supported by collateral value that appears to be adequate at June 30, 2007.

The allowance for loan losses at June 30, 2007, was \$4,260,000 or 1.17% of loans, net of unearned interest, as compared to \$4,187,000 or 1.17% of loans, net of unearned interest, at December 31, 2006.

Based upon the ongoing analysis of MPB's loan portfolio by the loan review department, the latest quarterly analysis of potentially unsound loans and non-performing assets,

12

Management considers the Allowance for Loan and Lease Losses to be adequate to absorb any reasonably foreseeable loan and lease losses.

NEW ACCOUNTING PRONOUNCEMENT

In February 2007, The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Liabilities," including an amendment of FASB Statement No. 115 ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Corporation is currently evaluating the impact of the adoption of this pronouncement on its consolidated financial statements.

13

MID PENN BANCORP, INC.

	Six Months Ended	Year Ended
	-----	-----
	June 30, 2007	Dec. 31, 2006
	-----	-----
Non-Performing Assets:		
Non-accrual loans	1,975	1,293
Past due 90 days or more	1,285	995
Restructured loans	0	0
--	-----	-----
Total non-performing loans	3,260	2,288
Other real estate	0	146

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

--	-----	-----
Total	3,260	2,434
--	=====	=====
Percentage of total loans outstanding	0.90%	0.68%
Percentage of total assets	0.66%	0.50%
Analysis of the Allowance for Loan and Lease Losses:		
Balance beginning of period	4,187	3,704
Loans charged off:		
Commercial real estate, construction and land development	0	17
Commercial, industrial and agricultural	12	158
Real estate - residential mortgage	0	0
Consumer	68	134
Leases	84	0
	-----	-----
Total loans charged off	164	309
	-----	-----
Recoveries of loans previously charged off:		
Commercial real estate, construction and land development	0	0
Commercial, industrial and agricultural	1	3
Real estate - residential mortgage	0	0
Consumer	36	54
	-----	-----
Total recoveries	37	57
	-----	-----
Net (charge-offs) recoveries	(127)	(252)
	-----	-----
Current period provision for loan losses	200	735
	-----	-----
Balance end of period	4,260	4,187
	=====	=====

14

Item 3: Quantitative and Qualitative Disclosure about Market Risk

In the normal course of conducting business activities, the Corporation is exposed to market risk, principally interest risk. Interest risk arises from market driven fluctuations in interest rates that affect cash flows, income, expense and values of financial instruments. The Asset/Liability Committee, using policies approved by the Board of Directors, is responsible for managing the rate sensitivity position.

No material changes in the market risk strategy occurred during the current period. No material changes have been noted in the Corporation's equity value at risk. A detailed discussion of market risk is provided in the Form 10-K for the year ended December 31, 2006.

Item 4: Controls and Procedures:

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Corporation updated its evaluation, under the supervision and with the participation of the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the corporation's disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 ("Exchange Act") Rule 13a-15e. Based upon that evaluation,

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

the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective in timely alerting them to material information relating to the Corporation (including its consolidated subsidiaries) required to be included in our periodic SEC filings.

Changes in Internal Controls Over Financial Reporting

There was no change in the Corporation's internal controls or, to its knowledge, in other factors that have materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

15

Mid Penn Bancorp, Inc.

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 the Corporation. There are no proceedings pending other than ordinary routine litigation incident to the business of the Corporation. In addition, management does not know of any material proceedings contemplated by governmental authorities against the Corporation or any of its properties.

Item 1A. Risk Factors - 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 - In September of 2005, Mid Penn Bancorp's Board of Directors approved a Stock Repurchase Program under which the Corporation could buy back up to 250,000 shares of Mid Penn Bancorp common stock. Through June 30, 2007, 19,842 shares have been repurchased at an average price of \$24.31 per share. During the second quarter of 2007, 3,605 shares were repurchased at an average price of \$23.76.

Issuer Purchases of Equity Securities During the Quarter:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Plan	Maximum Number of Shares that May Yet Be Purchased Under Plan
Apr-07	0	N/A	16,237	233,763
May-07	2,592	\$23.44	18,829	231,171
June-07	1,013	\$24.59	19,842	230,158
Total	3,605	\$23.76	19,842	230,158

Item 3. Defaults Upon Senior Securities - Nothing to report

Item 4. Submission of Matters to a Vote of Security Holders - At the Annual Meeting of Shareholders held on April 24, 2007, a vote was held for the election of Class C directors: A. James Durica, Theodore W. Mowery, Donald E. Sauve and Willaim A. Specht, III, to serve for a three-year term. A. James Durica received 3,012,081 votes for and 3,842 votes withheld. Theodore W. Mowery received 3,000,103 votes for and 15,820 votes withheld. Donald E. Sauve received

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

2,918,704 votes for and 97,218 withheld. William A. Specht, III, received 3,012,081 votes for and 3,842 withheld.

Other directors include:

16

Name:	Term Expiration:
Jere M. Coxon	2009
Alan W. Dakey	2009
Robert C. Grubic	2008
Gregory M. Kerwin	2008
Edwin D. Schlegel	2008
Guy J. Snyder, Jr.	2009

Item 5. Other Information - The Bank has purchased a future branch facility, formerly operated as a banking office, located at 21st and Market Streets in Camp Hill, Cumberland County, PA. A fall opening is anticipated; regulatory approval was received in July of 2007.

Item 6. Exhibits -

- 3(i) The Registrant's Articles of Incorporation. (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the SEC on March 29, 2002.)
- 3(ii) The Registrant's By-laws. (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the SEC on March 29, 2002.)
- 10.1 Mid Penn Bank's Profit Sharing Retirement Plan. (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the SEC on March 29, 2002.)
- 10.2 Mid Penn Bank's Employee Stock Ownership Plan. (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the SEC on March 29, 2002.)
- 10.3 The Registrant's Dividend Reinvestment Plan, as amended and restated. (Incorporated by reference to Registrant's Registration Statement on Form S-3, filed with the SEC on October 12, 2005.)
- 10.4 Salary Continuation Agreement between Mid Penn Bank and Alan W. Dakey. (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2003.)
- 10.5 Split Dollar Agreement between Mid Penn Bank and Eugene F. Shaffer (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2005)

17

- 10.6 Death Benefit Plan and Agreement between Mid Penn Bank and the Trustee of the Eugene F. Shaffer Irrevocable Trust (Incorporated by reference to Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2005)

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

- 11.1 Statement regarding the computation of Per Share Earnings
(Included in body of 10-Q)
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
- 32.1 Chief Executive Officer's ss.1350 Certification.
- 32.2 Chief Financial Officer's ss.1350 Certification

Pursuant to the requirements 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

/s/ Alan W. Dakey

By: Alan W. Dakey
President & CEO
Date: August 3, 2007

/s/ Kevin W. Laudenslager

By: Kevin W. Laudenslager
Treasurer
Date: August 3, 2007