

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

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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.

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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.

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 |

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| | | |
|---|--------------|------------|
| 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 | September 30, 2015 | September 30, 2016 | September 30, 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 |

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| | | | | |
|---|----------|----------|----------|----------|
| 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.

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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 | | |