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MID PENN BANCORP INC  
Form 10-Q  
May 08, 2008

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

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Form 10-Q  
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QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

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  
(Address of principal executive offices)

17061  
(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 See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated  Accelerated  
 Non-accelerated  Smaller reporting company

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.

3,486,095 shares of Common Stock, \$1.00 par value per share, were outstanding as of May 1, 2008.

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PART I  
MID PENN BANCORP, INC.

ITEM I: FINANCIAL STATEMENTS

MID PENN BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

	MAR. 31 2008 ----- (UNAUDITED)	DEC. 31 2007 ----- (AUDITED)
<b>ASSETS:</b>		
Cash and due from banks	\$ 9,663	\$ 10,599
Interest-bearing balances	61,061	46,830
Available-for-sale securities	55,945	54,072
Federal funds sold	0	0
Loans	389,178	377,128
Less,		
Allowance for loan and lease losses	4,867	4,790
	-----	-----
Net loans	384,311	372,338
	-----	-----
Bank premises and equip't, net	10,746	10,638
Foreclosed assets held for sale	445	529
Accrued interest receivable	2,645	2,818
Goodwill	1,016	1,016
Core deposit intangible, net	346	362
Cash surrender value of life insurance	7,023	6,961
Deferred income taxes	1,933	2,053
Other assets	840	1,541
	-----	-----
Total Assets	535,974	509,757
	=====	=====
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY:</b>		
Deposits:		
Non-interest Bearing Demand	48,473	46,478
Interest Bearing Demand	36,848	36,627
Money Market	68,434	62,596
Savings	25,256	24,844
Time	227,195	202,272
	-----	-----
Total deposits	406,206	372,817
	-----	-----
Short-term borrowings	37,828	37,349
Accrued interest payable	2,737	1,990
Other liabilities	3,069	2,576
Long-term debt	45,343	54,581
	-----	-----
Total Liabilities	495,183	469,313
	-----	-----
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, par value \$1 per share;		

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authorized 10,000,000 shares; issued		
3,533,340 shares at March 31, 2008		
and December 31, 2007	3,533	3,533
Additional paid-in capital	31,107	31,107
Retained earnings	6,859	6,660
Accumulated other comprehensive inc (loss)	519	284
Treasury Stock, at cost (47,084 and 43,706		
shares at Mar. 31, 2008 and Dec. 31, 2007)	(1,227)	(1,140)
	-----	-----
Total Stockholders' Equity	40,791	40,444
	-----	-----
Total Liabilities & Equity	535,974	509,757
	=====	=====

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

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MID PENN BANCORP, INC.  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited; In thousands, except per share data)

	FOR THE QUARTER ENDED MARCH 31,	
	2008	2007
	-----	-----
INTEREST INCOME:		
Interest & fees on loans	\$ 6,777	\$ 6,414
Int.-bearing balances	672	626
Treas. & Agency securities	232	260
Municipal securities	345	329
Other securities	51	52
Fed funds sold and repos	0	24
	-----	-----
Total Int. Income	8,077	7,705
	-----	-----
INTEREST EXPENSE:		
Deposits	2,987	2,799
Short-term borrowings	262	199
Long-term borrowings	628	729
	-----	-----
Total Int. Expense	3,877	3,727
	-----	-----
Net Int. Income	4,200	3,978
PROVISION FOR LOAN AND LEASE LOSSES		
	100	75
	-----	-----
Net Int. Inc. after Prov. for Loan & Lease Losses	4,100	3,903
	-----	-----
NON-INTEREST INCOME:		
Trust dept	67	81
Service chgs. on deposits	408	366
Investment securities		
Gains(losses), net	0	0
Increase in cash surrندر value of life insurance	62	70

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Mortgage banking income	39	35
Income from sale of other real estate	0	0
ATM/Debit card income	115	99
Financial Network	40	34
Merchant Services	25	21
Safety deposit rental income	26	23
Other	112	108
	-----	-----
Total Non-Interest Income	894	837
	-----	-----
NON-INTEREST EXPENSE:		
Salaries and benefits	1,817	1,723
Occupancy, net	288	216
Equipment	318	265
PA Bank Shares tax	92	82
Legal and professional expense	175	189
Marketing and advertising expense	78	84
ATM/Debit card processing expense	41	44
Director fees and benefits expense	76	80
Computer expense	138	148
Stationary and supplies	72	62
Trust department expense	11	16
Postage expense	39	43
Leasing department expense	14	12
Meals, travel, and lodging expense	25	23
Donations expense	15	33
Internet banking expense	14	12
Courier expense	30	26
Insurance expense	16	17
Merchant services expense	13	3
Core deposit intangible expense	33	33
Dues and subscriptions expense	17	13
Ongoing education expense	17	15
Service charge expense	22	22
Credit report expense	14	12
Other	69	118
	-----	-----
Tot. Non-int. Exp	3,444	3,291
	-----	-----
Income before income tax provision	1,550	1,449
	-----	-----
INCOME TAX PROVISION	377	365
	-----	-----
NET INCOME	\$ 1,173	\$ 1,084
	=====	=====
NET INCOME PER SHARE	\$ 0.34	\$ 0.31
	=====	=====
DIVIDENDS PER SHARE	\$ 0.20	\$ 0.20
	=====	=====
Weighted Average No. of Shares Outstanding	3,488,826	3,508,721

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

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

	FOR THE QUARTER ENDED MARCH 31,	
	2008	2007
	-----	-----
Operating Activities:		
Net Income	\$ 1,173	\$ 1,084
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan & lease losses	100	75
Depreciation	210	185
Incr. in cash-surr. value of life insurance	-62	-69
Investment securities gains, net	0	0
Amortization	16	33
(Gain) loss on sale/disposal of bank premises and equipment	0	0
Loss (gain) on the sale of foreclosed assets	32	9
Change in deferred income taxes	0	93
Change in accrued interest receivable	173	117
Change in other assets	701	-653
Change in accrued interest payable	747	556
Change in other liabilities	217	257
	-----	-----
Net cash provided by operating activities	3,307	1,687
	-----	-----
Investing Activities:		
Net (incr)decr in int-bearing balances	-14,231	-322
Net increase in federal funds sold	0	-3,750
Proceeds from sale of securities	0	0
Proceeds from the maturity of secs	8,344	1,948
Purchases of investment securities	-9,862	-5
Net increase in loans	-12,073	-678
Purchases of bank premises & equip't	-318	-566
Proceeds from sale of foreclosed assets	52	124
	-----	-----
Net cash used in investing activities	-28,088	-3,249
	-----	-----
Financing Activities:		
Net incr. in demand and savings	8,466	8,257
Net incr.(decr.) in time deposits	24,923	7,667
Net incr.(decr.) in short-term borrowings	479	-16,102
Long-term debt repayments	-10,033	-32
Proceeds from long-term borrowings	795	0
Cash dividend paid	-698	-668
Purchase of treasury stock	-87	-299
	-----	-----
Net cash provided by(used in) financing activities	23,845	-1,177
	-----	-----
Net (decr.)incr. in cash & due from banks	-936	-2,739
Cash & due from banks, beg of period	10,599	9,498

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	-----	-----
Cash & due from banks, end of period	9,663	6,759
	=====	=====
Supplemental Disclosures of Cash Flow Information:		
Interest paid	3,130	3,171
Income taxes paid	0	0
Supplemental Noncash Disclosures:		
Loan charge-offs	47	84
Transfers to foreclosed assets held for sale	0	0

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

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### MID PENN BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated interim financial statements, with the exception of the consolidated balance sheet as of December 31, 2007, 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.

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 March 31, 2008, and December 31, 2007, consisted of:

(Dollars in thousands)

	3/31/08	12/31/07
	-----	-----
Federal funds purchased	\$28,550	\$29,600
Repurchase agreements	8,663	7,156
Treasury, tax and loan note	615	593
	-----	-----
	\$37,828	\$37,349
	=====	=====

Federal funds purchased represent overnight funds. Securities sold under repurchase agreements generally mature between one day and one year. Treasury,

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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 first quarter, Mid Penn Bank ("MPB") entered into one long-term borrowing with the Federal Home Loan Bank of Pittsburgh. It is an amortizing loan for \$795,000 with a fixed rate of 3.24%, maturing on March 5, 2013, which was entered into in conjunction with the funding of a specific commercial loan for one of the Bank's borrowers.

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.

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### MID PENN BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	THREE MONTHS ENDED MARCH 31:			
	(IN THOUSANDS)			
	PENSION BENEFITS 2008	PENSION BENEFITS 2007	OTHER BENEFITS 2008	OTHER BENEFITS 2007
	-----	-----	-----	-----
Service cost	\$ 12	\$ 10	\$ 6	\$ 6
Interest cost	9	8	15	15
Expected return on plan assets	0	0	0	0
Amortization of transition obligation	4	4	0	0
Amortization of prior service cost	0	0	5	7
Amortization of net (gain) loss	-1	-2	0	0
	-----	-----	-----	-----
Net periodic benefit cost	\$ 24	\$ 20	\$ 26	\$ 28
	=====	=====	=====	=====

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.

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 also includes a pension component in accordance with Financial Accounting Standards Board No. 158.

(IN THOUSANDS)

THREE MONTHS ENDED  
MARCH 31:  
2008                      2007

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Net Income	\$ 1,173	\$ 1,084
Other comprehensive income(loss):		
Unrealized holding gains (losses) on securities arising during the period	355	-21
Less: reclassification adjs for losses(gains) included in net income	0	0
Net unrealized losses	355	-21
Other comprehensive income related to the booking of benefits liabilities	0	-311
Income tax (provision) benefit related to other comp.income (loss)	-120	113
Other comprehensive inc(loss)	235	-219
Comprehensive Income	\$ 1,408	\$ 865

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MID PENN BANCORP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Effective January 1, 2008, MPB adopted Statement of Financial Accounting Standard No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles in the United States of America and enhances disclosures about fair value measurements. The Bank measures on a recurring basis its available for sale securities portfolio at market value according to SFAS 157. Total available for sale assets were \$55,945,000 as of March 31, 2008. These securities, comprising agency and municipal securities, were measured using level 2 inputs. These market values are provided by a third-party securities brokerage firm. Level 2 inputs are inputs other than quoted prices on an active exchange included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to principal market);
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates);
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).



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Level 1 inputs are those that are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 3 inputs are unobservable inputs based on internal models due to lack of comparable inputs at either level 1 or 2. The Bank did not have any assets or liabilities whose fair values are measured using level 1 or level 3 inputs.

On January 1, 2008, the Company adopted SFAS No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES. SFAS 159 allows companies to elect to follow fair value accounting for certain financial assets and liabilities in an effort to mitigate volatility in earnings without having to apply complex hedge accounting provisions. The Corporation did not elect the fair value option for any of its financial instruments as of March 31, 2008; and therefore, the adoption of this statement had no effect on the Corporation's financial statements.

On January 1, 2008, the Company adopted Emerging Issues Task Force 06-4, ACCOUNTING FOR DEFERRED COMPENSATION AND POSTRETIREMENT BENEFIT ASPECTS OF ENDORSEMENT SPLIT-DOLLAR LIFE INSURANCE ARRANGEMENTS (EITF 06-4). In accordance with the EITF, the Corporation recorded a liability of approximately \$276,000 and adjusted beginning retained earnings as of January 1, 2008 by approximately \$276,000.

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### MID PENN BANCORP, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. The Corporation adopted FASB Interpretation No. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES, an interpretation of FASB Statement No. 109 (FIN48) during 2007 and has evaluated its material tax positions as of March 31, 2008. Under the "more-likely-than-not" threshold guidelines, the Corporation believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In the event an adverse tax position is determined to exist, penalty and interest will be accrued, in accordance with the Internal Revenue Service guidelines, and recorded as a component of other non-interest expense in the Corporation's consolidated statements of income.

As of March 31, 2008, there were no unrecognized tax benefits that, if recognized, would significantly affect the Corporation's effective tax rate. Also, as of March 31, 2008, there were no penalties and interest recognized in the consolidated statement of income as a result of FIN 48, nor does the Corporation foresee a change in its material tax positions that would give rise to the non-recognition of an existing tax benefit during the near future.

### MID PENN BANCORP, INC. MILLERSBURG, PENNSYLVANIA

#### ITEM 2: MANAGEMENT'S DISCUSSION OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Special Cautionary Notice Regarding Forward-looking Statements

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

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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 the Corporation 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.

The Corporation'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 the Corporation and the its 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;
- 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.

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The following is Management's Discussion of Consolidated Financial Condition as of March 31, 2008, compared to year-end 2007 and the Results of Operations for the first quarter of 2008 compared to the same period in 2007.

### CONSOLIDATED FINANCIAL CONDITION

Total assets as of March 31, 2008, were \$535,974,000 compared to \$509,757,000 as of December 31, 2007, an increase of 5.1% during the first quarter.

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Strong loan demand contributed \$11,973,000 in growth of net loans. Management also increased the banks investment in interest-bearing balances (short-term, jumbo certificates of deposit at other financial institutions) by \$14,231,000 ahead of the decreases in short-term interest rates.

The growth in assets was funded by an increase in total deposits of \$33,389,000 during the quarter. Deposit growth was spurred with a special rate, thirteen-month term, certificate of deposit offer during the quarter. Consequently, time deposits grew by \$24,923,000 during the quarter. Of this growth, an increase of \$9.7 million represents the time deposits of one municipality. In addition to the growth in time deposits, all categories of deposits increased in balances during the quarter. Money market balances increased by \$5.8 million and demand deposits increased by nearly \$2 million.

The deposit growth also allowed the Bank to reduce long-term borrowings by not having to replace a \$10 million FHLB borrowing that came due during the quarter. Short-term borrowings remain at a high level as the Bank is able to take advantage of decreasing short-term interest rates. Management plans on replacing some of the short-term borrowings with long-term borrowings to ladder the maturities.

As of March 31, 2008, the Bank's capital ratios are well in excess of the minimum and well-capitalized guidelines. 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. To date, 28,028 shares have been repurchased at an average price of \$24.56 per share. During the first quarter of 2008, 3,378 shares were repurchased at an average price of \$25.47.

### RESULTS OF OPERATIONS

Net income for the first quarter of 2008 was \$1,173,000, compared with \$1,084,000 earned in the same quarter of 2007, an increase of 8.2%. The increase is primarily attributable to the larger base of earning assets during the first quarter of 2008, which allowed MPB to grow net interest income. Net income per share for the first quarter of 2008 and 2007 was \$.34 and \$.31, respectively, or an increase of 9.7%. Net income as a percentage of stockholders' equity, also known as return on equity, (ROE), was 11.6% on an annualized basis for the first quarter of 2008 as compared to 11.1% for the same period in 2007.

Net interest income increased due to a larger base of earning assets as compared to the first quarter of 2007. Net interest income of \$4,200,000 for the quarter ended March 31, 2008, increased by 5.6% compared to the \$3,978,000 earned in the same quarter of 2007.

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The following tables illustrate MPB's net interest margin on a taxable equivalent basis for both the year ended 2007 and the three months ended March 31, 2008, annualized. The margin for 2007 was 3.68%. The margin has decreased slightly to 3.62% for the quarter ended March 31, 2008. A major factor in this decrease was the deposit special during the quarter; however, this deposit special was very effective at bringing in deposits to the bank including funds that had moved to a competitor, in the midst of a merger, offering aggressive rates during 2007.

### TABLE 1: AVERAGE BALANCES, EFFECTIVE INTEREST DIFFERENTIAL AND INTEREST YIELDS

INCOME AND RATES ON A TAXABLE EQUIVALENT BASIS  
FOR THREE MONTHS ENDED MARCH 31, 2008

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(DOLLARS IN THOUSANDS)	AVERAGE BALANCE	ANNUALIZED INTEREST INCOME /EXPENSE	AVER EAR
	-----	-----	----
<b>ASSETS:</b>			
Interest Bearing Balances	\$ 54,495	2,692	
Investment Securities:			
Taxable	25,402	1,132	
Tax-Exempt	30,253	2,092	
	-----	-----	
Total Investment Securities	55,655		
Federal Funds Sold	0	0	
Loans, Net	379,342	27,336	
	-----	-----	
Total Earning Assets	489,492	33,252	
	-----	-----	
Cash and Due from Banks	8,024		
Other Assets	25,673		
	-----		
Total Assets	\$ 523,189		
	=====		
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY:</b>			
Interest Bearing Deposits:			
NOW	\$ 36,240	152	
Money Market	65,687	1,620	
Savings	25,148	68	
Time	224,203	10,108	
Short-term Borrowings	32,177	1,048	
Long-term Debt	48,493	2,512	
	-----	-----	
Total Interest Bearing Liabilities	431,948	15,508	
	-----	-----	
Demand Deposits	45,394		
Other Liabilities	5,638		
Stockholders' Equity	40,209		
	-----		
Total Liabilities and Stockholders' Equity	\$ 523,189		
	=====		
Net Interest Income (on a taxable equivalent basis)		\$ 17,744	
		=====	
Net Yield on Interest Earning Assets:			
Total Yield on Earning Assets			
Rate on Supporting Liabilities			
Average Interest Spread			
Net Interest Margin			

TABLE 1: AVERAGE BALANCES, EFFECTIVE INTEREST DIFFERENTIAL AND INTEREST YIELDS

INCOME AND RATES ON A TAXABLE EQUIVALENT BASIS  
FOR TWELVE MONTHS ENDED DECEMBER 31, 2007

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(DOLLARS IN THOUSANDS)	AVERAGE BALANCE	ANNUALIZED INTEREST INCOME /EXPENSE	AVERAGE EARNINGS
	-----	-----	-----
<b>ASSETS:</b>			
Interest Bearing Balances	\$ 46,900	2,546	
Investment Securities:			
Taxable	25,043	1,150	
Tax-Exempt	29,726	2,062	
	-----		
Total Investment Securities	54,769		
Federal Funds Sold	624	33	
Loans, Net	361,324	26,592	
	-----	-----	
Total Earning Assets	463,617	32,383	
		-----	
Cash and Due from Banks	7,559		
Other Assets	25,012		
	-----		
Total Assets	\$ 496,188		
	=====		
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY:</b>			
Interest Bearing Deposits:			
NOW	\$ 35,048	144	
Money Market	63,927	2,208	
Savings	25,513	72	
Time	203,671	9,006	
Short-term Borrowings	22,528	1,049	
Long-term Debt	56,908	2,860	
	-----	-----	
Total Interest Bearing Liabilities	407,595	15,339	
		-----	
Demand Deposits	44,021		
Other Liabilities	5,734		
Stockholders' Equity	38,838		
	-----		
Total Liabilities and Stockholders' Equity	\$ 496,188		
	=====		
Net Interest Income (on a taxable equivalent basis)		\$ 17,044	
		=====	
Net Yield on Interest Earning Assets:			
Total Yield on Earning Assets			
Rate on Supporting Liabilities			
Average Interest Spread			
Net Interest Margin			

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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 March 31, 2008, these scenarios were within the policy limits of +/- 15% change in net interest income for the next twelve months; however, actual results could vary significantly from the calculations prepared by management.

Based on Management's analysis of the loan portfolio, the Bank recorded a \$100,000 provision for possible loan and lease losses during the first quarter of 2008, compared to a provision of \$75,000 made during the first quarter of 2007. The provision was slightly higher in 2008 due to greater growth in the loan portfolio compared with the same quarter of 2007. 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 at the end of 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 \$894,000 for the first quarter of 2008 compared to \$837,000 earned during the same quarter of 2007. A significant contribution to non-interest income continues to be insufficient fund (NSF) fee income. NSF fee income contributed approximately \$336,000 during the first quarter of 2008 and \$298,000 during the first quarter of 2007. Another factor in the increase in non-interest income is the continued increase in ATM/debit card usage, which generated \$115,000 in gross income during the quarter compared to \$99,000 during the same quarter of 2007.

Non-interest expense amounted to \$3,444,000 for the first quarter of 2008 compared to \$3,291,000 incurred during the same quarter of 2007, an increase of 4.6%. A major increase in non-interest expense was the \$94,000 increase in salary and benefits expense. One factor contributing to this increase is the addition of a full-service office in Camp Hill, Cumberland County, Pennsylvania, opened in September of 2007. In addition, expenses related to occupancy, including network expenses, increased by approximately \$125,000 compared to the first quarter of 2007. This increase reflects higher depreciation, taxes and utility (particularly heating) costs as well as the addition of the Bank's Camp Hill office. The Bank is also involved in replacing its main-frame computer system and augmenting its core processing software to increase technological capabilities to both internal users and ultimately expanding delivery options for Bank customers. Computer expense amounted to \$138,000 during the quarter. The income tax provision for the quarter reflects a slightly lower effective tax rate than the first quarter of 2007 due to a higher level of tax-exempt securities, loans and leases in 2008.

### LIQUIDITY

MPB's objective is to maintain adequate liquidity while managing return and 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 major source of funds during the quarter. Another significant source of funds came from the net increase in deposits during the first quarter, which generated over \$33.3 million in funds. The majority of this increase is attributable to a promotional deposit offer during the quarter. These funds were used to fund the net increase in loans of \$12 million, the net increase in interest-bearing balances of \$14 million, and to pay off a matured borrowing of \$10 million.

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### CREDIT RISK AND ALLOWANCE FOR LOAN AND LEASE LOSSES

Total non-performing assets were \$7,513,000, representing 1.40% of total assets at March 31, 2008, compared to \$7,343,000, or 1.44% of total assets, at December 31, 2007. These levels of non-performing assets are high for MPB and reflect the general economic weakness. MPB did not participate in any subprime mortgage lending.

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The allowance for loan losses at March 31, 2008, was \$4,867,000 or 1.25% of loans, net of unearned interest, as compared to \$4,790,000 or 1.27% of loans, net of unearned interest, at December 31, 2007. While total non-performing loans increased slightly during the quarter, the financial position of one large commercial borrower improved, allowing the Bank to reduce its expected exposure in this relationship. The upgrading of this particular relationship contributed to the .02% decrease in the allowance-to-loan ratio.

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

	THREE MOS. ENDED MAR. 31, 2008	YEAR ENDED DEC. 31, 2007
	-----	-----
<b>Non-Performing Assets:</b>		
Non-accrual loans	5,396	4,317
Past due 90 days or more	1,672	2,439
Restructured loans	0	0
	-----	-----
Total non-performing loans	7,068	6,756
Other real estate	445	587
	-----	-----
Total	7,513	7,343
	=====	=====
Percentage of total loans outstanding	1.93%	1.94%
Percentage of total assets	1.40%	1.44%
 <b>Analysis of the Allowance for Loan Losses:</b>		
Balance beginning of period	4,790	4,187
 <b>Loans charged off:</b>		
Commercial real estate, construction and land development	0	0
Commercial, industrial and agricultural	0	100
Real estate - residential mortgage	0	0
Consumer	47	231
Leases	0	129
	-----	-----
Total loans charged off	47	460
	-----	-----
 <b>Recoveries of loans previously charged off:</b>		
Commercial real estate, construction and land development	0	0

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Commercial, industrial and agricultural	13	5
Real estate - residential mortgage	0	0
Consumer	11	49
Leases	0	84
	-----	-----
Total recoveries	24	138
	-----	-----
Net (charge-offs) recoveries	-23	-322
	-----	-----
Current period provision for loan losses	100	925
	-----	-----
Balance end of period	4,867	4,790
	=====	=====

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### RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, FAIR VALUE MEASUREMENTS ("SFAS No. 157"), to establish a consistent framework for measuring fair value and expand disclosures on fair value measurements. The provisions of SFAS No. 157 are effective beginning in 2008 and affect the Company's disclosures of information regarding fair values of financial instruments, but do not have a material effect on the Company's financial statements. The disclosures required by SFAS No. 157 are presented in Note 10 to the consolidated financial statements.

In February 2007, FASB issued SFAS No. 159, THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES, INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115 ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure many financial instruments at fair value that are not 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 Company's 2008 fiscal year). The Company has not elected to measure any financial instruments at fair value (other than instruments that were measured at fair value prior to SFAS No. 159), and therefore SFAS No. 159 has not affected the Company's financial statements.

### 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, 2007.

### ITEM 4: CONTROLS AND PROCEDURES:

#### Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Corporation



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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 Rule 13a-15e. Based upon that evaluation, 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.

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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 for the year ended December 31, 2007.

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 March 31, 2008, 28,028 shares have been repurchased at an average price of \$24.56 per share. During the first quarter of 2008, 3,378 shares were repurchased at an average price of \$25.47.

#### Issuer Purchases of Equity Securities During the Quarter:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	CUMULATIVE NUMBER OF SHARES PURCHASED AS PART OF PLAN	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER PLAN
January-08	217	\$26.90	24,867	225,133
February-08	260	\$25.07	25,127	224,873
March-08	2,901	\$25.40	28,028	221,972
Total	3,378	\$25.47	28,028	221,972

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- ITEM 3. DEFAULTS UPON SENIOR SECURITIES - NOTHING TO REPORT
- ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - NOTHING TO REPORT
- ITEM 5. OTHER INFORMATION - NOTHING TO REPORT

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- 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 10, 2008.)
  - 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 10, 2008.)
  - 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 10, 2008.)
  - 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 10, 2008.)
  - 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.)
  - 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.)
  - 10.7 Executive Employment Agreement between Mid Penn Bank and Alan W. Dakey dated as of August 31, 2007. (Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 6, 2007.)
  - 10.8 Key Executive Management Change of Control between Mid Penn Bancorp, Inc. and Kevin W. Laudenslager dated as of April 1, 2008. (Incorporated by reference to Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2008.)
  - 10.9 Revised Directors' Retirement Plan
  - 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.

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- 32.1 Chief Executive Officer's ss.1350 Certification.
- 32.2 Chief Financial Officer's ss.1350 Certification

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SIGNITURE

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: May 5, 2008

/s/ Kevin W. Laudenslager  
By: Kevin W. Laudenslager  
Treasurer  
Date: May 5, 2008