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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

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	**25-1666413**
(State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification Number)***
2407 Park Drive **Harrisburg, Pennsylvania**	**17110**
(Address of Principal Executive Offices)	***(Zip Code)***

Registrant's telephone number, including area code **1.866.642.7736**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value per share	MPB	The NASDAQ Stock Market LLC

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated Filer	☒	Emerging Growth Company	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of July 31, 2024, the registrant had 16,696,416 shares of common stock outstanding, par value $1.00 per share.

FORM 10-Q

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Unless the context otherwise requires, the terms "Mid Penn", "Corporation" "we", "us", and "our" refer to Mid Penn Bancorp, Inc. and its consolidated wholly-owned banking subsidiary and nonbank subsidiaries.

GLOSSARY OF DEFINED ACRONYMS AND TERMS

2014 Plan	2014 Restricted Stock Plan
2023 Annual Report	Corporation's Annual Report on Form 10-K for the year ended December 31, 2023
2023 Plan	2023 Stock Incentive Plan
ACL	Allowance for Credit Losses
AFS	Available for Sale
AOCI	Accumulated Other Comprehensive Income
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
the Bank	Mid Penn Bank
BOLI	Bank Owned Life Insurance
bp or bps	basis point(s)
Brunswick	Brunswick Bancorp
Brunswick Acquisition	Merger acquisition of Brunswick
Brunswick Bank	Brunswick Bank & Trust Company
CCL	Provision for Credit Losses - Credit Commitments
CECL	Current Expected Credit Losses
DCF	Discounted Cash Flow
DIF	FDIC’s Deposit Insurance Fund
DRIP	Dividend Reinvestment Plan
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank of Pittsburgh
FICO	the Financing Corporation
FOMC	Federal Open Market Committee
FTE	Fully taxable-equivalent
HFS	Held for Sale
HTM	Held to Maturity
LGD	Loss Given Default
LHFI	Loans held for investment
Loans	Loans, net of unearned interest
Management Discussion	Management's Discussion and Analysis of Financial Condition and Results of Operations
Merger	Merger of Brunswick with and into Mid Penn
Mid Penn or the Corporation	Mid Penn Bancorp, Inc.
N/M	Not meaningful - (percentage changes greater than +/- 150% not considered meaningful)
OBS	Off-Balance Sheet
OCI	Other Comprehensive Income
PCD	Purchased Credit Deteriorated
PCL	Provision for Credit Losses - Loans
PD	Probability of Default
Riverview	Riverview Financial Corporation
Riverview Acquisition	Merger acquisition of Riverview
ROA	Return on Assets
ROE	Return on Equity
SBA	Small Business Association
SEC	Securities Exchange Commission

MID PENN BANCORP, INC.

PART 1 – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except per share data)	June 30, 2024	December 31, 2023
ASSETS		
Cash and due from banks	**$ 36,948**	$ 45,435
Interest-bearing balances with other financial institutions	**25,585**	34,668
Federal funds sold	**43,193**	16,660
Total cash and cash equivalents	**105,726**	96,763
Investment securities:		
HTM, at amortized cost (fair value $347,275 and $357,521)	**393,320**	399,128
AFS, at fair value	**207,936**	223,555
Equity securities available for sale, at fair value	**427**	438
Loans held for sale, at fair value	**8,420**	3,855
Loans, net of unearned interest	**4,364,561**	4,252,792
Less: ACL - Loans	**(35,288)**	(34,187)
Net loans	**4,329,273**	4,218,605
Premises and equipment, net	**34,344**	36,909
Operating lease right of use asset	**7,925**	8,953
Finance lease right of use asset	**2,638**	2,727
Cash surrender value of life insurance	**53,298**	54,497
Restricted investment in bank stocks	**13,930**	16,768
Accrued interest receivable	**27,381**	25,820
Deferred income taxes	**24,520**	24,146
Goodwill	**127,031**	127,031
Core deposit and other intangibles, net	**5,626**	6,479
Foreclosed assets held for sale	**441**	293
Other assets	**49,513**	44,825
Total Assets	**$ 5,391,749**	$ 5,290,792
LIABILITIES & SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand	**$ 766,014**	$ 801,312
Interest-bearing transaction accounts	**2,194,948**	2,086,450
Time	**1,536,049**	1,458,450
Total Deposits	**4,497,011**	4,346,212
Short-term borrowings	**200,000**	241,532
Long-term debt	**23,827**	59,003
Subordinated debt	**46,047**	46,354
Operating lease liability	**8,344**	9,285
Accrued interest payable	**18,139**	14,257
Other liabilities	**38,695**	31,799
Total Liabilities	**4,832,063**	4,748,442
Shareholders' Equity:		
Common stock, par value $1.00 per share; 40,000,000 shares authorized at June 30, 2024 and December 31, 2023; 17,051,236 issued at June 30, 2024 and 16,998,929 at December 31, 2023; 16,580,595 outstanding at June 30, 2024 and 16,573,707 at December 31, 2023	**17,051**	16,999
Additional paid-in capital	**406,544**	405,725
Retained earnings	**163,256**	145,982
Accumulated other comprehensive loss	**(17,123)**	(16,637)
Treasury stock, at cost; 440,722 shares at June 30, 2024 and 425,222 shares at December 31, 2023	**(10,042)**	(9,719)
Total Shareholders' Equity	**559,686**	542,350

Total Liabilities and Shareholders' Equity	**$ 5,391,749**	$ 5,290,792

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

MID PENN BANCORP, INC.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
INTEREST INCOME				
Loans, including fees	**$ 66,096**	$ 52,094	**$ 129,332**	$ 97,959
Investment securities:				
Taxable	**4,143**	3,962	**8,183**	7,836
Tax-exempt	**371**	391	**747**	780
Other interest-bearing balances	**347**	83	**750**	136
Federal funds sold	**282**	49	**418**	94
Total Interest Income	**71,239**	56,579	**139,430**	106,805
INTEREST EXPENSE				
Deposits	**28,463**	17,927	**54,795**	29,928
Short-term borrowings	**3,324**	1,507	**7,770**	2,997
Long-term and subordinated debt	**686**	701	**1,643**	1,387
Total Interest Expense	**32,473**	20,135	**64,208**	34,312
Net Interest Income	**38,766**	36,444	**75,222**	72,493
Provision for credit losses - loans	**1,782**	1,157	**1,163**	1,647
(Benefit)/Provision for credit losses - CCL	**(178)**	401	**(496)**	629
Net provision for credit losses	**1,604**	1,558	**667**	2,276
Net Interest Income After Provision for Credit Losses	**37,162**	34,886	**74,555**	70,217
NONINTEREST INCOME				
Fiduciary and wealth management	**1,129**	1,204	**2,261**	2,440
ATM debit card interchange	**973**	998	**1,918**	2,054
Service charges on deposits	**539**	514	**1,048**	949
Mortgage banking	**628**	287	**1,052**	671
Mortgage hedging	**—**	128	**—**	148
Net gain on sales of SBA loans	**74**	128	**181**	128
Earnings from cash surrender value of life insurance	**301**	292	**585**	546
Other	**1,685**	1,669	**4,121**	2,609
Total Noninterest Income	**5,329**	5,220	**11,166**	9,545
NONINTEREST EXPENSE				
Salaries and employee benefits	**15,533**	15,027	**30,995**	28,871
Software licensing and utilization	**2,208**	2,070	**4,328**	4,016
Occupancy, net	**1,861**	1,750	**3,843**	3,636
Equipment	**1,287**	1,248	**2,509**	2,499
Shares tax	**124**	751	**1,121**	1,650
Legal and professional fees	**689**	602	**1,687**	1,402
ATM/card processing	**510**	532	**1,044**	1,025
Intangible amortization	**425**	461	**853**	805
FDIC Assessment	**1,232**	684	**2,177**	1,024
Loss (Gain) on sale of foreclosed assets, net	**42**	(126)	**42**	(126)
Merger and acquisition	**—**	4,992	**—**	5,216
Post-acquisition restructuring	**—**	2,952	**—**	2,952
Other	**4,313**	4,185	**8,145**	8,000
Total Noninterest Expense	**28,224**	35,128	**56,744**	60,970
INCOME BEFORE PROVISION FOR INCOME TAXES	**14,267**	4,978	**28,977**	18,792
Provision for income taxes	**2,496**	142	**5,073**	2,729
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	**$ 11,771**	$ 4,836	**$ 23,904**	$ 16,063
PER COMMON SHARE DATA:				

Basic Earnings Per Common Share	**$ 0.71**	$ 0.29	**$ 1.44**	$ 1.00
Diluted Earnings Per Common Share	**$ 0.71**	$ 0.29	**$ 1.44**	$ 1.00
Weighted-average basic shares outstanding	**16,576,283**	16,233,473	**16,572,102**	16,060,789
Weighted-average diluted shares outstanding	**16,605,353**	16,255,278	**16,608,863**	16,096,270

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	**2024**	**2023**	**2024**	**2023**
Net income	**$ 11,771**	$ 4,836	**$ 23,904**	$ 16,063
Other comprehensive (loss)/income:				
Unrealized losses arising during the period on available for sale securities, net of income tax benefit of $53, $867, $508, and $341 respectively. (1)	**(201)**	(3,261)	**(1,912)**	(1,284)
Unrealized holding gains arising during the period on interest rate derivatives used in cash flow hedges, net of income tax cost of ($7), ($754), ($382), and ($720) respectively. (1)	**28**	2,837	**1,438**	2,709
Change in defined benefit plans, net of income tax benefit (cost) of $1, $1, ($1), and $0 respectively (1), (2)	**(3)**	(7)	**5**	(2)
Reclassification adjustment for settlement gains and activity related to benefit plans, net of income tax benefit of $0, $0, $5, and $3 respectively (1), (3)	**—**	—	**(17)**	(12)
Total other comprehensive (loss)/income	**(176)**	(431)	**(486)**	1,411
Total comprehensive income	**$ 11,595**	$ 4,405	**$ 23,418**	$ 17,474

(1) The income tax impacts of the components of other comprehensive income are calculated using a 21% statutory tax rate.
(2) The change in defined benefit plans consists primarily of unrecognized actuarial (losses)/gains on defined benefit plans during the period.
(3) The reclassification adjustment for benefit plans includes settlement gains, amortization of prior service costs, and amortization of net gain or loss. Amounts are included in other income on the Consolidated Statements of Income within total noninterest income.

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

MID PENN BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 2024	16,998,929	$ 16,999	$ 405,725	$ 145,982	$ (16,637)	$ (9,719)	$ 542,350
Net income	—	—	—	12,133	—	—	12,133
Total other comprehensive income, net of taxes	—	—	—	—	(310)	—	(310)
Common stock cash dividends declared - $0.20 per share	—	—	—	(3,314)	—	—	(3,314)
Repurchased stock	—	—	—	—	—	(323)	(323)
Employee Stock Purchase Plan	5,653	5	107	—	—	—	112
Director Stock Purchase Plan	1,777	2	34	—	—	—	36
Restricted stock activity	—	—	284	—	—	—	284
Balance, March 31, 2024	**17,006,359**	**$ 17,006**	**$ 406,150**	**$ 154,801**	**$ (16,947)**	**$ (10,042)**	**$ 550,968**
Net income	**—**	**—**	**—**	**11,771**	**—**	**—**	**11,771**
Total other comprehensive loss, net of taxes	**—**	**—**	**—**	**—**	**(176)**	**—**	**(176)**
Common stock cash dividends declared, $0.20 per share	**—**	**—**	**—**	**(3,316)**	**—**	**—**	**(3,316)**
Employee Stock Purchase Plan	**5,123**	**5**	**98**	**—**	**—**	**—**	**103**
Director Stock Purchase Plan	**1,389**	**1**	**29**	**—**	**—**	**—**	**30**
Restricted stock activity	**38,365**	**39**	**267**	**—**	**—**	**—**	**306**
Balance, June 30, 2024	**17,051,236**	**$ 17,051**	**$ 406,544**	**$ 163,256**	**$ (17,123)**	**$ (10,042)**	**$ 559,686**

(In thousands, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity
Balance, January 1, 2023	16,094,486	$ 16,094	$ 386,987	$ 133,114	$ (19,216)	$ (4,880)	$ 512,099
Net income	—	—	—	11,227	—	—	11,227
Total other comprehensive loss, net of taxes	—	—	—	—	1,842	—	1,842
Common stock cash dividends declared, $0.20 per share	—	—	—	(3,176)	—	—	(3,176)
Impact of adopting CECL (1)	—	—	—	(11,548)	—	—	(11,548)
Employee Stock Purchase Plan	2,217	2	55	—	—	—	57
Director Stock Purchase Plan	1,651	2	41	—	—	—	43
Restricted stock activity	—	—	249	—	—	—	249
Balance, March 31, 2023	16,098,354	$ 16,098	$ 387,332	$ 129,617	$ (17,374)	$ (4,880)	$ 510,793
Net income	—	—	—	4,836	—	—	4,836
Total other comprehensive loss, net of taxes	—	—	—	—	(431)	—	(431)
Common stock cash dividends declared, $0.20 per share	—	—	—	(3,182)	—	—	(3,182)
Common stock issued to Brunswick shareholders (2)	849,510	850	17,245	—	—		18,095
Repurchased stock	—	—	—	—	—	(4,580)	(4,580)
Employee Stock Purchase Plan	2,258	2	48	—	—	—	50
Director Stock Purchase Plan	2,511	3	53	—	—	—	56
Restricted stock activity	27,667	27	224	—	—	—	251
Balance, June 30, 2023	16,980,300	$ 16,980	$ 404,902	$ 131,271	$ (17,805)	$ (9,460)	$ 525,888

(1) The Corporation adopted ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" effective January 1, 2023. See "Note 1 - Summary of Significant Accounting Policies" for further details.

(2) Shares issued on May 19, 2023 as a result of the Brunswick Acquisition. See "Note 2 - Business Combinations" to the Consolidated Financial Statements for more information.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
(In thousands)	**2024**	**2023**
Operating Activities:		
Net Income	**$ 23,904**	$ 16,063
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**667**	2,276
Depreciation	**2,433**	2,393
Amortization of intangibles	**853**	805
Net amortization of security discounts/premiums	**201**	247
Noncash operating lease expense	**1,028**	1,028
Amortization of finance lease right of use asset	**89**	90
Earnings on cash surrender value of life insurance	**(585)**	(546)
Mortgage loans originated for sale	**(50,023)**	(53,679)
Proceeds from sales of mortgage loans originated for sale	**46,510**	49,567
Gain on sale of mortgage loans	**(1,052)**	(671)
SBA loans originated for sale	**(2,437)**	(2,080)
Proceeds from sales of SBA loans originated for sale	**2,618**	2,208
Gain on sale of SBA loans	**(181)**	(128)
Gain on sale of property, plant, and equipment	**(43)**	(59)
Loss/(Gain) on sale or write-down of foreclosed assets	**42**	(126)
Accretion of subordinated debt	**(307)**	(293)
Stock compensation expense	**590**	500
Change in deferred income tax benefit	**(178)**	(1,148)
Increase accrued interest receivable	**(1,561)**	(50)
Decrease (Increase) in other assets	**(2,263)**	490
Increase in accrued interest payable	**3,882**	6,901
Decrease in operating lease liability	**(941)**	(1,167)
Increase in other liabilities	**7,196**	1,879
Net Cash Provided By Operating Activities	**30,442**	24,500
Investing Activities:		
Proceeds from the sale of available-for-sale securities	**—**	1,751
Proceeds from the maturity or call of available-for-sale securities	**13,164**	7,927
Proceeds from the maturity or call of held-to-maturity securities	**5,642**	4,968
Stock dividends of FHLB and other bank stock	**682**	289
Reduction (Purchases) of restricted investment in bank stock	**2,156**	(3,620)
Net cash received from acquisition	**—**	1,068
Net increase in loans	**(111,525)**	(207,306)
Purchases of bank premises and equipment	**(646)**	(1,837)
Proceeds from the sale of premises and equipment	**821**	59
Proceeds from the sale of foreclosed assets	**—**	374
Proceeds from bank-owned life insurance	**1,784**	774
Gain on bank-owned life insurance	**—**	(125)
Net change in investments in tax credits and other partnerships	**(976)**	(4,854)
Net Cash Used in Investing Activities	**(88,898)**	(200,532)

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)(CONTINUED)

Financing Activities:		
Net increase in deposits	**150,799**	225,736
Proceeds from long-term debt	—	25,000
Common stock dividends paid	**(6,630)**	(6,358)
Proceeds from Employee and Director Stock Purchase Plan stock issuance	**281**	206
Treasury stock purchased	**(323)**	(4,580)
Net change in finance lease liability	**(63)**	(46)
Net change in short-term borrowings	**(41,532)**	9,795
Long-term debt repayment	**(35,113)**	(30,727)
Subordinated debt redemption and trust preferred securities	—	(10,000)
Net Cash Provided by Financing Activities	**67,419**	209,026
Net increase in cash and cash equivalents	**8,963**	32,994
Cash and cash equivalents, beginning of period	**96,763**	60,881
Cash and cash equivalents, end of period	**$ 105,726**	$ 93,875
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	**$ 60,326**	$ 25,500
Cash paid for income taxes	—	3,970
Supplemental Noncash Disclosures:		
Recognition of operating lease right of use assets	**$ —**	$ 1,336
Recognition of operating lease liabilities	—	1,336
Loans transferred to foreclosed assets held for sale	**164**	693
Fair value of assets acquired in business combination, excluding cash [1]	**$ —**	$ 362,070
Goodwill recorded [1]	—	12,800
Liabilities assumed in business combination [1]	—	345,043
Stock issued in business combination [1]	—	18,095

(1) Additionally, 2,500 shares of restricted stock were paid out in cash resulting in $776 thousand of cash consideration relating to stock awards.

(2) Includes the impact of the Brunswick Acquisition on May 19, 2023. See "Note 2 - Business Combinations" to the Consolidated Financial Statement for additional information.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Mid Penn Bancorp, Inc. ("Mid Penn" or the "Corporation"), through operations conducted by Mid Penn Bank (the "Bank") and its nonbank subsidiaries, engages in a full-service commercial banking and trust business, making available to the community a wide range of financial services, including, but not limited to, mortgage and home equity loans, secured and unsecured commercial and consumer loans, lines of credit, construction financing, farm loans, community development loans, loans to non-profit entities and local government loans, and various types of time and demand deposits including but not limited to, checking accounts, savings accounts, clubs, money market deposit accounts, certificates of deposit, and IRAs. In addition, the Bank provides a full range of trust and wealth management services through its Trust Department. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") to the extent provided by law.

Mid Penn also fulfills the insurance needs of both existing and potential customers through MPB Risk Services, LLC, doing business as MPB Insurance and Risk Management.

The financial services are provided to individuals, partnerships, non-profit organizations, and corporations through its retail banking offices located in throughout Pennsylvania and two counties in New Jersey.

Basis of Presentation

For all periods presented, the accompanying consolidated financial statements include the accounts of Mid Penn Bancorp, Inc., its wholly-owned subsidiary, Mid Penn Bank, and four nonbank subsidiaries, MPB Financial Services, LLC, which includes MPB Wealth Management, LLC (which ceased operating during the first quarter of 2024) and MPB Risk Services, LLC, and MPB Launchpad Fund I, LLC. As of June 30, 2024, the accounts and activities of these nonbank subsidiaries were not material to warrant separate disclosure or segment reporting. As a result, Mid Penn has only one reportable segment for financial reporting purposes. All material intercompany accounts and transactions have been eliminated in consolidation.

Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. Mid Penn believes the information presented is not misleading, and the disclosures are adequate. For comparative purposes, the June 30, 2023 and December 31, 2023 balances have been reclassified, when necessary, to conform to the 2024 presentation. Such reclassifications had no impact on net income or total shareholders' equity. In the opinion of management, all adjustments necessary for fair presentation of the periods presented have been reflected in the accompanying consolidated financial statements. All such adjustments are of a normal, recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the 2023 Annual Report.

Subsequent Events

Mid Penn has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2024 for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the issuance date of these consolidated financial statements.

On July 31, 2024, Mid Penn acquired the insurance business and related accounts of a full-service employee benefits firm that served mid to large employers across central and eastern Pennsylvania, northern Maryland, and northern Virginia, for a purchase price of $2.0 million at closing and an additional $800 thousand potentially payable pursuant to a three year earnout.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Material estimates subject to significant change include the allowance for credit losses, the expected cash flows and collateral values associated with loans that are individually evaluated for credit losses, the carrying value of other real estate owned ("OREO"), the fair value of financial instruments, business combination fair value computations, the valuation of goodwill and other intangible assets, stock-based compensation and deferred income tax assets.

Accounting Standards adopted and Updated Significant Accounting Policy

On January 1, 2023, the Corporation adopted ASU 2016-13, *Financial Instruments - Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology, and is referred to as CECL. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including loans and HTM debt securities. It also applies to OBS credit exposures (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with ASC Topic 842. Prior to 2024, the provision for OBS credit losses was included in Other Expenses on the Statement of Income. Beginning March 31, 2024, the provision for OBS credit losses is included in Provision for Credit Losses on the Income Statement. Prior periods have been updated for presentation.

All other significant accounting policies used in preparation of the Consolidated Financial Statements are disclosed in the 2023 Annual Report. Those significant accounting policies are unchanged at June 30, 2024.

Accounting Standards Pending Adoption

ASU No. 2023-02: The FASB issued ASU 2023-02, *Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.*

The amendments in this update permit reporting entities to elect to account for their tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. A reporting entity may make an accounting policy election to apply the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing to apply the proportional amortization method at the reporting entity level or to individual investments. The amendments in this update also remove certain guidance for Qualified Affordable Housing Project investments and require the application of the delayed equity contribution guidance to all tax equity investments. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and must be applied on either a modified retrospective or a retrospective basis. Early adoption is permitted in any interim period, however if adopted in an interim period the entity shall adopt the amendments in this update as of the beginning of the fiscal year that includes the interim period. The Corporation does not expect the adoption of ASU No. 2023-02 to have a material impact on its consolidated financial statements.

ASU 2023-06: The FASB issued ASU 2023-06, *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*.

ASU 2023-06 amends the ASC to incorporate certain disclosure requirements from SEC Release No. 33-10532 - Disclosure Update and Simplification that was issued in 2018. The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. ASU 2023-06 is not expected to have a significant impact on the Corporation's financial statements.

ASU 2023-07: The FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures.*

ASU 2023-07 amends the ASC to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. ASU 2023-07 is not expected to have a significant impact on the Corporation's financial statements.

ASU 2023-09: The FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.*

ASU 2023-09 amends the ASC to enhance income tax disclosures by requiring entities to disclose income taxes paid (net of refunds received) disaggregated by federal, state and foreign taxes. Additionally, entities are required to disclose amounts greater than 5% of the total income taxes paid to an individual jurisdiction The amendments are effective for annual periods beginning after December 15, 2025. ASU 2023-09 is not expected to have a significant impact on the Corporation's financial statements.

ASU 2024-01—The FASB issued ASU 2024-01, *Compensation - Stock Compensation (Topic 718): Scope application of profits interest and similar awards.*

The amendments in the ASU apply to all reporting entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services. The amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. ASU 2024-01 is not expected to have a significant impact on the Corporation's financial statements.

ASU 2024-02: The FASB issued ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements.*

This ASU contains amendments to the Codification that remove references to various FASB Concepts Statements. The amendments are effective for fiscal years beginning after Dec. 15, 2025. Early adoption is permitted. ASU 2024-02 is not expected to have a significant impact on the Corporation's financial statements.

Note 2 - Business Combination

Brunswick Acquisition

On May 19, 2023, Mid Penn completed its acquisition of Brunswick through the merger of Brunswick with and into Mid Penn with Mid Penn being the surviving corporation. In connection with this acquisition, Brunswick Bank, a wholly-owned subsidiary of Brunswick, merged with and into Mid Penn Bank, a wholly-owned subsidiary of Mid Penn.

This transaction included the acquisition of 5 branches and extended Mid Penn's footprint into Middlesex and Monmouth counties in central New Jersey. Mid Penn issued 849,510 shares of its common stock as well as a net cash payment to Brunswick shareholders of $27.6 million, for total consideration of $45.7 million for all outstanding stock and the cancellation of stock options of Brunswick.

Mid Penn has recognized total goodwill of $12.8 million, which is calculated as the excess of both the consideration exchanged and liabilities assumed compared to the fair market value of identifiable assets acquired. The fair value of the consideration exchanged related to Mid Penn's common stock was calculated based upon the closing market price of Mid Penn's common stock as of May 19, 2023. None of the goodwill recognized is expected to be deductible for income tax purposes.

Purchased loans and leases that reflect a more-than-insignificant deterioration of credit from origination are considered PCD. Mid Penn considers various factors in connection with the identification of more-than-insignificant deterioration in credit, including but not limited to nonperforming status, delinquency, risk ratings, FICO scores and other qualitative factors that indicate deterioration in credit quality since origination. For PCD loans and leases, the initial estimate of expected credit losses is recognized in the ACL on the date of acquisition using the same methodology as other loans and leases held-for-investment. As part of the Brunswick Acquisition, Mid Penn acquired PCD loans and leases of $18.7 million. Mid Penn established an ACL at acquisition of $336 thousand with a corresponding gross-up to the amortized cost of the PCD loans and leases. The non-credit discount on the PCD loans and leases was $2.4 million and the Day 1 fair value was $16.3 million. The initial provision expense for non-PCD loans associated with the Brunswick Acquisition was $2.0 million.

Estimated fair values of the assets acquired and liabilities assumed in the Brunswick Acquisition as of the closing date are as follows:

(In thousands)		
Assets acquired:		
Cash and cash equivalents	$	21,029
Federal funds sold		7,604
Investment securities		2,423
Loans		324,471
Goodwill		12,800
Core deposit intangible		999
Premises and equipment		4,568
Cash surrender value of life insurance		3,361
Deferred income taxes		6,393
Accrued interest receivable		1,171
Other assets		5,884
Total assets acquired		390,703
Liabilities assumed:		
Deposits:		
Noninterest-bearing demand		60,888
Interest-bearing demand		11,767
Money Market		47,362
Savings		14,203
Time		147,163
Long-term debt		60,136
Accrued interest payable		1,911
Other liabilities		1,613
Total liabilities assumed		345,043
Consideration paid	$	45,660
Cash paid	$	27,565
Fair value of common stock issued		18,095

Management has completed its evaluation of fair values of all assets and liabilities shown in the table above and all amounts are considered final.

Note 3 - Investment Securities

FASB ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," was adopted by Mid Penn on January 1, 2023. ASU 2016-13 introduces the CECL methodology for estimating allowances for credit losses. ASU 2016-13 applies to all financial instruments carried at amortized cost, including HTM securities, and makes targeted improvements to the accounting for credit losses on AFS securities.

In order to comply with ASC 326, Mid Penn conducted a review of its investment portfolio and determined that for certain classes of securities it would be appropriate to assume the expected credit loss to be zero. This zero-credit loss assumption applies to debt issuances of the U.S. Treasury and agencies and instrumentalities of the United States government. The reasons behind the adoption of the zero-credit loss assumption are as follows:

- High credit rating
- Long history with no credit losses
- Guaranteed by a sovereign entity
- Widely recognized as "risk-free rate"
- Can print its own currency
- Currency is routinely held by central banks, used in international commerce, and commonly viewed as reserve currency
- Currently under the U.S. Government conservatorship or receivership

Mid Penn will continuously monitor any changes in economic conditions, credit downgrades, changes to explicit or implicit guarantees granted to certain debt issuers, and any other relevant information that would indicate potential credit deterioration and prompt Mid Penn to reconsider its zero-credit loss assumption.

At the date of adoption, Mid Penn’s estimated allowance for credit losses on AFS and HTM securities under ASU 2016-13 was deemed immaterial due to the composition of these portfolios. Both portfolios consist primarily of U.S. government agency guaranteed mortgage-backed securities for which the risk of loss is minimal. Therefore, Mid Penn did not recognize a cumulative effect adjustment through retained earnings related to the AFS and HTM securities.

AFS Securities

ASU 2016-13 made targeted improvements to the accounting for credit losses on AFS securities. The concept of other-than-temporarily impaired has been replaced with the allowance for credit losses. Unlike HTM securities, AFS securities are evaluated on an individual level and pooling of securities is not allowed.

Quarterly, Mid Penn evaluates if any security has a fair value less than its amortized cost. Once these securities are identified, in order to determine whether a decline in fair value resulted from a credit loss or other factors, Mid Penn performs further analysis as outlined below:

- Review the extent to which the fair value is less than the amortized cost and observe the security’s lowest credit rating as reported by third-party credit ratings companies.
- The securities that violate the credit loss triggers above would be subjected to additional analysis that may include, but is not limited to: changes in market interest rates, changes in securities credit ratings, security type, service area economic factors, financial performance of the issuer/or obligor of the underlying issue and third-party guarantee.
- If Mid Penn determines that a credit loss exists, the credit portion of the allowance will be measured using a DCF analysis using the effective interest rate as of the security’s purchase date. The amount of credit loss Mid Penn records will be limited to the amount by which the amortized cost exceeds the fair value.

The DCF analysis utilizes contractual maturities, as well as third-party credit ratings and cumulative default rates published annually by a reputable third-party.

At June 30, 2024, the results of the analysis did not identify any securities that violate the credit loss triggers; therefore, no DCF analysis was performed and no credit loss was recognized on any of the securities available for sale.

Accrued interest receivable is excluded from the estimate of credit losses for AFS securities. At June 30, 2024, accrued interest receivable totaled $986 thousand for AFS securities and was reported in accrued interest receivable on the accompanying Consolidated Balance Sheet.

HTM Securities

ASU 2016-13 requires institutions to measure expected credit losses on financial assets carried at amortized cost on a collective or pool basis when similar risks exist. Mid Penn uses several levels of segmentation in order to measure expected credit losses:

- The portfolio is segmented into agency and non-agency securities.
- The non-agency securities are separated into state and political subdivision obligations and corporate debt securities.

Each individual segment is categorized by third-party credit ratings.

As discussed above, Mid Penn has determined that for certain classes of securities it would be appropriate to assume the expected credit loss to be zero, which include debt issuances of the U.S. Treasury and agencies and instrumentalities of the United States government. This assumption will be reviewed and attested to quarterly.

At June 30, 2024, Mid Penn's HTM securities totaled $393.3 million. After applying appropriate probability of default and loss given default assumptions, the total amount of current expected credit losses was deemed immaterial. Therefore, no reserve was recorded at June 30, 2024.

Accrued interest receivable is excluded from the estimate of credit losses for HTM securities. At June 30, 2024, accrued interest receivable totaled $1.8 million for HTM securities and was reported in accrued interest receivable on the accompanying Consolidated Balance Sheet.

At June 30, 2024, Mid Penn had no HTM securities that were past due 30 days or more as to principal or interest payments. Mid Penn had no HTM securities classified as nonaccrual at June 30, 2024.

The amortized cost and estimated fair value of investment securities for the periods presented:

	June 30, 2024			
(In thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Available-for-sale				
U.S. Treasury and U.S. government agencies	$ 31,693	$ —	$ 1,074	$ 30,619
Mortgage-backed U.S. government agencies	160,932	—	18,895	142,037
State and political subdivision obligations	4,320	—	729	3,591
Corporate debt securities	35,742	—	4,053	31,689
Total available-for-sale debt securities	232,687	—	24,751	207,936
Held-to-maturity				
U.S. Treasury and U.S. government agencies	$ 245,873	$ —	$ 30,436	$ 215,437
Mortgage-backed U.S. government agencies	40,845	—	5,776	35,069
State and political subdivision obligations	81,142	—	7,719	73,423
Corporate debt securities	25,460	—	2,114	23,346
Total held-to-maturity debt securities	393,320	—	46,045	347,275
Total	$ 626,007	$ —	$ 70,796	$ 555,211

(In thousands)	December 31, 2023 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale				
U.S. Treasury and U.S. government agencies	$ 36,637	$ —	$ 988	$ 35,649
Mortgage-backed U.S. government agencies	169,184	—	16,501	152,683
State and political subdivision obligations	4,332	—	686	3,646
Corporate debt securities	35,733	—	4,156	31,577
Total available-for-sale debt securities	$ 245,886	$ —	$ 22,331	$ 223,555
Held-to-maturity				
U.S. Treasury and U.S. government agencies	$ 245,805	$ 2	$ 28,676	$ 217,131
Mortgage-backed U.S. government agencies	43,818	—	5,523	38,295
State and political subdivision obligations	84,035	11	6,486	77,560
Corporate debt securities	25,470	—	935	24,535
Total held-to-maturity debt securities	399,128	13	41,620	357,521
Total	$ 645,014	$ 13	$ 63,951	$ 581,076

Estimated fair values of debt securities are based on quoted market prices, where applicable. If quoted market prices are not available, fair values are based on quoted market prices of instruments of a similar type, credit quality and structure, adjusted for differences between the quoted instruments and the instruments being valued. See "Note 8 - *Fair Value Measurement,"* for additional information.

Investment securities having a fair value of $408.3 million at June 30, 2024 and $380.3 million at December 31, 2023 were pledged to secure public deposits, some Trust department deposit accounts, and certain other borrowings. In accordance with legal provisions for alternatives other than pledging of investments, Mid Penn also obtains letters of credit from the FHLB to secure certain public deposits. These FHLB letter of credit commitments totaled $138.9 million as of June 30, 2024 and $153.5 million as of December 31, 2023.

The following tables present gross unrealized losses and fair value of debt investment securities aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position for the periods presented:

(Dollars in thousands)	Less Than 12 Months			12 Months or More			Total		
June 30, 2024	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
Available-for-sale debt securities:									
U.S. Treasury and U.S. government agencies	—	$ —	$ —	17	$ 30,619	$ 1,074	17	$ 30,619	$ 1,074
Mortgage-backed U.S. government agencies	—	—	—	93	142,037	18,895	93	142,037	18,895
State and political subdivision obligations	—	—	—	8	3,591	729	8	3,591	729
Corporate debt securities	1	413	87	17	31,276	3,966	18	31,689	4,053
Total available-for-sale debt securities	1	$ 413	$ 87	135	$ 207,523	$ 24,664	136	$ 207,936	$ 24,751
Held-to-maturity debt securities:									
U.S. Treasury and U.S. government agencies	—	—	—	145	215,437	30,436	145	215,437	30,436
Mortgage-backed U.S. government agencies	—	—	—	64	35,069	5,776	64	35,069	5,776
State and political subdivision obligations	3	952	18	186	72,471	7,701	189	73,423	7,719
Corporate debt securities	6	12,950	1,050	9	10,396	1,064	15	23,346	2,114
Total held-to-maturity debt securities	9	13,902	1,068	404	333,373	44,977	413	347,275	46,045
Total	10	$ 14,315	$ 1,155	539	$ 540,896	$ 69,641	549	$ 555,211	$ 70,796

(Dollars in thousands)	Less Than 12 Months			12 Months or More			Total		
December 31, 2023	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses	Number of Securities	Estimated Fair Value	Gross Unrealized Losses
Available-for-sale securities:									
U.S. Treasury and U.S. government agencies	—	$ —	$ —	19	$ 35,649	$ 988	19	$ 35,649	$ 988
Mortgage-backed U.S. government agencies	1	4,015	26	92	148,668	16,475	93	152,683	16,501
State and political subdivision obligations	—	—	—	8	3,646	686	8	3,646	686
Corporate debt securities	1	410	90	17	31,167	4,066	18	31,577	4,156
Total available-for-sale securities	2	4,425	116	136	219,130	22,215	138	223,555	22,331
Held-to-maturity securities:									
U.S. Treasury and U.S. government agencies	1	$ 2,002	$ —	144	$ 215,129	$ 28,676	145	$ 217,131	$ 28,676
Mortgage-backed U.S. government agencies	—	—	—	64	38,295	5,523	64	38,295	5,523
State and political subdivision obligations	25	8,729	63	170	68,831	6,423	195	77,560	6,486
Corporate debt securities	1	936	57	14	23,599	878	15	24,535	935
Total held to maturity securities	27	11,667	120	392	345,854	41,500	419	357,521	41,620
Total	29	$ 16,092	$ 236	528	$ 564,984	$ 63,715	557	$ 581,076	$ 63,951

There were no gross realized gains and losses on sales of available-for-sale debt securities for the six months ended June 30, 2024 and 2023.

The table below illustrates the contractual maturity of debt investment securities at amortized cost and estimated fair value. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay with or without call or prepayment penalties.

(In thousands)	Available-for-sale		Held-to-maturity	
June 30, 2024	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in 1 year or less	**$ 12,000**	**$ 11,870**	**$ 17,458**	**$ 17,255**
Due after 1 year but within 5 years	**29,949**	**28,395**	**125,451**	**115,700**
Due after 5 years but within 10 years	**28,481**	**24,565**	**189,439**	**162,513**
Due after 10 years	**1,325**	**1,069**	**20,127**	**16,738**
	71,755	**65,899**	**352,475**	**312,206**
Mortgage-backed securities	**160,932**	**142,037**	**40,845**	**35,069**
	$ 232,687	**$ 207,936**	**$ 393,320**	**$ 347,275**

Note 4 - Loans and Allowance for Credit Losses - Loans

Mid Penn adopted the amendments of FASB ASU 2016-13, on January 1, 2023. The amendments of ASU 2016-13 created FASB ASC Topic 326, "Financial Instruments – Credit Losses," which, among other things, replace much of the guidance and disclosures previously provided in FASB ASC Topic 310, "Receivables." The guidance in FASB ASC Topic 326 replaces the incurred loss methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit losses. In accordance with FASB ASC Subtopic 326-20, "Financial Instruments – Credit Losses – Measured at Amortized Cost," Mid Penn has developed an ACL methodology effective January 1, 2023, which replaced its previous allowance for loan losses methodology. See the section captioned "Allowance for Credit Losses, effective January 1, 2023" within this note for additional information regarding Mid Penn's ACL.

Loans, net of unearned income, are summarized as follows by portfolio segment:

(In thousands)	June 30, 2024	December 31, 2023
Commercial real estate		
CRE Nonowner Occupied	**$ 1,187,050**	$ 1,149,553
CRE Owner Occupied	**623,756**	629,904
Multifamily	**374,175**	309,059
Farmland	**213,002**	212,690
Total Commercial real estate	**2,397,983**	2,301,206
Commercial and industrial	**692,703**	675,079
Construction		
Residential Construction	**105,676**	92,843
Other Construction	**348,289**	362,624
Total Construction	**453,965**	455,467
Residential mortgage		
1-4 Family 1st Lien	**327,302**	339,142
1-4 Family Rental	**351,554**	341,937
HELOC and Junior Liens	**134,686**	132,795
Total Residential Mortgage	**813,542**	813,874
Consumer	**6,368**	7,166
Total loans	**$ 4,364,561**	$ 4,252,792

Total loans are stated at the amount of unpaid principal, adjusted for net deferred fees and costs. Net deferred loan fees of $3.8 million and $4.2 million reduced the carrying value of loans as of June 30, 2024 and December 31, 2023, respectively.

Accrued interest receivable is not included in the amortized cost basis of Mid Penn's loans. Accrued interest receivable for loans totaled $24.0 million and $22.1 million as of June 30, 2024 and December 31, 2023, respectively, with no related ACL and was reported in other assets on the accompanying Consolidated Balance Sheet.

Past Due and Nonaccrual Loans

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due. The classes of the loan portfolio summarized by the past due status as of June 30, 2024 and December 31, 2023, are summarized as follows:

(In thousands) **June 30, 2024**	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Loans Receivable > 90 Days and Accruing
Commercial real estate							
CRE Nonowner Occupied	$ 7,850	$ —	$ 2,074	$ 9,924	$ 1,177,126	$ 1,187,050	$ —
CRE Owner Occupied	693	—	955	1,648	622,108	623,756	—
Multifamily	—	—	—	—	374,175	374,175	—
Farmland	505	—	—	505	212,497	213,002	—
Total Commercial real estate	9,048	—	3,029	12,077	2,385,906	2,397,983	—
Commercial and industrial	493	414	1,548	2,455	690,248	692,703	—
Construction							
Residential Construction	—	—	—	—	105,676	105,676	—
Other Construction	—	—	—	—	348,289	348,289	—
Total Construction	—	—	—	—	453,965	453,965	—
Residential mortgage							
1-4 Family 1st Lien	5,258	41	762	6,061	321,241	327,302	—
1-4 Family Rental	69	—	301	370	351,184	351,554	—
HELOC and Junior Liens	1,424	1,077	1,157	3,658	131,028	134,686	—
Total Residential Mortgage	6,751	1,118	2,220	10,089	803,453	813,542	—
Consumer	42	—	—	42	6,326	6,368	—
Total	$ 16,334	$ 1,532	$ 6,797	$ 24,663	$ 4,339,898	$ 4,364,561	$ —

(In thousands) **December 31, 2023**	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Loans Receivable > 90 Days and Accruing
Commercial real estate							
CRE Nonowner Occupied	$ 3,339	$ 682	$ 2,115	$ 6,136	$ 1,143,417	$ 1,149,553	$ —
CRE Owner Occupied	1,734	—	859	2,593	627,311	629,904	—
Multifamily	—	—	—	—	309,059	309,059	—
Farmland	—	—	—	—	212,690	212,690	—
Total Commercial real estate	5,073	682	2,974	8,729	2,292,477	2,301,206	—
Commercial and industrial	638	24	1,270	1,932	673,147	675,079	—
Construction							
Residential Construction	—	270	303	573	92,270	92,843	—
Other Construction	—	—	2,256	2,256	360,368	362,624	—
Total Construction	—	270	2,559	2,829	452,638	455,467	—
Residential mortgage							
1-4 Family 1st Lien	1,554	217	847	2,618	336,524	339,142	—
1-4 Family Rental	2,520	—	644	3,164	338,773	341,937	—
HELOC and Junior Liens	574	50	1,027	1,651	131,144	132,795	—
Total Residential Mortgage	4,648	267	2,518	7,433	806,441	813,874	—
Consumer	41	31	—	72	7,094	7,166	—
Total	$ 10,400	$ 1,274	$ 9,321	$ 20,995	$ 4,231,797	$ 4,252,792	$ —

Loans are placed on nonaccrual status when management determines that the full repayment of principal and collection of interest according to contractual terms is no longer likely, generally when the loan becomes 90 days or more past due. Nonaccrual loans by loan portfolio class, including loans acquired with credit deterioration, as of June 30, 2024 and December 31, 2023 are summarized as follows:

	June 30, 2024			**December 31, 2023**		
(In thousands)	**With a Related Allowance**	**Without a Related Allowance**	**Total**	**With a Related Allowance**	**Without a Related Allowance**	**Total**
Commercial real estate						
CRE Nonowner Occupied	**354**	**2,221**	**2,575**	361	4,144	4,505
CRE Owner Occupied	**—**	**1,642**	**1,642**	—	1,909	1,909
Multifamily	**88**	**77**	**165**	93	80	173
Total Commercial real estate	**442**	**3,940**	**4,382**	454	6,133	6,587
Commercial and industrial	**1,104**	**1,355**	**2,459**	1,222	64	1,286
Construction						
Residential Construction	**—**	**—**	**—**	—	303	303
Other Construction	**—**	**—**	**—**	—	2,256	2,256
Total Construction	**—**	**—**	**—**	—	2,559	2,559
Residential mortgage						
1-4 Family 1st Lien	**—**	**1,530**	**1,530**	—	1,875	1,875
1-4 Family Rental	**—**	**348**	**348**	2	699	701
HELOC and Junior Liens	**—**	**1,280**	**1,280**	—	1,208	1,208
Total Residential Mortgage	**$ — $—**	**$ 3,158**	**$ 3,158**	$ 2	$ 3,782	$ 3,784
Consumer	**—**	**—**	**—**	—	—	—
Total loans	**$ 1,546**	**$ 8,453**	**$ 9,999**	$ 1,678	$ 12,538	$ 14,216

The amount of interest income recognized on nonaccrual loans was approximately $132 thousand and $281 thousand during the three months ended June 30, 2024 and 2023, respectively. During the six months ended June 30, 2024 and 2023, the amount of interest income recognized on nonaccrual loans was approximately $291 thousand and $463 thousand, respectively.

Credit Quality Indicators

Mid Penn categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. On a minimum of a quarterly basis, Mid Penn analyzes loans individually to classify the loans as to their credit risk. The following table presents risk ratings by loan portfolio segment and origination year, which is the year of origination or renewal.

PASS - This type of classification consists of 6 subcategories:

Nominal Risk / Pass - This loan classification is a credit extension of the highest quality.

Moderate Risk / Pass - This type of classification has strong financial ratios, substantial debt capacity, and low leverage with a very favorable comparison to industry peers or better than average improving trends are necessary to be in this classification.

Good Acceptable Risk / Pass - The Borrower in this rating classification is a reasonable credit risk having financial ratios on par with its peers and demonstrates slightly improving trends over time; they list good quality assets and fairly low leverage plus ample debt capacity.

Average Acceptable Risk / Pass - This type of classification has financial ratios and assets are of above average quality, the leverage is worse than average compared to industry standards; the Borrower should have a good repayment history and possess consistent earnings with some growth.

Marginally Acceptable Risk / Pass - This type of classification has financial ratios consistent with industry averages, assets of average quality with ascertainable values, acceptable leverage, moderate capital assets and an acceptable reliance on trade debt; the Borrower demonstrates marginally adequate earnings, cash flow and debt service plus positive trends.

Weak/Monitor Risk (Watch list) / Pass - This type of classification has financial ratios are slightly below standard industry averages and assets are below average quality with unstable values; fixed assets could be near or at the end of their useful life plus liabilities may not match the asset structure.

SPECIAL MENTION - These credits have developing weaknesses deserving extra attention from the lender and lending management. They are currently protected, but potentially weak. The weakness may be, cash flow, leverage, liquidity, management, industry or other factors which may, if not checked or corrected, weaken the asset or inadequately protect the Bank’s credit position at some future date.

SUBSTANDARD - These credit extensions also have well defined weaknesses, which are inadequately protected by the current worth and debt service capacity of the Borrowers, or the collateral pledged, if any. The repayment of principal and interest as originally intended can be jeopardized by defined weaknesses related to adverse financial, managerial, economic, market or political conditions.

DOUBTFUL - These credits have definite weaknesses inherent in Substandard loans with added characteristics that are severe enough to make further collection in full highly questionable and improbable based on the current trends.

LOSS. These loans are considered uncollectible and no longer a viable asset of the Bank. They lack an identifiable source of repayment based on an inability to generate sufficient cash flow to service their debt. All trends are negative and the damage to the financial condition of the Borrower can’t be reversed now or in the near future.

	June 30, 2024							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	
(In thousands)	2024	2023	2022	2021	2020	Prior		Total
CRE Nonowner Occupied								
Pass	$ 37,757	$ 123,658	$ 352,395	$ 155,832	$ 137,304	$ 338,754	$ 13,338	$ 1,159,038
Special mention	$ —	$ —	$ 286	$ —	$ —	$ 8,563	$ —	$ 8,849
Substandard or lower	$ —	$ —	$ —	$ —	$ 3,186	$ 15,977	$ —	$ 19,163
Total CRE Nonowner Occupied	$ 37,757	$ 123,658	$ 352,681	$ 155,832	$ 140,490	$ 363,294	$ 13,338	$ 1,187,050
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE Owner Occupied								
Pass	$ 22,571	$ 95,962	$ 112,787	$ 69,370	$ 84,057	$ 217,751	$ 12,469	$ 614,967
Special mention	$ —	$ —	$ 4,197	$ —	$ —	$ 1,196	$ —	$ 5,393
Substandard or lower	$ —	$ —	$ —	$ 202	$ —	$ 3,194	$ —	$ 3,396
Total CRE Owner Occupied	$ 22,571	$ 95,962	$ 116,984	$ 69,572	$ 84,057	$ 222,141	$ 12,469	$ 623,756
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ 4	$ —	$ 4
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ 4	$ —	$ 4
Multifamily								
Pass	$ 1,760	$ 48,131	$ 68,902	$ 124,194	$ 40,289	$ 88,103	$ 2,573	$ 373,952
Special mention	$ —	$ —	$ —	$ —	$ —	$ 58	$ —	$ 58
Substandard or lower	$ —	$ —	$ —	$ —	$ —	$ 165	$ —	$ 165
Total Multifamily	$ 1,760	$ 48,131	$ 68,902	$ 124,194	$ 40,289	$ 88,326	$ 2,573	$ 374,175
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farmland								
Pass	$ 10,235	$ 31,232	$ 58,763	$ 43,714	$ 26,913	$ 26,001	$ 13,581	$ 210,439
Special mention	$ —	$ 130	$ —	$ —	$ —	$ 2,239	$ 194	$ 2,563
Substandard or lower	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total Farmland	$ 10,235	$ 31,362	$ 58,763	$ 43,714	$ 26,913	$ 28,240	$ 13,775	$ 213,002
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial								
Pass	$ 61,938	$ 140,077	$ 93,136	$ 63,424	$ 26,521	$ 99,786	$ 198,482	$ 683,364
Special mention	$ —	$ 73	$ 349	$ 111	$ —	$ 2,083	$ 2,609	$ 5,225
Substandard or lower	$ —	$ —	$ —	$ 1,199	$ —	$ 2,300	$ 615	$ 4,114
Total commercial and industrial	$ 61,938	$ 140,150	$ 93,485	$ 64,734	$ 26,521	$ 104,169	$ 201,706	$ 692,703
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ (56)	$ —	$ (56)
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ (56)	$ —	$ (56)
Residential Construction								
Pass	$ 13,518	$ 48,702	$ 22,406	$ 2,147	$ 266	$ —	$ 18,637	$ 105,676
Special mention	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Substandard or lower	—	—	—	—	—	—	—	—
Total Residential Construction	13,518	48,702	22,406	2,147	266	—	18,637	105,676
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—	—
Net recoveries	—	—	—	—	—	—	—	—
Other Construction								
Pass	16,732	126,782	141,267	15,126	15,240	13,480	17,852	346,479
Special mention	—	—	—	—	1,810	—	—	1,810
Substandard or lower	—	—	—	—	—	—	—	—
Total Other Construction	16,732	126,782	141,267	15,126	17,050	13,480	17,852	348,289
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—	—
Net recoveries	—	—	—	—	—	—	—	—
1-4 Family 1st Lien								
Performing	18,016	65,349	48,612	37,567	45,419	108,872	1,937	325,772
Non-performing	—	—	—	—	220	1,310	—	1,530
Total 1-4 Family 1st Lien	18,016	65,349	48,612	37,567	45,639	110,182	1,937	327,302
Gross charge offs	—	—	—	—	—	(7)	—	(7)
Current period recoveries	—	—	—	—	—	7	—	7
Net charge offs	—	—	—	—	—	—	—	—
1-4 Family Rental								
Performing	17,981	61,319	91,335	62,865	37,115	76,677	1,885	349,177
Non-performing	—	148	—	—	1,430	799	—	2,377
Total 1-4 Family Rental	17,981	61,467	91,335	62,865	38,545	77,476	1,885	351,554
Gross charge offs	—	—	—	—	—	(2)	—	(2)
Current period recoveries	—	—	—	—	—	22	—	22
Net charge offs	—	—	—	—	—	20	—	20
HELOC and Junior Liens								
Performing	2,535	17,139	10,644	5,294	2,500	9,918	85,377	133,407
Non-performing	—	24	—	—	—	1,255	—	1,279
Total HELOC and Junior Liens	2,535	17,163	10,644	5,294	2,500	11,173	85,377	134,686
Gross charge offs	—	—	(21)	—	—	—	—	(21)
Current period recoveries	—	—	—	—	—	—	—	—
Net charge offs	—	—	(21)	—	—	—	—	(21)
Consumer								
Performing	1,606	1,147	524	470	160	267	2,194	6,368
Non-performing	—	—	—	—	—	—	—	—
Total consumer	1,606	1,147	524	470	160	267	2,194	6,368
Gross charge offs	—	—	(2)	—	—	(24)	—	(26)
Current period recoveries	—	—	1	—	—	16	—	17
Net charge offs	—	—	(1)	—	—	(8)	—	(9)
Total								
Pass	164,511	614,544	849,656	473,807	330,590	783,875	276,932	3,493,915
Special mention	—	203	4,832	111	1,810	14,139	2,803	23,898
Substandard or lower	—	—	—	1,401	3,186	21,636	615	26,838
Performing	40,138	144,954	151,115	106,196	85,194	195,734	91,393	814,724
Nonperforming	—	172	—	—	1,650	3,364	—	5,186
Total	$ 204,649	$ 759,873	$ 1,005,603	$ 581,515	$ 422,430	$ 1,018,748	$ 371,743	$ 4,364,561

	December 31, 2023							
	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	
(In thousands)	2023	2022	2021	2020	2019	Prior		Total
CRE Nonowner Occupied								
Pass	$ 119,793	$ 329,715	$ 160,583	$ 140,083	$ 86,629	$ 267,210	$ 10,030	$ 1,114,043
Special mention	$ —	$ —	$ —	$ —	$ 6,009	$ 7,926	$ —	$ 13,935
Substandard or lower	$ —	$ 5,209	$ —	$ 3,162	$ 229	$ 12,975	$ —	$ 21,575
Total CRE Nonowner Occupied	$ 119,793	$ 334,924	$ 160,583	$ 143,245	$ 92,867	$ 288,111	$ 10,030	$ 1,149,553
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
CRE Owner Occupied								
Pass	$ 92,561	$ 121,231	$ 75,711	$ 86,322	$ 60,761	$ 174,680	$ 14,388	$ 625,654
Special mention	$ —	$ —	$ —	$ —	$ —	$ 190	$ —	$ 190
Substandard or lower	$ —	$ —	$ 208	$ —	$ —	$ 3,852	$ —	$ 4,060
Total CRE Owner Occupied	$ 92,561	$ 121,231	$ 75,919	$ 86,322	$ 60,761	$ 178,722	$ 14,388	$ 629,904
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ (16)	$ —	$ (16)
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ (16)	$ —	$ (16)
Multifamily								
Pass	$ 26,776	$ 44,450	$ 105,406	$ 41,713	$ 23,118	$ 65,480	$ 1,881	$ 308,824
Special mention	$ —	$ —	$ —	$ —	$ —	$ 62	$ —	$ 62
Substandard or lower	$ —	$ —	$ —	$ —	$ —	$ 173	$ —	$ 173
Total Multifamily	$ 26,776	$ 44,450	$ 105,406	$ 41,713	$ 23,118	$ 65,715	$ 1,881	$ 309,059
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Farmland								
Pass	$ 32,525	$ 61,405	$ 45,211	$ 29,628	$ 7,926	$ 20,956	$ 11,962	$ 209,613
Special mention	$ 194	$ —	$ —	$ —	$ —	$ 2,304	$ 186	$ 2,684
Substandard or lower	$ —	$ —	$ —	$ —	$ —	$ 345	$ 48	$ 393
Total Farmland	$ 32,719	$ 61,405	$ 45,211	$ 29,628	$ 7,926	$ 23,605	$ 12,196	$ 212,690
Gross charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Commercial and industrial								
Pass	$ 158,824	$ 106,714	$ 68,448	$ 29,961	$ 50,206	$ 57,892	$ 188,714	$ 660,759
Special mention	$ —	$ 89	$ 2,224	$ —	$ 227	$ 2,200	$ 4,391	$ 9,131
Substandard or lower	$ —	$ —	$ 662	$ —	$ —	$ 1,978	$ 2,549	$ 5,189
Total commercial and industrial	$ 158,824	$ 106,803	$ 71,334	$ 29,961	$ 50,433	$ 62,070	$ 195,654	$ 675,079
Gross charge offs	$ —	$ (100)	$ —	$ (111)	$ —	$ (27)	$ —	$ (238)
Current period recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net charge offs	$ —	$ (100)	$ —	$ (111)	$ —	$ (27)	$ —	$ (238)
Residential construction								
Pass	$ 43,043	$ 25,159	$ 6,444	$ 979	$ —	$ —	$ 16,645	$ 92,270
Special mention	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Substandard or lower	—	573	—	—	—	—	—	573
Total Residential construction	43,043	25,732	6,444	979	—	—	16,645	92,843
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—	—
Net recoveries	—	—	—	—	—	—	—	—
Other construction								
Pass	110,553	156,055	48,214	21,378	10,247	5,856	6,617	358,920
Special mention	—	—	—	1,447	—	—	—	1,447
Substandard or lower	—	—	—	—	—	2,257	—	2,257
Total Other construction	110,553	156,055	48,214	22,825	10,247	8,113	6,617	362,624
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—	—
Net recoveries	—	—	—	—	—	—	—	—
1-4 Family 1st Lien								
Performing	77,801	51,651	41,133	48,748	9,348	106,353	2,240	337,274
Non-performing	—	—	37	218	—	1,613	—	1,868
Total 1-4 Family 1st Lien	77,801	51,651	41,170	48,966	9,348	107,966	2,240	339,142
Gross charge offs	—	—	—	—	—	(13)	—	(13)
Current period recoveries	—	—	—	—	—	8	—	8
Net recoveries	—	—	—	—	—	(5)	—	(5)
1-4 Family Rental								
Performing	62,897	90,092	64,766	38,672	16,831	64,309	1,885	339,452
Non-performing	—	—	56	1,252	—	1,177	—	2,485
Total 1-4 Family Rental	62,897	90,092	64,822	39,924	16,831	65,486	1,885	341,937
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	30	—	30
Net recoveries	—	—	—	—	—	30	—	30
HELOC and Junior Liens								
Performing	17,936	11,460	5,711	2,962	1,684	8,236	83,598	131,587
Non-performing	—	—	—	—	—	1,208	—	1,208
Total HELOC and Junior Liens	17,936	11,460	5,711	2,962	1,684	9,444	83,598	132,795
Gross charge offs	—	—	—	—	—	—	—	—
Current period recoveries	—	—	—	—	—	—	—	—
Net recoveries	—	—	—	—	—	—	—	—
Consumer								
Performing	2,361	754	649	273	223	103	2,803	7,166
Non-performing	—	—	—	—	—	—	—	—
Total consumer	2,361	754	649	273	223	103	2,803	7,166
Gross charge offs	(86)	—	(10)	(9)	—	(30)	—	(135)
Current period recoveries	26	—	—	1	—	5	—	32
Net charge offs	(60)	—	(10)	(8)	—	(25)	—	(103)
Total								
Pass	584,075	844,729	510,017	350,064	238,887	592,074	250,237	3,370,083
Special mention	194	89	2,224	1,447	6,236	12,682	4,577	27,449
Substandard or lower	—	5,782	870	3,162	229	21,580	2,597	34,220
Performing	160,995	153,957	112,259	90,655	28,086	179,001	90,526	815,479
Nonperforming	—	—	93	1,470	—	3,998	—	5,561
Total	745,264	1,004,557	625,463	446,798	273,438	809,335	347,937	4,252,792

Mid Penn had no loans classified as "doubtful" as of June 30, 2024 and December 31, 2023. There was $892 thousand and $121 thousand in loans for which formal foreclosure proceedings were in process at June 30, 2024 and December 31, 2023.

Collateral-Dependent Loans

A financial asset is considered to be collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. For all classes of financial assets deemed collateral-dependent, Mid Penn elected the practical expedient to estimate expected credit losses based on the collateral's fair value less cost to sell. In most cases, Mid Penn records a partial charge-off to reduce the loan's carrying value to the collateral's fair value less cost to sell. Substantially all of the collateral supporting collateral-dependent financial assets consists of various types of real estate, including residential properties; commercial properties such as retail centers, office buildings, and lodging; agriculture land; and vacant land.

Allowance for Credit Losses

Mid Penn's ACL - loans methodology is based upon guidance within FASB ASC Subtopic 326-20, as well as regulatory guidance from the FDIC, its primary federal regulator. The ACL - loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the loan portfolio is continuously monitored by management and is reflected within the ACL - loans. The ACL - loans is an estimate of expected losses inherent within Mid Penn's existing loan portfolio. The ACL - loans is adjusted through the PCL and reduced by the charge off of loan amounts, net of recoveries.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of Mid Penn's loan portfolio segments. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the allowance is complex and requires judgement by management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and credit loss expense.

Mid Penn estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Mid Penn uses a third-party software application to calculate the quantitative portion of the ACL using a methodology and assumptions specific to each loan pool. The qualitative portion of the allowance is based on general economic conditions and other internal and external factors affecting Mid Penn as a whole, as well as specific loans. Factors considered include the following: lending process, concentrations of credit, and credit quality. The quantitative and qualitative portions of the allowance are added together to determine the total ACL, which reflects management's expectations of future conditions based on reasonable and supportable forecasts.

The methodology for estimating the amount of expected credit losses reported in the ACL has two basic components: a collective, or pooled, component for estimated expected credit losses for pools of loans that share similar risk characteristics, and an asset-specific component involving individual loans that do not share risk characteristics with other loans and the measurement of expected credit losses for such individual loans. In estimating the ACL for the collective component, loans are segregated into loan pools based on loan purpose codes and similar risk characteristics.

The commercial real estate and residential mortgage loan portfolio segments include loans for both commercial and residential properties that are secured by real estate. The underwriting process for these loans includes analysis of the financial position and strength of both the borrower and, if applicable, guarantor, experience with similar projects in the past, market demand and prospects for successful completion of the proposed project within the established budget and schedule, values of underlying collateral, availability of permanent financing, maximum loan-to-value ratios, minimum equity requirements, acceptable amortization periods and minimum debt service coverage requirements, based on property type. The borrower's financial strength and capacity to repay their obligations remain the primary focus of underwriting. Financial strength is evaluated based upon analytical tools that consider historical and projected cash flows and performance, in addition to analysis of the proposed project for income-producing properties. Additional support offered by guarantors is also considered when applicable. Ultimate repayment of these loans is sensitive to interest rate changes, general economic conditions, liquidity and availability of long-term financing.

The commercial and industrial loan portfolio segment includes commercial loans made to many types of businesses for various purposes, such as short-term working capital loans that are usually secured by accounts receivable and inventory, equipment and fixed asset purchases that are secured by those assets, and term financing for those within Mid Penn's geographic markets. Mid Penn's credit underwriting process for commercial and industrial loans includes analysis of historical and projected cash flows and performance, evaluation of financial strength of both borrowers and guarantors as reflected in current and detailed financial information, and evaluation of underlying collateral to support the credit.

The consumer loan portfolio segment is comprised of loans which are underwritten after evaluating a borrower's capacity, credit and collateral. Several factors are considered when assessing a borrower's capacity, including the borrower's employment, income, current debt, assets and level of equity in the property. Credit is assessed using a credit report that provides credit scores and the borrower's current and past information about their credit history. Loan-to-value and debt-to-income ratios, loan amount and lien position are also considered in assessing whether to originate a loan. These borrowers are particularly susceptible to downturns in economic trends, such as conditions that negatively affect housing prices and demand and levels of unemployment.

Mid Penn utilizes a DCF method to estimate the quantitative portion of the allowance for credit losses for loan pools. The DCF is based off of historical losses, including peer data, which is correlated to national unemployment and GDP.

The PD and LGD measures are used in conjunction with prepayment data as inputs into the DCF model to calculate the cash flows at the individual loan level. Contractual cash flows based on loan terms are adjusted for PD, LGD and prepayments to derive loss cash flows. These loss cash flows are discounted by the loan's coupon rate to arrive at the discounted cash flow based quantitative loss. The prepayment studies are updated quarterly by a third-party for each applicable pool.

Mid Penn determined that reasonable and supportable forecasts could be made for a twelve-month period for all of its loan pools. To the extent the lives of the loans in the LHFI portfolio extend beyond this forecast period, Mid Penn uses a reversion period of four quarters and reverts to the historical mean on a straight-line basis over the remaining life of the loans.

Qualitative factors used in the ACL methodology include the following:

- Lending process
- Concentrations of credit
- Peer Group Divergence

The ACL for individual loans, such as non-accrual and PCD, that do not share risk characteristics with other loans is measured as the difference between the discounted value of expected future cash flows, based on the effective interest rate at origination, and the amortized cost basis of the loan, or the net realizable value. The ACL is the difference between the loan's net realizable value and its amortized cost basis (net of previous charge-offs and deferred loan fees and costs), except for collateral-dependent loans. A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to be provided substantially through the sale of the collateral. The expected credit loss for collateral-dependent loans is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral, adjusted for the estimated cost to sell. Fair value estimates for collateral-dependent loans are derived from appraised values based on the current market value or the "as is" value of the collateral, normally from recently received and reviewed appraisals. Current appraisals are ordered on a regular basis based on the inspection date or more often if market conditions necessitate. Appraisals are obtained from state-certified appraisers and are based on certain assumptions, which may include construction or development status and the highest and best use of the property. These appraisals are reviewed by Mid Penn's Real Estate Administration Group to ensure they are acceptable, and values are adjusted down for costs associated with asset disposal. If the calculated expected credit loss is determined to be permanent or not recoverable, the amount of the expected credit loss is charged off.

Mid Penn may also purchase loans or acquire loans through a business combination. At the purchase or acquisition date, loans are evaluated to determine whether there has been more than insignificant credit deterioration since origination. Loans that have experienced more than insignificant credit deterioration since origination are referred to as PCD loans. In its evaluation of whether a loan has experienced more than insignificant deterioration in credit quality since origination, Mid Penn takes into consideration loan grades, past due and nonaccrual status. Mid Penn may also consider external credit rating agency ratings for borrowers and for non-commercial loans, FICO score or band, probability of default levels, and number of times past due. At the purchase or acquisition date, the amortized cost basis of PCD loans is equal to the purchase price and an initial estimate of credit losses. The initial recognition of expected credit losses on PCD loans has no impact on net income. When the initial measurement of expected credit losses on PCD loans is calculated on a pooled loan basis, the expected credit losses are allocated to each loan within the pool. Any difference between the initial amortized cost basis and the unpaid principal balance of the loan represents a noncredit discount or premium, which is accreted (or amortized) into interest income over the life of the loan. Subsequent changes to the ACL on PCD loans are recorded through the PCL. For purchased loans that are not deemed to have experienced more than insignificant credit deterioration since origination and are therefore not deemed PCD, any discounts or premiums included in the purchase price are accreted (or amortized) over the contractual life of the individual loan.

Loans are charged off against the ACL, with any subsequent recoveries credited back to the ACL account. Expected recoveries may not exceed the aggregate of amounts previously charged off and expected to be charged off.

The following tables present the activity in the ACL - loans by portfolio segment for the three and six months ended June 30, 2024 and the three and six months ended June 30, 2023:

(In thousands)	Balance at March 31, 2024	Charge offs	Recoveries	Net loans (charged off) recovered	(Benefit)/Provision for credit losses	Three Months Ended June 30, 2024
Commercial Real Estate						
CRE Nonowner Occupied	10,417	—	—	—	230	10,647
CRE Owner Occupied	5,602	—	4	4	224	5,830
Multifamily	2,370	—	—	—	839	3,209
Farmland	2,002	—	—	—	57	2,059
Commercial and industrial	6,500	(56)	—	(56)	490	6,934
Construction						
Residential Construction	1,176	—	—	—	(47)	1,129
Other Construction	2,171	—	—	—	(158)	2,013
Residential Mortgage						
1-4 Family 1st Lien	1,271	—	7	7	71	1,349
1-4 Family Rental	1,539	(2)	22	20	145	1,704
HELOC and Junior Liens	457	—	—	—	(60)	397
Consumer	19	(4)	11	7	(9)	17
Total	33,524	(62)	44	(18)	1,782	35,288

(In thousands)	Balance at December 31, 2023	Charge offs	Recoveries	Net loans (charged off) recovered	(Benefit)/Provision for credit losses	Six Months Ended June 30, 2024
Commercial Real Estate						
CRE Nonowner Occupied	10,267	—	—	—	380	10,647
CRE Owner Occupied	5,646	—	4	4	180	5,830
Multifamily	2,202	—	—	—	1,007	3,209
Farmland	2,064	—	—	—	(5)	2,059
Commercial and industrial	7,131	(56)	—	(56)	(141)	6,934
Construction						
Residential Construction	1,256	—	—	—	(127)	1,129
Other Construction	2,146	—	—	—	(133)	2,013
Residential Mortgage						
1-4 Family 1st Lien	1,207	(7)	7	—	142	1,349
1-4 Family Rental	1,859	(2)	22	20	(175)	1,704
HELOC and Junior Liens	389	(21)	—	(21)	29	397
Consumer	20	(26)	17	(9)	6	17
Total	34,187	(112)	50	(62)	1,163	35,288

(In thousands)	Balance at March 31, 2023	PCD Loans	Charge offs	Recoveries	Net loans (charged off) recovered	Provision/(Benefit) for credit losses	Three Months Ended June 30, 2023
Commercial Real Estate							
CRE Nonowner Occupied	$ 8,175	$ 312	$ —	$ —	$ —	$ (615)	$ 7,872
CRE Owner Occupied	3,079	2	—	—	—	1,060	4,141
Multifamily	1,159		—	—	—	85	1,244
Farmland	899		—	—	—	41	940
Commercial and industrial	11,269	5	(109)	—	(109)	238	11,403
Construction							
Residential Construction	1,423	12	—	—	—	294	1,729
Other Construction	2,208	1	—	—	—	(271)	1,938
Residential Mortgage							
1-4 Family 1st Lien	1,356	4	—	—	—	268	1,628
1-4 Family Rental	1,066	—	—	—	—	(19)	1,047
HELOC and Junior Liens	452	—	—	—	—	18	470
Consumer	179	—	(65)	4	(61)	58	176
Unallocated	—	—	—	—	—	—	—
Total	$ 31,265	$ 336	$ (174)	$ 4	$ (170)	$ 1,157	$ 32,588

(In thousands)	Balance at December 31, 2022	CECL Impact	PCD Loans	Charge offs	Recoveries	Net loans (charged off) recovered	Provision/(Benefit) for credit losses	Six Months Ended June 30, 2023
Commercial Real Estate								
CRE Nonowner Occupied	$ 8,284	$ 259	$ 312	$ —	$ —	$ —	$ (983)	$ 7,872
CRE Owner Occupied	2,916	91	2	(16)	—	(16)	1,148	4,141
Multifamily	1,111	35		—	—	—	98	1,244
Farmland	831	26		—	—	—	83	940
Commercial and industrial	4,593	6,601	5	(220)	—	(220)	424	11,403
Construction								
Residential Construction	—	1,270	12	—	—	—	447	1,729
Other Construction	—	1,931	1	—	—	—	6	1,938
Residential Mortgage								
1-4 Family 1st Lien	370	1,307	4	(4)	—	(4)	(49)	1,628
1-4 Family Rental	288	731		—	30	30	(2)	1,047
HELOC and Junior Liens	661	(230)		—	—	—	39	470
Consumer	29	154		(84)	11	(73)	66	176
Unallocated	(126)	(244)		—	—	—	370	—
Total	$ 18,957	$ 11,931	$ 336	$ (324)	$ 41	$ (283)	$ 1,647	$ 32,588

The following table presents the ACL for loans and the amortized cost basis of the loans by the measurement methodology used as of June 30, 2024 and December 31, 2023:

(In thousands)	ACL - Loans			Loans		
June 30, 2024	**Collectively Evaluated for Credit Loss**	**Individually Evaluated for Credit Loss**	**Total ACL - Loans**	**Collectively Evaluated for Credit Loss**	**Individually Evaluated for Credit Loss**	**Total Loans**
Commercial real estate						
CRE Nonowner Occupied	$ **10,293**	$ **354**	$ **10,647**	$ **1,184,475**	$ **2,575**	$ **1,187,050**
CRE Owner Occupied	**5,830**	**—**	**5,830**	**622,114**	**1,642**	**623,756**
Multifamily	**3,202**	**7**	**3,209**	**374,010**	**165**	**374,175**
Farmland	**2,059**	**—**	**2,059**	**213,002**	**—**	**213,002**
Commercial and industrial	**6,258**	**676**	**6,934**	**690,244**	**2,459**	**692,703**
Construction						
Residential Construction	**1,129**	**—**	**1,129**	**105,676**	**—**	**105,676**
Other Construction	**2,013**	**—**	**2,013**	**348,289**	**—**	**348,289**
Residential mortgage						
1-4 Family 1st Lien	**1,349**	**—**	**1,349**	**325,772**	**1,530**	**327,302**
1-4 Family Rental	**1,704**	**—**	**1,704**	**351,206**	**348**	**351,554**
HELOC and Junior Liens	**397**	**—**	**397**	**133,406**	**1,280**	**134,686**
Consumer	**17**	**—**	**17**	**6,368**	**—**	**6,368**
Total	$ **34,251**	$ **1,037**	$ **35,288**	$ **4,354,562**	$ **9,999**	$ **4,364,561**

(In thousands)	ACL - Loans			Loans		
December 31, 2023	**Collectively Evaluated for Credit Loss**	**Individually Evaluated for Credit Loss**	**Total ACL - Loans**	**Collectively Evaluated for Credit Loss**	**Individually Evaluated for Credit Loss**	**Total Loans**
Commercial real estate						
CRE Nonowner Occupied	$ 9,906	$ 361	$ 10,267	$ 1,145,048	$ 4,505	$ 1,149,553
CRE Owner Occupied	5,646	—	5,646	627,995	1,909	629,904
Multifamily	2,190	12	2,202	308,886	173	309,059
Farmland	2,064	—	2,064	212,690	—	212,690
Commercial and industrial	6,419	712	7,131	673,793	1,286	675,079
Construction						
Residential Construction	1,256	—	1,256	92,270	573	92,843
Other Construction	2,146	—	2,146	360,368	2,256	362,624
Residential mortgage						
1-4 Family 1st Lien	1,207	—	1,207	337,267	1,875	339,142
1-4 Family Rental	1,857	2	1,859	341,236	701	341,937
HELOC and Junior Liens	389	—	389	131,587	1,208	132,795
Consumer	20	—	20	7,166	—	7,166
Total	$ 33,100	$ 1,087	$ 34,187	$ 4,238,306	$ 14,486	$ 4,252,792

Modifications to Borrowers Experiencing Financial Difficulty

From time to time, we may modify certain loans to borrowers who are experiencing financial difficulty. In some cases, these modifications may result in new loans. Loan modifications to borrowers experiencing financial difficulty may be in the form of principal forgiveness, an interest rate reduction, an other-than-insignificant payment delay, or a term extension, or a combination thereof, among other things.

There were no new modifications to borrowers experiencing financial difficulty for the quarter ended June 30, 2024. Information related to loans modified (by type of modification), whereby the borrower was experiencing financial difficulty at the time of modification, is set forth in the following table:

(In thousands) **Six months ended June 30, 2024**	**Interest Only**	**Term Extension**	**Combination: Interest Only and Term Extension**	**Total**	**% of Total Class of Financing Receivable**
Residential mortgage					
HELOC and Junior Liens	—	—	**92**	**92**	**0.07 %**
Total Residential Mortgage	— —	— **0**	**92**	**92**	**0.01 %**
Total	**$** —	**$** —	**$** **92**	**$** **92**	

(In thousands) **Three months ended June 30, 2023**	**Interest Only**	**Term Extension**	**Combination: Interest Only and Term Extension**	**Total**	**% of Total Class of Financing Receivable**
Commercial and industrial	$ —	$ 150	$ —	$ 150	0.02 %
Total	$ —	$ 150	$ —	$ 150	

(In thousands) **Six months ended June 30, 2023**	**Interest Only**	**Term Extension**	**Combination: Interest Only and Term Extension**	**Total**	**% of Total Class of Financing Receivable**
Commercial real estate					
CRE Owner Occupied	$ 51	$ —	$ 180	$ 231	0.04 %
Total Commercial real estate	$ 51	$ —	$ 180	$ 231	0.02 %
Commercial and industrial	$ —	$ 150	$ —	$ 150	0.02 %
Total loans	$ 51	$ 150	$ 180	$ 381	

The financial effects of the interest-only loan modifications reduced the monthly payment amounts for the borrower and the term extensions in the table above added a weighted-average of 2.0 years to the life of the loans, which also reduced the monthly payment amounts for the borrowers.

Note 5 - Deposits

Deposits consisted of the following as of June 30, 2024 and December 31, 2023:

(Dollars in thousands)	June 30, 2024	% of Total Deposits	December 31, 2023	% of Total Deposits
Noninterest-bearing demand deposits	**$ 766,014**	**17.0 %**	$ 801,312	18.4 %
Interest-bearing demand deposits	**1,021,636**	**22.7 %**	947,372	21.8 %
Money market	**896,179**	**19.9 %**	850,674	19.6 %
Savings	**277,133**	**6.2 %**	288,404	6.6 %
Total demand and savings	**2,960,962**	**65.8 %**	2,887,762	66.4 %
Time	**1,536,049**	**34.2 %**	1,458,450	33.6 %
Total deposits	**$ 4,497,011**	**100.0 %**	$ 4,346,212	100.0 %
Overdrafts	**$ 206**	**0.00 %**	$ 315	0.01 %

The scheduled maturities of time deposits at June 30, 2024 were as follows:

	Time Deposits	
(In thousands)	Less than $250,000	$250,000 or more
Maturing in 2024	**$ 699,424**	**$ 237,344**
Maturing in 2025	**380,228**	**138,800**
Maturing in 2026	**39,854**	**4,547**
Maturing in 2027	**18,302**	**1,198**
Maturing in 2028	**9,295**	**259**
Maturing thereafter	**6,506**	**292**
	$ 1,153,609	**$ 382,440**

Mid Penn had $244.8 million in brokered certificates of deposits as of June 30, 2024 and December 31, 2023. As of June 30, 2024 and December 31, 2023, Mid Penn had $82.5 million and $96.7 million of CDAR deposits, respectively.

Note 6 - Derivative Financial Instruments

Mid Penn manages its exposure to certain interest rate risks through the use of derivatives; however, none are entered into for speculative purposes. In 2023, Mid Penn entered into outstanding derivative contracts designated as hedges. Mid Penn's free-standing derivative financial instruments are required to be carried at their fair value on the Consolidated Balance Sheets.

Loan-level Interest Rate Swaps

Mid Penn enters into loan-level interest rate swaps with certain qualifying, creditworthy commercial loan customers to meet their interest rate risk management needs. Mid Penn simultaneously enters into parallel interest rate swaps with dealer counterparties, with identical notional amounts and terms. The net result of the offsetting customer and dealer counterparty swap agreements is that the customer pays a fixed rate of interest and Mid Penn receives a floating rate. Mid Penn's loan-level interest rate swaps are considered derivatives but are not accounted for using hedge accounting.

Information related to loan level swaps is set forth in the following table:

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Interest rate swaps on loans with customers		
Notional amount	**$ 204,525**	$ 187,192
Weighted average remaining term (years)	**5.63**	6.24
Receive fixed rate (weighted average)	**4.57 %**	4.59 %
Pay variable rate (weighted average)	**7.47 %**	7.50 %
Estimated fair value (1)	**$ 11,543**	$ 10,484

	June 30, 2024	December 31, 2023
	(Dollars in thousands)	
Interest rate swaps on loans with correspondents		
Notional amount	**$ 204,525**	$ 187,192
Weighted average remaining term (years)	**5.63**	6.24
Receive variable rate (weighted average)	**7.47 %**	7.50 %
Pay fixed rate (weighted average)	**4.57 %**	4.59 %
Estimated fair value (2)	**$ 11,543**	$ 10,484

(1) The net amount of the estimated fair value is disclosed in Other Liabilities on the Consolidated Balance Sheet.
(2) The net amount of the estimated fair value is disclosed in Other Assets on the Consolidated Balance Sheet.

Cash Flow Hedges of Interest Rate Risk

Mid Penn's objectives in using interest rate derivatives are to reduce volatility in net interest income and to manage its exposure to interest rate movements. To accomplish this objective, Mid Penn primarily uses interest rate swaps as part of its interest rate risk management strategy.

Information related to cash flow hedges is set forth in the following table:

		June 30, 2024		December 31, 2023
		(Dollars in thousands)		
Cash flow hedges				
Notional amount	$	**190,000**	$	190,000
Weighted average remaining term (years)		**1.72**		2.22
Pay fixed rate (weighted average)		**3.74 %**		3.74 %
Receive variable rate (weighted average)		**4.07 %**		4.07 %
Estimated fair value [(1)]	$	**3,272**	$	1,460

(1) The net amount of the estimated fair value is disclosed in Other Assets on the Consolidated Balance Sheet.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the unrealized gain or loss on the derivative is recorded in AOCI and subsequently reclassified into interest income in the same period during which the hedged transaction affects earnings. Amounts reported in AOCI related to derivatives will be reclassified to interest income as interest payments are made on Mid Penn's variable-rate liabilities. During the next twelve months, Mid Penn estimates that an additional $2.2 million will be reclassified as a decrease to interest expense.

Note 7 - Accumulated Other Comprehensive (Loss) Income

The changes in each component of accumulated other comprehensive loss, net of taxes, are as follows:

(*In thousands*)		Unrealized Loss on Securities		Unrealized Holding Losses on Interest Rate Derivatives used in Cash Flow Hedges		Defined Benefit Plans		Total
Balance at March 31, 2024	**$**	**(19,050)**	**$**	**2,230**	**$**	**(127)**	**$**	**(16,947)**
OCI before reclassifications		**(201)**		**28**		**(3)**		**(176)**
Amounts reclassified from AOCI		**—**		**—**		**—**		**—**
Balance at June 30, 2024	**$**	**(19,251)**	**$**	**2,258**	**$**	**(130)**		**(17,123)**
Balance at December 31, 2023	**$**	**(17,339)**	**$**	**820**	**$**	**(118)**	**$**	**(16,637)**
OCI before reclassifications		**(1,912)**		**1,438**		**5**		**(469)**
Amounts reclassified from AOCI		**—**		**—**		**(17)**		**(17)**
Balance at June 30, 2024	**$**	**(19,251)**	**$**	**2,258**	**$**	**(130)**	**$**	**(17,123)**
Balance at March 31, 2023	$	(17,350)	$	(128)	$	104	$	(17,374)
OCI before reclassifications		(3,261)		2,837		(7)		(431)
Amounts reclassified from AOCI		—		—		—		—
Balance at June 30, 2023	$	(20,611)	$	2,709	$	97	$	(17,805)
Balance at December 31, 2022	$	(19,327)	$	—	$	111	$	(19,216)
OCI before reclassifications		(1,284)		2,709		(2)		1,423
Amounts reclassified from AOCI		—		—		(12)		(12)
Balance at June 30, 2023	$	(20,611)	$	2,709	$	97	$	(17,805)

Note 8 - Fair Value Measurement

The Corporation uses estimates of fair value in applying various accounting standards for its consolidated financial statements on either a recurring or non-recurring basis. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. Mid Penn groups its assets and liabilities measured at fair value in three hierarchy levels, based on the observability and transparency of the inputs. The fair value hierarchy is as follows:

Level 1 - Inputs that represent quoted prices for identical instruments in active markets.

Level 2 - Inputs that represent quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Inputs that are largely unobservable, as little or no market data exists for the instrument being valued.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

There were no transfers of assets between fair value Level 1 and Level 2 during the three and six months ended June 30, 2024 or the year ended December 31, 2023.

The following tables illustrate the assets measured at fair value on a recurring basis and reported on the Consolidated Balance Sheets.

	June 30, 2024			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale securities:				
U.S. Treasury and U.S. government agencies	**$ —**	**$ 30,619**	**$ —**	**$ 30,619**
Mortgage-backed U.S. government agencies	**—**	**142,037**	**—**	**142,037**
State and political subdivision obligations	**—**	**3,591**	**—**	**3,591**
Corporate debt securities	**—**	**31,689**	**—**	**31,689**
Equity securities	**427**	**—**	**—**	**427**
Loans held for sale	**—**	**8,420**	**—**	**8,420**
Other assets:				
Derivative assets	**—**	**14,815**	**—**	**14,815**
Total	**$ 427**	**$ 231,171**	**$ —**	**$ 231,598**

	December 31, 2023			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale securities:				
U.S. Treasury and U.S. government agencies	$ —	$ 35,649	$ —	$ 35,649
Mortgage-backed U.S. government agencies	—	152,683	—	152,683
State and political subdivision obligations	—	3,646	—	3,646
Corporate debt securities	—	31,577	—	31,577
Equity securities	438	—	—	438
Loans held for sale	—	3,855	—	3,855
Other assets:				
Derivative assets	—	11,944	—	11,944
Total	$ 438	$ 239,354	$ —	$ 239,792

The valuation methodologies and assumptions used to estimate the fair value for the items in the preceding tables are as follows:

Available for sale investment securities - The fair value of equity and debt securities classified as available for sale is determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather, relying on the securities' relationship to other benchmark quoted prices.

Equity securities - The fair value of equity securities with readily determinable fair values is recorded on the Consolidated Balance Sheet, with realized and unrealized gains and losses reported in other expense on the Consolidated Statements of Income.

Loans held for sale - This category includes mortgage loans held for sale that are measured at fair value. Fair values as of June 30, 2024 were measured as the price that secondary market investors were offering for loans with similar characteristics.

Derivative assets - Interest rate swaps are measured by alternative pricing sources with reasonable levels of price transparency in markets that are not active. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate swap agreements as Level 2.

Mortgage banking derivatives represent the fair value of mortgage banking derivatives in the form of interest rate locks and forward commitments with secondary market investors and the fair value of interest rate swaps. The fair values of Mid Penn's interest rate locks, forward commitments and interest rate swaps represent the amounts that would be required to settle the derivative financial instruments at the balance sheet date. These characteristics classify interest rate swap agreements as Level 2. See "Note 5 - Derivative Financial Instruments," for additional information.

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. The following table illustrates Level 3 financial instruments measured at fair value on a nonrecurring basis:

(In thousands)	**June 30, 2024**	December 31, 2023
Individually evaluated loans, net of ACL	**$ 8,962**	$ 13,399
Foreclosed assets held for sale	**441**	293

Net loans - This category consists of loans that were individually evaluated for credit losses, net of the related ACL, and have been classified as Level 3 assets. For 2023, the amount shown is the balance of individually evaluated loans reporting a specific allocation or that have been partially charged-off. All of these loans are considered collateral-dependent; therefore, all of Mid Penn's impaired loans, whether reporting a specific allowance allocation or not, are considered collateral- dependent. Mid Penn utilized Level 3 inputs such as independent appraisals of the underlying collateral, which generally includes various Level 3 inputs which are not observable. Appraisals may be adjusted downward by management for qualitative factors such as economic conditions and estimated liquidation expenses.

Foreclosed assets held for sale - Values are based on appraisals that consider the sales prices of property in the proximate vicinity.

The following tables summarize the carrying amount, fair value, and placement in the fair value hierarchy of Mid Penn's financial instruments as of the periods presented:

	June 30, 2024				
		Estimated Fair Value			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial instruments - assets					
Cash and cash equivalents	**$ 105,726**	**$ 105,726**	**$ —**	**$ —**	**$ 105,726**
Available-for-sale investment securities	**207,936**	**—**	**207,936**	**—**	**207,936**
Held-to-maturity investment securities	**393,320**	**—**	**347,275**	**—**	**347,275**
Equity securities	**427**	**427**	**—**	**—**	**427**
Loans held for sale	**8,420**	**—**	**8,420**	**—**	**8,420**
Net loans	**4,329,273**	**—**	**—**	**4,329,703**	**4,329,703**
Restricted investment in bank stocks	**13,930**	**13,930**	**—**	**—**	**13,930**
Accrued interest receivable	**27,381**	**27,381**	**—**	**—**	**27,381**
Derivative assets	**14,815**	**—**	**14,815**	**—**	**14,815**
Financial instruments - liabilities					
Deposits	**$ 4,497,011**	**$ —**	**$ 4,493,809**	**$ —**	**$ 4,493,809**
Short-term borrowings	**200,000**	**—**	**200,000**	**—**	**200,000**
Long-term debt [(1)]	**20,693**	**—**	**20,693**	**—**	**20,693**
Subordinated debt	**46,047**	**—**	**40,612**	**—**	**40,612**
Accrued interest payable	**18,139**	**18,139**	**—**	**—**	**18,139**
Derivative liabilities	**11,543**	**—**	**11,543**	**—**	**11,543**

(1) Long-term debt excludes finance lease obligations.

	December 31, 2023				
		Estimated Fair Value			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
Financial instruments - assets					
Cash and cash equivalents	$ 96,763	$ 96,763	$ —	$ —	$ 96,763
Available-for-sale investment securities	223,555	—	223,555	—	223,555
Held-to-maturity investment securities	399,128	—	357,521	—	357,521
Equity securities	438	438	—	—	438
Loans held for sale	3,855	—	3,855	—	3,855
Net loans	4,218,605	—	—	4,221,926	4,221,926
Restricted investment in bank stocks	16,768	16,768	—	—	16,768
Accrued interest receivable	25,820	25,820	—	—	25,820
Derivative assets	11,944	—	11,944	—	11,944
Financial instruments - liabilities					
Deposits	$ 4,346,212	$ —	$ 4,337,723	$ —	$ 4,337,723
Short-term debt	241,532	—	241,532	—	241,532
Long-term debt [(1)]	55,806	—	55,081	—	55,081
Subordinated debt	46,354	—	39,515	—	39,515
Accrued interest payable	14,257	14,257	—	—	14,257
Derivative liabilities	10,484	—	10,484	—	10,484

(1) Long-term debt excludes finance lease obligations.

The Bank's outstanding and unfunded credit commitments and financial standby letters of credit were deemed to have no significant fair value as of June 30, 2024 and December 31, 2023.

Note 9 - Commitments and Contingencies

Guarantees and commitments to extend credit

Mid Penn is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. The commitments include various guarantees and commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Mid Penn evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary upon extension of credit, is based on management's credit evaluation of the customer. Standby letters of credit and financial guarantees written are conditional commitments to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers. Mid Penn had $61.9 million and $62.2 million of standby letters of credit outstanding as of June 30, 2024 and December 31, 2023, respectively. Mid Penn does not anticipate any losses because of these transactions. The amount of the liability as of June 30, 2024 and December 31, 2023 for payment under standby letters of credit issued was not considered material.

Mid Penn adopted FASB ASC Topic 326, effective January 1, 2023, which requires Mid Penn to estimate expected credit losses for OBS credit exposures which are not unconditionally cancellable. Mid Penn maintains a separate ACL on OBS credit exposures, including unfunded loan commitments and letters of credit, which is included in other liabilities on the accompanying Consolidated Balance Sheets.

The ACL - OBS is adjusted as a provision for OBS commitments in provision for credit losses. The estimate includes consideration of the likelihood that funding will occur, an estimate of exposure at default that is derived from utilization rate assumptions using a non-modeled approach, and PD and LGD estimates that are derived from the same models and approaches for Mid Penn's other loan portfolio segments described in "Note 4 - Loans and Allowance for Credit Losses - Loans" above, as these unfunded commitments share similar risk characteristics with these loan portfolio segments.

The ACL - OBS at June 30, 2024 was $3.1 million compared to $3.6 million at December 31, 2023. On January 1, 2023 in conjunction with adopting ASC 326, Mid Penn recorded an additional $3.1 million of provision for OBS which was included in the adoption cumulative effect adjustment. A benefit for OBS credit losses of $177 thousand and $496 thousand was recorded for the three and six months ended June 30, 2024, respectively. The benefit for OBS credit losses was $340 thousand and $629 thousand for the three and six months ended June 30, 2023, respectively.

Litigation

Mid Penn and its subsidiaries are subject to various pending and threatened legal proceedings or other matters arising out of the normal conduct of business in which claims for monetary damages are asserted. As of the date of this report, management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability arising out of such pending or threatened matters will be material to Mid Penn's consolidated financial position. On at least a quarterly basis, Mid Penn assesses its liabilities and contingencies in connection with such matters. For those matters where it is probable that Mid Penn will incur losses and the amounts of the losses can be reasonably estimated, Mid Penn records an expense and corresponding liability in its consolidated financial statements. To the extent such matters could result in exposure in excess of that liability, the amount of such excess is not currently estimable. The range of losses for matters where an exposure is not currently estimable or considered probable is not believed to be material in the aggregate. This is based on information currently available to Mid Penn and involves elements of judgment and significant uncertainties. While Mid Penn does not believe that the outcome of pending or threatened litigation or other matters will be material to Mid Penn's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future. In addition, regardless of the ultimate outcome of any such legal proceeding, inquiry or investigation, any such matter could cause Mid Penn to incur additional expenses, which could be significant, and possibly material, to Mid Penn's results of operations in any future period.

Note 10 - Debt

Short-term FHLB and Correspondent Bank Borrowings

Total short-term borrowings were $200.0 million and $241.5 million as of June 30, 2024 and December 31, 2023, respectively. Short-term borrowings generally consist of federal funds purchased and advances from the FHLB with an original maturity of less than a year. Federal funds purchased from correspondent banks mature in one business day and reprice daily based on the Federal Funds rate. Advances from the FHLB are collateralized by the Bank's investment in the common stock of the FHLB and by a blanket lien on selected loan receivables comprised principally of real estate secured loans within the Bank's portfolio totaling $3.0 billion at June 30, 2024. The Bank had a short-term borrowing capacity from the FHLB as of June 30, 2024 up to the Bank's unused borrowing capacity of $1.8 billion (equal to $2.1 billion of maximum borrowing capacity, less the aggregate amount of FHLB letter of credits securing public funds deposits, and other FHLB advances and obligations outstanding) upon satisfaction of any stock purchase requirements of the FHLB.

The Bank also has unused overnight lines of credit with other correspondent banks amounting to $35.0 million at June 30, 2024. No draws were made on these lines as of June 30, 2024 and December 31, 2023.

Long-term Debt

The following table presents a summary of long-term debt as of June 30, 2024 and December 31, 2023.

(Dollars in thousands)	**June 30, 2024**	December 31, 2023
FHLB fixed rate instruments:		
Due January 2024, 1.10%	**$ —**	$ 10,000
Due March 2024, 5.60%	—	25,000
Due February 2026, 4.51%	**20,000**	20,000
Due August 2026, 4.80%	**672**	782
Due February 2027, 6.71%	**21**	24
Total FHLB fixed rate instruments	**20,693**	55,806
Lease obligations included in long-term debt	**3,134**	3,197
Total long-term debt	**$ 23,827**	$ 59,003

As a member of the FHLB, the Bank can access a number of credit products which are utilized to provide liquidity. The FHLB fixed rate instruments obtained by the Bank are secured under the terms of a blanket collateral agreement with the FHLB consisting of FHLB stock and qualifying Bank loan receivables, principally real estate secured loans. The Bank also obtains letters of credit from the FHLB to secure certain public fund deposits of municipality and school district customers who agree to use of the FHLB letters of credit as a legally allowable alternative to investment pledging. These FHLB letter of credit commitments totaled $138.9 million and $153.5 million as of June 30, 2024 and December 31, 2023, respectively.

Note 11 - Subordinated Debt and Trust Preferred Securities

Subordinated Debt Assumed November 2021 with the Riverview Acquisition

On November 30, 2021, Mid Penn completed its acquisition of Riverview and assumed $25.0 million of subordinated notes (the "Riverview Notes"). In accordance with purchase accounting principles, the Riverview Notes were assigned a fair value premium of $2.3 million. The notes are treated as Tier 2 capital for regulatory reporting purposes.

The Riverview Notes were entered into by Riverview on October 6, 2020 with certain qualified institutional buyers and accredited institutional investors. The Riverview Notes have a maturity date of October 15, 2030 and initially bear interest, payable semi-annually, at a fixed annual rate of 5.75% per annum until October 15, 2025. Commencing on that date, the interest rate applicable to the outstanding principal amount due will be reset quarterly to an interest rate per annum equal to the then current three-month SOFR plus 563 bps, payable quarterly until maturity. Mid Penn may redeem the Riverview Notes at par, in whole or in part, at its option, anytime beginning on October 15, 2025.

Subordinated Debt Issued December 2020

On December 22, 2020, Mid Penn entered into agreements for and sold, at 100% of their principal amount, an aggregate of $12.2 million of its subordinated notes due December 2030 (the "December 2020 Notes") on a private placement basis to accredited investors. The December 2020 Notes are treated as Tier 2 capital for regulatory capital purposes.

The December 2020 Notes bear interest at a rate of 4.5% per year for the first five years and then float at the Wall Street Journal's Prime Rate, provided that the interest rate applicable to the outstanding principal balance during the period the December 2020 Notes are floating will at no time be less than 4.5%. Interest is payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, beginning on March 31, 2021. The December 2020 Notes will mature on December 31, 2030 and are redeemable, in whole or in part, without premium or penalty, on any interest payment date on or after December 31, 2025 and prior to December 31, 2030, subject to any required regulatory approvals. Additionally, if (i) all or any portion of the December 2020 Notes cease to be deemed Tier 2 Capital, (ii) interest on the December 2020 Notes fails to be deductible for United States federal income tax purposes, or (iii) Mid Penn will be considered an "investment company," Mid Penn may redeem the December 2020 Notes, in whole but not in part, by giving 10 days' notice to the holders of the December 2020 Notes. In the event of a redemption described in the previous sentence, Mid Penn will redeem the December 2020 Notes at 100% of the principal amount of the December 2020 Notes, plus accrued and unpaid interest thereon to but excluding the date of redemption.

Holders of the December 2020 Notes may not accelerate the maturity of the December 2020 Notes, except upon the bankruptcy, insolvency, liquidation, receivership or similar event of Mid Penn or Mid Penn Bank, its principal banking subsidiary. Related parties held $750 thousand of the December 2020 Notes as of June 30, 2024 and December 31, 2023.

Subordinated Debt Issued March 2020

On March 20, 2020, Mid Penn entered into agreements with accredited investors who purchased $15.0 million aggregate principal amount of its subordinated notes due March 2030 (the "March 2020 Notes"). As a result of Mid Penn's merger with Riverview on November 30, 2021, $6.9 million of the March 2020 Notes balance was redeemed as Riverview was a holder of the March 2020 Notes. The balance of March 2020 Notes outstanding as of June 30, 2024 was $8.1 million. The March 2020 Notes are intended to be treated as Tier 2 capital for regulatory capital purposes.

The March 2020 Notes bear interest at a rate of 4.0% per year for the first five years and then float at the Wall Street Journal's Prime Rate, provided that the interest rate applicable to the outstanding principal balance during the period the March 2020 Notes are floating will at no time be less than 4.25%. Interest is payable semi-annually in arrears on June 30 and December 30 of each year, beginning on June 30, 2020, for the first five years after issuance and will be payable quarterly in arrears thereafter on March 30, June 30, September 30 and December 30. The March 2020 Notes will mature on March 30, 2030 and are redeemable in whole or in part, without premium or penalty, at any time on or after March 30, 2025 and prior to March 30, 2030. Additionally, if all or any portion of the March 2020 Notes cease to be deemed Tier 2 Capital, Mid Penn may redeem, on any interest payment date, all or part of the 2020 Notes. In the event of a redemption described in the previous sentence, Mid Penn will redeem the March 2020 Notes at 100% of the principal amount of the March 2020 Notes, plus accrued and unpaid interest thereon to but excluding the date of redemption.

Holders of the March 2020 Notes may not accelerate the maturity of the March 2020 Notes, except upon the bankruptcy, insolvency, liquidation, receivership or similar event of Mid Penn or Mid Penn Bank, its principal banking subsidiary. Related parties held $1.7 million of the March 2020 Notes as of June 30, 2024 and December 31, 2023.

Note 12 - Common Stock and Earnings Per Share

Treasury Stock Repurchase Program

Mid Penn adopted a treasury stock repurchase program ("Program") initially effective March 19, 2020, and renewed through April 24, 2025 by Mid Penn's Board of Directors on April 24, 2024. The Program authorizes the repurchase of up to $15.0 million of Mid Penn's outstanding common stock. Under the Program, Mid Penn conducts repurchases of its common stock through open market transactions (which may be by means of a trading plan adopted under SEC Rule 10b5-1) or in privately negotiated transactions. Repurchases under the Program are made at the discretion of management and are subject to market conditions and other factors. There is no guarantee as to the exact number of shares that Mid Penn may repurchase. The Program is able to be modified, suspended or terminated at any time, at Mid Penn's discretion, based upon a number of factors, including liquidity, market conditions, the availability of alternative investment opportunities and other factors Mid Penn deems appropriate. The Program does not obligate Mid Penn to repurchase any shares.

During the six months ended June 30, 2024, Mid Penn repurchased 15,500 shares of common stock at an average price of $20.81. No shares were repurchased in the three months ended June 30, 2024. As of June 30, 2024, Mid Penn had repurchased 440,722 shares of common stock at an average price of $22.78 per share under the Program. The Program had approximately $5.0 million remaining available for repurchase as of June 30, 2024.

Dividend Reinvestment Plan

Under Mid Penn's amended and restated DRIP, 300,000 shares of Mid Penn's authorized but unissued common stock are reserved for issuance. The DRIP also allows for voluntary cash payments, within specified limits, to be used for the purchase of additional shares.

Equity Incentive Plans

On May 9, 2023, shareholders approved the 2023 Stock Incentive Plan, which authorizes Mid Penn to grant incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, deferred stock units and performance shares. The 2023 Plan was established for employees and directors of Mid Penn and the Bank, selected by the Compensation Committee of the Board of Directors, to incentivize the further success of the Company, and replaces the 2014 Restricted Stock Plan. The aggregate number of shares of common stock of the Company available for issuance under the Plan is 350,000 shares.

As of June 30, 2024, a total of 263,974 restricted shares were granted under the 2014 Plan, of which 85,802 shares were unvested. The 2014 Plan shares granted and vested resulted in $321 thousand and $252 thousand in share-based compensation expense for the three months ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024 and 2023, the 2014 Plan shares granted and vested resulted in share-based compensation expense of $623 thousand and $1.1 million, respectively.

Share-based compensation expense relating to restricted stock is calculated using grant date fair value and is recognized on a straight-line basis over the vesting periods of the awards. Restricted shares granted to employees vest in equal amounts on the anniversary of the grant date over the vesting period and the expense is a component of salaries and benefits expense on the Consolidated Statement of Income. The employee grant vesting period is determined by the terms of each respective grant, with vesting periods generally between one and four years. Restricted shares granted to directors have a twelve-month vesting period, and the expense is a component of directors' fees and benefits within the other expense line item on the Consolidated Statement of Income.

The following data shows the amounts used in computing basic and diluted earnings per common share:

(In thousands, except per share data)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net income	**$ 11,771**	$ 4,836	**$ 23,904**	$ 16,063
Weighted average common shares outstanding (basic)	**16,576,283**	16,233,473	**16,572,102**	16,060,789
Effect of dilutive unvested restricted stock grants	**29,070**	21,805	**36,761**	35,481
Weighted average common shares outstanding (diluted)	**16,605,353**	16,255,278	**16,608,863**	16,096,270
Basic earnings per common share	**$ 0.71**	$ 0.29	**$ 1.44**	$ 1.00
Diluted earnings per common share	**0.71**	0.29	**1.44**	1.00

There were no antidilutive instruments at June 30, 2024 and 2023.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management Discussion relates to the Corporation, a financial holding company incorporated in the Commonwealth of Pennsylvania, and its wholly owned subsidiaries. Management's Discussion should be read in conjunction with the consolidated financial statements and other financial information presented in this report.

Caution About Forward-Looking Statements

Forward-looking statements involve risks, uncertainties and assumptions. Although Mid Penn generally does not make forward-looking statements unless Mid Penn’s management believes its management has a reasonable basis for doing so, Mid Penn cannot guarantee the accuracy of any forward-looking statements. Actual results may differ materially from those expressed in any forward-looking statements due to a number of uncertainties and risks, including the risks described in this Quarterly Report on Form 10-Q, the 2023 Annual Report, and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on Mid Penn’s website or otherwise, and Mid Penn undertakes no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

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 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 Mid Penn or the Bank to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words "expect", "anticipates", "intend", "plan", "believe", "estimate", and similar expressions are intended to identify such forward-looking statements. Mid Penn’s actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation:

- the effects of future economic conditions on Mid Penn, its bank and nonbank subsidiaries, and their markets and customers;
- governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- future actions or inactions of the United States government, including a failure to increase the government debt limit or a prolonged shutdown of the federal government;
- business or economic disruption from national or global epidemic or pandemic events;
- the risks of changes in interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, the value of investment securities, and interest rate protection agreements;
- 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 Mid Penn’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;
- an increase in the Pennsylvania Bank Shares Tax to which Mid Penn Bank’s capital stock is currently subject, or imposition of any additional taxes on the capital stock of Mid Penn or Mid Penn Bank;
- impacts of the capital and liquidity requirements imposed by bank regulatory agencies;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, Financial Accounting Standards Board, the SEC, and other accounting and reporting standard setters;
- the costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- technological changes;
- our ability to successfully implement business strategies, including our acquisition strategy;
- our ability to successfully expand our franchise, including acquisitions or establishing new offices at favorable prices;
- our ability to successfully integrate any banks, companies, offices, assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames;

- potential goodwill impairment charges, or future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our ability to attract and retain qualified management and personnel;
- results of regulatory examination and supervision processes;
- the failure of assumptions underlying the establishment of reserves for loan losses, the assessment of potential impairment of investment securities, and estimations of values of collateral and various financial assets and liabilities;
- our ability to maintain compliance with the listing rules of NASDAQ;
- our ability to maintain the value and image of our brand and protect our intellectual property rights;
- volatility in the securities markets;
- disruptions due to flooding, severe weather, or other natural disasters or Acts of God;
- acts of war, terrorism, or global military conflict;
- supply chain disruption; and
- the factors described in Item 1A of the Corporation's 2023 Annual Report and subsequent filings with the SEC.

The above list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with this understanding of inherent uncertainty. Additional information regarding these as well as other factors that could affect future financial results can be found in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Corporation's 2023 Annual Report. The results of operations for interim periods are not necessarily indicative of operating results expected for the full year.

Overview

Mid Penn is a financial holding company, which generates the majority of its revenues through net interest income, or the difference between interest earned on loans and investments and interest paid on deposits and borrowings. Growth in net interest income is dependent upon balance sheet growth and maintaining or increasing the net interest margin, which is FTE net interest income as a percentage of average interest-earning assets. Mid Penn also generates revenue through fees earned on the various services and products offered to its customers and through gains on sales of assets, such as loans, investments and properties. Offsetting these revenue sources are provisions for credit losses, non-interest expenses and income taxes.

The following table presents a summary of Mid Penn's earnings and selected performance ratios:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	**2024**	2023
Net Income	**$ 11,771**	$ 4,836	**$ 23,904**	$ 16,063
Diluted EPS	**$ 0.71**	$ 0.29	**$ 1.44**	$ 1.00
Dividends Declared	**$ 0.20**	$ 0.20	**$ 0.40**	$ 0.40
Return on average assets	**0.88 %**	0.40 %	**1.79 %**	0.34 %
Return on average equity	**8.55 %**	3.84 %	**17.44 %**	3.16 %
Net interest margin (1)	**3.12 %**	3.29 %	**3.04 %**	3.39 %
Non-performing assets to total assets	**0.19 %**	0.32 %	**0.19 %**	0.32 %
Net charge-offs to average loans (annualized)	**0.002 %**	0.018 %	**0.006 %**	0.030 %

(1) Presented on a FTE basis using a 21% Federal tax rate and statutory interest expense disallowances. See also the "Net Interest Income" section.

During the second quarter of 2023, Mid Penn completed the Brunswick Acquisition, which added total assets of $390.7 million comprised primarily of $324.5 million of loans. This transaction resulted in the addition of 5 branches in central New Jersey. Mid Penn issued 849,510 shares of its common stock as well as a net cash payment to Brunswick shareholders of $27.6 million, for total consideration of $45.7 million for all outstanding stock and the cancellation of options of Brunswick.

Summary of Financial Results

- *Net Income Per Share* - Mid Penn's net income available to common shareholders ("earnings") for the three months ended June 30, 2024 was $11.8 million, or $0.71 per both common share basic and diluted, compared to earnings of $4.8 million, or $0.29 per both common share basic and diluted for the three months ended June 30, 2023. Mid Penn's earnings for the six months ended June 30, 2024 was $23.9 million, or $1.44 per both common share basic and diluted, compared to earnings of $16.1 million, or $1.00 per both common share basic and diluted for the six months ended June 30, 2023.

    - *Net Interest Margin* - For the second quarter of 2024, Mid Penn's net interest margin was 3.12% versus 3.29% for the same period of 2023. For the six months ended June 30, 2024, net interest margin was 3.04% versus 3.39% for the same period of 2023. The decrease is primarily driven by higher interest rates resulting from persistent inflation. The yield on interest-earning assets for the second quarter of 2024 increased 61 basis points from the same period of 2023. The rate on interest-bearing liabilities increased 93 basis points from the same period of 2023.

    - *Loan Growth* - Total loans, net of unearned income, as of June 30, 2024 were $4.4 billion compared to $4.3 billion as of December 31, 2023, an increase of $111.8 million, or 2.6%. The growth was primarily driven by an increase in multifamily of $65.1 million, an increase in nonowner occupied commercial real estate of $37.5 million, and an increase in commercial and industrial loans of $17.6 million.

    - *Deposit Growth* - Total deposits increased $150.8 million, or 3.5%, from $4.3 billion at December 31, 2023, to $4.5 billion at June 30, 2024. The growth was driven by an increase of $108.5 million in interest-bearing transaction accounts, and an increase of $77.6 million in time deposits, offset by a $35.3 million decrease in non-interest bearing accounts.

- *Asset Quality* - ACL at June 30, 2024 was $35.3 million, or 0.81% of total loans, as compared to $34.2 million, or 0.80% of total loans at December 31, 2023.

    - *Net Charge-offs/Recoveries* - Mid Penn had net charge-offs of $18 thousand and $170 thousand for the three months ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024, net charge-offs were $62 thousand compared to $283 thousand for the same period of 2023.

    - *Non-performing assets* - Total non-performing assets were $10.4 million at June 30, 2024, a decrease compared to non-performing assets of $14.5 million at December 31, 2023. The decrease is primarily related to the sale of one foreclosed property, which resulted in a loss on sale of approximately $26 thousand. Delinquency as a percentage of total loans was 0.57% at June 30, 2024.

    - *Provision/Benefit for credit losses - loans* - The provision for credit losses - loans was $1.8 million for the three months ended June 30, 2024 compared to $1.2 million for the same period of 2023. The benefit for credit losses on off-balance sheet credit exposures was $178 thousand for the three months ended June 30, 2024, compared to a benefit of $496 thousand for the same period of 2023. The provision for credit losses - loans was $1.2 million for the six months ended June 30, 2024 compared to $1.6 million for the same period of 2023. The decrease in provision for the six months ended June 30, 2024, is primarily due to a decrease in loss factors across all portfolios.

- *Noninterest Income* - Noninterest income totaled $5.3 million for the three months ended June 30, 2024 compared to $5.2 million for the same period of 2023. The increase in noninterest income is primarily due to a $1.5 million increase in other miscellaneous income, partially offset by a $381 thousand decrease in mortgage banking. Noninterest income totaled $11.2 million for the six months ended June 30, 2024 compared to $9.5 million for the same period of 2023.

- *Noninterest Expense* - Noninterest expense totaled $28.2 million for the three months ended June 30, 2024, a decrease of $6.9 million, or 19.7%, compared to noninterest expense of $35.1 million for the same period of 2023. The decrease was primarily due to $7.9 million of Brunswick acquisition costs in 2023, partially offset by a $506 thousand increase in salaries and benefits expense, also driven by the Brunswick acquisition, and a $548 thousand increase in FDIC charges due to increased assessment rates. Noninterest expense totaled $56.7 million for the six months ended June 30, 2024, a decrease of $4.2 million, or 6.93%, compared to noninterest expense of $61.0 million for the same period of 2023.

- *Liquidity* - Current liquidity, including borrowing capacity, enhanced to nearly $1.79 billion or 140.4% of uninsured and uncollateralized deposits, or approximately 39.8% of total deposits.

Critical Accounting Estimates

The 2023 Annual Report includes a summary of critical accounting estimates that Mid Penn considers to be most important to the presentation of its financial condition and results of operations, because they require management's most difficult judgments as a result of the need to make estimates about the effects of matters that are inherently uncertain.

The following discussion is regarding the critical accounting estimates related to the application of CECL and business combinations.

Allowance for Credit Losses

In accordance with CECL, the ACL, which includes both the ACL - loans and the ACL for OBS credit exposures, is calculated with the objective of maintaining a reserve for current expected credit losses over the remaining expected life of the portfolio. Management's determination of the appropriateness of the reserve is based on continuously monitoring and evaluating the loan portfolio, lending-related commitments, current as well as forecasted economic factors, and other relevant factors. The ACL - loans is an estimate of expected losses inherent within Mid Penn's existing loan portfolio.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of Mid Penn's loan portfolio segments. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the allowance is complex and requires judgement by Management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the ACL and credit loss expense.

Mid Penn estimates the ACL using relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Mid Penn uses a third-party software application to calculate the quantitative portion of the ACL using a methodology and assumptions specific to each loan pool. The qualitative portion of the allowance is based on general economic conditions and other internal and external factors affecting Mid Penn as a whole as well as specific loans. Factors considered include the following: lending process, concentrations of credit, and credit quality. The quantitative and qualitative portions of the allowance are added together to determine the total ACL, which reflects Management's expectations of future conditions based on reasonable and supportable forecasts. As such, the calculation of ACL is inherently subjective and requires management to exercise significant judgment. The CECL estimate is highly sensitive to the economic forecasts used to develop the estimate.

While management endeavors to use the best information known to it in order to make ACL valuations, adjustments to the ACL may be necessary based on changes in economic and other conditions, changes in the composition of the loan portfolio, or changes in accounting guidance. In times of economic slowdown, either local, regional or national, the risk inherent in the loan portfolio could increase resulting in the need for additional provisions to the ACL in future periods. An increase could also be necessitated by an increase in the size of the loan portfolio or in any of its components even though the credit quality of the overall portfolio may be improving.

For further discussion of the methodology used in the determination of the ACL, refer to "Note 1 - Summary of Significant Accounting Policies", "Note 3 - Investment Securities", "Note 4 - Loans and Allowance for Credit Losses - Loans" and "Note 9 - Commitments and Contingencies" to the Consolidated Financial Statements. To the extent actual outcomes differ from management estimates, additional PCL may be required that would adversely impact earnings in future periods.

Goodwill

Mid Penn evaluates goodwill annually for impairment unless events occur which indicate that impairment is possible, a triggering event. At June 30, 2024, Mid Penn had goodwill of $127.0 million and Mid Penn's stock continues to trade below book value.

Our annual impairment test was conducted during the fourth quarter of 2023. Factors considered include actual earnings in relation to forecasted earnings, liquidity levels, changes in deposit balances, and credit quality, among others. No goodwill impairment has been recorded for 2024. Management will continue to monitor internal metrics and macroeconomic trends to determine if there is likelihood of goodwill impairment.

Business Combinations

Assets acquired and liabilities assumed in business combinations are measured at fair value as of the acquisition date. In many cases, determining the fair value of the assets acquired and liabilities assumed requires Mid Penn to estimate the timing and amount of cash flows expected to result from these assets and liabilities and to discount these cash flows at appropriate rates of interest, which require the utilization of significant estimates and judgment in accounting for the acquisition.

Results of Operations

Net Interest Income

Net interest income, Mid Penn's primary source of revenue, is the amount by which interest income on loans and investments exceeds interest incurred on deposits and borrowings. The amount of net interest income is affected by changes in interest rates and changes in the volume and mix of interest-sensitive assets and liabilities. Net interest income is also shown on a taxable-equivalent basis in total. Income from tax-exempt assets, primarily loans to or securities issued by state and local governments, is adjusted by an amount equivalent to the federal income taxes which would have been paid if the income received on these assets was taxable at the statutory rate of 21% for the periods presented.

The following table includes average balances, amounts, and yields of interest income and rates of expense, interest rate spread, and net interest margin for the periods presented:

	Average Balances, Income and Interest Rates					
	For the Three Months Ended					
	June 30, 2024			June 30, 2023		
(Dollars in thousands)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS:						
Interest Bearing Balances	**$ 35,618**	**$ 347**	**3.92 %**	$ 7,777	$ 83	4.28 %
Investment Securities:						
Taxable	**533,748**	**3,701**	**2.79 %**	551,832	3,783	2.75 %
Tax-Exempt	**74,425**	**371**	**2.00 %**	78,918	391	1.99 %
Total Investment Securities	**608,173**	**4,072**	**2.69 %**	630,750	4,174	2.65 %
Federal Funds Sold	**19,432**	**282**	**5.84 %**	6,035	49	3.26 %
Loans	**4,353,360**	**66,096**	**6.11 %**	3,808,717	52,094	5.49 %
Restricted Investment in Bank Stocks	**16,066**	**442**	**11.07 %**	10,177	179	7.05 %
Total Interest-earning Assets	**5,032,649**	**71,239**	**5.69 %**	4,463,456	56,579	5.08 %
Cash and Due from Banks	**39,053**			70,378		
Other Assets	**307,195**			293,953		
Total Assets	**$ 5,378,897**			$ 4,827,787		
LIABILITIES & SHAREHOLDERS' EQUITY:						
Interest-bearing Demand	**$ 972,852**	**$ 4,477**	**1.85 %**	$ 936,687	$ 3,216	1.38 %
Money Market	**908,807**	**6,632**	**2.94 %**	929,774	5,104	2.20 %
Savings	**281,560**	**52**	**0.07 %**	319,728	64	0.08 %
Time	**1,510,079**	**17,302**	**4.61 %**	1,061,276	9,543	3.61 %
Total Interest-bearing Deposits	**3,673,298**	**28,463**	**3.12 %**	3,247,465	17,927	2.21 %
Short-term borrowings	**241,713**	**3,324**	**5.53 %**	94,067	1,507	6.43 %
Long-term debt	**23,870**	**262**	**4.41 %**	54,347	194	1.43 %
Subordinated debt and trust preferred securities	**46,122**	**424**	**3.70 %**	47,782	507	4.26 %
Total Interest-bearing Liabilities	**3,985,003**	**32,473**	**3.28 %**	3,443,661	20,135	2.35 %
Noninterest-bearing Demand	**778,380**			810,140		
Other Liabilities	**61,839**			69,451		
Shareholders' Equity	**553,675**			504,535		
Total Liabilities & Shareholders' Equity	**$ 5,378,897**			$ 4,827,787		
Net Interest Income		**$ 38,766**			$ 36,444	
Taxable Equivalent Adjustment (1)		**253**			202	
Net Interest Income (taxable-equivalent basis)		**$ 39,019**			$ 36,646	
Total Yield on Earning Assets			**5.69 %**			5.10 %
Rate on Supporting Liabilities			**3.28 %**			2.35 %
Average Interest Spread			**2.41 %**			2.76 %
Net Interest Margin (1)			**3.12 %**			3.29 %

(1) Presented on a fully taxable-equivalent basis using a 21% federal tax rate and statutory interest expense disallowances.

The following table summarizes the changes in interest income and interest expense resulting from changes in average balances, volume, and changes in rates for the three months ended June 30, 2024 in comparison to the same period in 2023:

	Three months ended June 30, 2024 vs. June 30, 2023		
	Increase (decrease)		
(Dollars in thousands)	Volume	Rate	Net
INTEREST INCOME:			
Interest Bearing Balances	$ 296	$ (32)	$ 264
Investment Securities:			
Taxable	(124)	42	(82)
Tax-Exempt	(22)	2	(20)
Total Investment Securities	(146)	44	(102)
Federal Funds Sold	108	125	233
Loans	7,434	6,568	14,002
Restricted Investment Bank Stocks	103	160	263
Total Interest Income	7,795	6,865	14,660
INTEREST EXPENSE:			
Interest Bearing Deposits:			
Interest Bearing Demand	124	1,137	1,261
Money Market	(115)	1,643	1,528
Savings	(8)	(4)	(12)
Time	4,025	3,734	7,759
Total Interest-Bearing Deposits	4,026	6,510	10,536
Short-term Borrowings	2,359	(542)	1,817
Long-term Debt	(108)	176	68
Subordinated Debt	(18)	(65)	(83)
Total Interest Expense	6,259	6,079	12,338
NET INTEREST INCOME	$ 1,536	$ 786	$ 2,322

For the three months ended June 30, 2024, net interest income was $38.8 million compared to net interest income of $36.4 million for the three months ended June 30, 2023. The tax-equivalent net interest margin for the three months ended June 30, 2024 was 3.12% compared to 3.31% for the second quarter of 2023, representing a 17 bp decrease compared to the same period in 2023.

The yield on interest-earning assets increased to 5.69% for the quarter ended June 30, 2024, from 5.08% for the quarter ended June 30, 2023. These increases were due to assets continuing to reprice at higher rates during the second quarter of 2024, continued discipline on new loan pricing, and increase in Fed funds sold. Increased yields on interest-earning assets were offset by increases in funding costs for the second quarter of 2024, with the overall cost of interest-bearing liabilities increasing to 3.28% during the second quarter of 2024, compared to 2.35% for the three months ended June 30, 2023.

Average investment securities decreased $22.6 million and the yield on those investment securities decreased 4 bps during the second quarter of 2024 compared to the second quarter of 2023, reducing interest income due to volume by $146 thousand, and reducing interest income due to rates by $44 thousand. Average loans increased $544.6 million, and the yield on those loans increased 62 bps, contributing $7.4 million and $6.6 million, respectively, to the increase in interest income.

Interest expense increased $12.3 million during the second quarter of 2024 compared to the second quarter of 2023. The rate of interest-bearing liabilities increased from 2.35% for the second quarter of 2023 to 3.28% for the second quarter of 2024. The increase in the rate was primarily a result of a shift in the mix of deposits from demand, money market and

savings to higher yielding time deposits. Mid Penn continued to offer higher rates over the comparable period to both retain and attract deposits. In addition, average short-term borrowings of $241.7 million were used to help fund loan growth, contributing $1.8 million to interest expense during the second quarter of 2024.

Although the effective interest rate impact on interest-earning assets and funding sources can be reasonably estimated at current interest rate levels, the interest-bearing product and pricing options selected by customers, and the future mix of the loan, investment, and deposit products in the Bank's portfolios, may significantly change the estimates used in Mid Penn's asset and liability management and related interest rate risk simulation models. In addition, our net interest income may be impacted by further interest rate actions of the Federal Reserve's FOMC.

(Dollars in thousands)	2024 Average Balance	2024 Interest	2024 Yield/ Rate	2023 Average Balance	2023 Interest	2023 Yield/ Rate
	Average Balances, Income and Interest Rates on a Taxable-Equivalent Basis					
	For the Six Months Ended June 30,					
ASSETS:						
Interest Bearing Balances	**$ 37,809**	**$ 750**	**3.99 %**	$ 6,774	$ 136	4.05 %
Investment Securities:						
Taxable	**536,711**	**7,501**	**2.81**	554,352	7,340	2.75
Tax-Exempt	**75,219**	**747**	**2.00**	79,083	987	2.52
Total Investment Securities	**611,930**	**8,248**	**2.71**	633,435	8,327	2.72
Federal Funds Sold	**14,902**	**418**	**5.64**	4,911	94	3.86
Loans, Net	**4,323,594**	**129,332**	**6.02**	3,682,747	97,959	5.37
Restricted Investment in Bank Stocks	**17,752**	**682**	**7.73**	9,861	289	5.91
Total Interest-earning Assets	**5,005,987**	**139,430**	**5.60**	4,337,728	106,805	4.98
Cash and Due from Banks	**38,658**			60,964		
Other Assets	**304,644**			276,484		
Total Assets	**$ 5,349,289**			$ 4,675,176		
LIABILITIES & SHAREHOLDERS' EQUITY:						
Interest-bearing Demand	**$ 935,596**	**$ 8,361**	**1.80 %**	$ 952,730	$ 5,907	1.25 %
Money Market	**892,525**	**12,600**	**2.84**	935,000	9,188	1.98
Savings	**284,662**	**124**	**0.09**	325,219	118	0.07
Time	**1,489,345**	**33,710**	**4.55**	906,299	14,715	3.27
Total Interest-bearing Deposits	**3,602,128**	**54,795**	**3.06**	3,119,248	29,928	1.93
Short-term borrowings	**278,869**	**7,770**	**5.60**	107,906	2,997	5.60
Long-term debt	**32,220**	**795**	**4.96**	29,487	238	1.63
Subordinated debt and trust preferred securities	**46,199**	**848**	**3.69**	52,304	1,149	4.43
Total Interest-bearing Liabilities	**3,959,416**	**64,208**	**3.26**	3,308,945	34,312	2.09
Noninterest-bearing Demand	**779,758**			801,807		
Other Liabilities	**60,277**			56,746		
Shareholders' Equity	**549,838**			507,678		
Total Liabilities & Shareholders' Equity	**$ 5,349,289**			$ 4,675,176		
Net Interest Income		**$ 75,222**			$ 72,493	
Taxable Equivalent Adjustment (1)		**513**			400	
Net Interest Income (taxable-equivalent basis)		**$ 75,735**			$ 72,893	
Total Yield on Earning Assets			**5.60 %**			4.98 %
Rate on Supporting Liabilities			**3.26**			2.09
Average Interest Spread			**2.34**			2.89
Net Interest Margin			**3.04**			3.39

(1) Presented on a fully taxable-equivalent basis using a 21% federal tax rate and statutory interest expense disallowances

The following table summarizes the changes in FTE interest income and interest expense resulting from changes in average balances, volume, and changes in rates for the six months ended June 30, 2024 in comparison to the same period in 2023:

(Dollars in thousands)	Six Months Ended June 30, 2024 vs. June 30, 2023 Increase (decrease)		
	Volume	Rate	Net
INTEREST INCOME:			
Interest Bearing Balances	$ 625	$ (11)	$ 614
Investment Securities:			
Taxable	(241)	402	161
Tax-Exempt	(48)	(192)	(240)
Total Investment Securities	(289)	210	(79)
Federal Funds Sold	192	132	324
Loans, Net	17,113	14,260	31,373
Restricted Investment Bank Stocks	232	161	393
Total Interest Income	17,873	14,752	32,625
INTEREST EXPENSE:			
Interest Bearing Deposits:			
Interest Bearing Demand	(107)	2,561	2,454
Money Market	(418)	3,830	3,412
Savings	(14)	20	6
Time	9,481	9,514	18,995
Total Interest-Bearing Deposits	8,942	15,925	24,867
Short-term Borrowings	4,763	10	4,773
Long-term Debt	22	535	557
Subordinated Debt	(134)	(167)	(301)
Total Interest Expense	13,593	16,303	29,896
NET INTEREST INCOME	$ 4,280	$ (1,551)	$ 2,729

For the six months ended June 30, 2024, net interest income was $75.2 million compared to net interest income of $72.5 million for the six months ended June 30, 2023. FTE net interest income was $75.7 million for the six months ended June 30, 2024, an increase of $2.8 million, or 3.9%, compared to the same period of June 30, 2023. Mid Penn's FTE net interest margin for the six months ended June 30, 2024 was 3.04% compared to 3.39% for the same period of June 30, 2023, representing a 35 bp decrease compared to the same period in 2023, primarily driven by higher interest rates resulting from persistent inflation.

The higher yields and the growth in interest-earning assets contributed $14.8 million and $17.9 million, respectively, to the increase in interest income. The yield on interest-earning assets increased 62 bps to 5.60% for the six months ended June 30, 2024 compared to 4.98% for the same period of 2023. Average interest-earning assets increased $16.5 million, or 15.4%, during the six months ended June 30, 2024 compared to the same period of 2023.

Average investment securities decreased $21.5 million, or 3.4%, and the yield on those investment securities decreased 1 bp, deducting $289 thousand and contributing $210 thousand, respectively, to interest income. Average loans increased $640.8 million, and the yield on those loans increased 65 bps contributing $17.1 million and $14.3 million, respectively, to the increase in interest income.

Interest expense increased $29.9 million during the first six months of 2024 compared to the same period of 2023. The rate of interest-bearing liabilities increased from 2.09% for the first six months of 2023 to 3.26% for the first six months of 2024. The increase in the rate was primarily a result of a shift in the mix of deposits from demand, money market and savings to higher yielding time deposits. The rate on average interest-bearing deposits increased 117 bps contributing $15.9 million to the increase in interest expense during the six months ended June 30, 2024 compared to the same period in 2023. In addition, average short-term borrowings of $278.9 million were used to help fund loan growth, contributing $4.8 million to interest expense during the six months ended June 30, 2024 compared to the same period in 2023.

Provision for Credit Losses - Loans

On January 1, 2023, Mid Penn adopted ASU 2016-13, *Financial Instruments - Credit Losses (ASC Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology, and is referred to as CECL. The provision for credit losses on loans was $1.8 million for the three months ended June 30, 2024 compared to a provision of $1.2 million for the three months ended June 30, 2023. The increase in provision was driven by an increase in loss factors across the commercial and commercial real estate portfolios. The provision for credit losses on loans was $1.2 million for the six months ended June 30, 2024 compared to a provision of $1.6 million for the six months ended June 30, 2023. The decrease is primarily due to a decrease in loss factors across all portfolios.

Noninterest Income

Noninterest income for the three months ended June 30, 2024 was $5.3 million and $5.2 million for the three months ended June 30, 2023. The following table and explanations that follow provide additional analysis of noninterest income.

Noninterest income and variance analysis:

	Three Months Ended June 30,			
(Dollars in Thousands)	**2024**	**2023**	**$ Variance**	**% Variance**
Fiduciary and wealth management	**$ 1,129**	$ 1,204	$ (75)	(6.2 %)
ATM debit card interchange	**973**	998	(25)	(2.5)
Service charges on deposits	**539**	514	25	4.9
Mortgage banking	**628**	287	341	118.8
Mortgage hedging	**—**	128	(128)	(100.0)
Net gain on sales of SBA loans	**74**	128	(54)	(42.2)
Earnings from cash surrender value of life insurance	**301**	292	9	3.1
Other	**1,685**	1,669	16	1.0
Total	**$ 5,329**	$ 5,220	$ 109	2.1 %

For the three months ended June 30, 2024, noninterest income totaled $5.3 million, an increase of $109 thousand, or 2.09%, compared to noninterest income of $5.2 million for the three months ended June 30, 2023. The increase in noninterest income is primarily due to $341 thousand increase in mortgage banking income, partially offset by a $128 thousand decrease in mortgage hedging.

	Six Months Ended June 30,			
(Dollars in Thousands)	**2024**	**2023**	**$ Variance**	**% Variance**
Fiduciary and wealth management	**$ 2,261**	$ 2,440	$ (179)	(7.3 %)
ATM debit card interchange	**1,918**	2,054	(136)	(6.6)
Service charges on deposits	**1,048**	949	99	10.4
Mortgage banking	**1,052**	671	381	56.8
Mortgage hedging	**—**	148	(148)	(100.0)
Net gain on sales of SBA loans	**181**	128	53	41.4
Earnings from cash surrender value of life insurance	**585**	546	39	7.1
Other	**4,121**	2,609	1,512	58.0
Total	**$ 11,166**	$ 9,545	$ 1,621	17.0 %

For the six months ended June 30, 2024, noninterest income totaled $11.2 million, an increase of $1.6 million, or 16.98%, compared to noninterest income of $9.5 million for the six months ended June 30, 2023. The increase in noninterest income is primarily due to a $1.5 million increase in other miscellaneous noninterest income, driven by a $1.5 million death benefit from Bank owned life insurance.

Noninterest Expense

For the three months ended June 30, 2024, noninterest expense totaled $28.2 million, a decrease of $6.9 million, or 19.7%, compared to noninterest expense of $35.1 million for the same period in 2023. The following table and explanations that follow provide additional analysis of noninterest expense:

	Three Months Ended June 30,			
(Dollars in Thousands)	**2024**	**2023**	**$ Variance**	**% Variance**
Salaries and employee benefits	**$ 15,533**	$ 15,027	$ 506	3.4 %
Software licensing and utilization	**2,208**	2,070	138	6.7
Occupancy expense, net	**1,861**	1,750	111	6.3
Equipment expense	**1,287**	1,248	39	3.1
Shares tax	**124**	751	(627)	(83.5)
Legal and professional fees	**689**	602	87	14.5
ATM/card processing	**510**	532	(22)	(4.1)
Intangible amortization	**425**	461	(36)	(7.8)
FDIC Assessment	**1,232**	684	548	80.1
Gain on sale of foreclosed assets, net	**42**	(126)	168	(133.3)
Merger and acquisition expense	**—**	4,992	(4,992)	(100.0)
Post-acquisition restructuring expense	**—**	2,952	(2,952)	(100.0)
Other expenses	**4,313**	4,185	128	3.1
Total Noninterest Expense	**$ 28,224**	$ 35,128	$ (6,904)	(19.7 %)

For the six months ended June 30, 2024, noninterest expense totaled $56.7 million, a decrease of $4.2 million, or 6.9%, compared to noninterest expense of $61.0 million for the six months ended June 30, 2023. The decrease was primarily the result of a $8.2 million decrease in merger and acquisition costs related to the Brunswick Acquisition, partially offset by an increase of $2.1 million in salaries and benefits also related to the Brunswick Acquisition, and a $1.2 million increase in FDIC charges due to increased assessment rates.

(Dollars in Thousands)	Six Months Ended June 30, 2024	2023	$ Variance	% Variance
Salaries and employee benefits	**$ 30,995**	$ 28,871	$ 2,124	7.4 %
Software licensing and utilization	**4,328**	4,016	312	7.8
Occupancy expense, net	**3,843**	3,636	207	5.7
Equipment expense	**2,509**	2,499	10	0.4
Shares tax	**1,121**	1,650	(529)	(32.1)
Legal and professional fees	**1,687**	1,402	285	20.3
ATM/card processing	**1,044**	1,025	19	1.9
Intangible amortization	**853**	805	48	6.0
FDIC Assessment	**2,177**	1,024	1,153	112.6
Gain on sale of foreclosed assets, net	**42**	(126)	168	(133.3)
Merger and acquisition expense	**—**	5,216	(5,216)	(100.0)
Post-acquisition restructuring expense	**—**	2,952	(2,952)	(100.0)
Other expenses	**8,145**	8,000	145	1.8
Total Noninterest Expense	**$ 56,744**	$ 60,970	$ (4,226)	(6.9 %)

Income Taxes

The provision for income taxes was $2.5 million for the three months ended June 30, 2024 compared to $142 thousand for the same period in 2023. The provision for income taxes for the six months ended June 30, 2024 reflects a combined Federal and State effective tax rate of 17.5% and 2.9%, for the six months ended June 30, 2024 and June 30, 2023, respectively. Generally, Mid Penn's effective tax rate is below the federal statutory rate due to earnings on tax-exempt loans, investments, and earnings from the cash surrender value of life insurance, as well as the impact of federal income tax credits, including those awarded from Mid Penn's low-income housing investments. The realization of Mid Penn's deferred tax assets is dependent on future earnings. Mid Penn currently anticipates that future earnings will be adequate to fully realize the currently recorded deferred tax assets.

Financial Condition

Mid Penn's total assets were $5.4 billion as of June 30, 2024, reflecting an increase of $101.0 million, or 1.9%, compared to total assets of $5.3 billion as of December 31, 2023. The increase was primarily driven by organic loan growth, offset by a reduction in investment securities.

Investment Securities

Mid Penn's investment portfolio is utilized primarily to support overall liquidity and interest rate risk management, to provide collateral supporting pledging requirements for public funds on deposit, and to generate additional interest income within reasonable risk parameters. Total investment securities as of June 30, 2024 were $601.3 million compared to $622.7 million as of December 31, 2023. Mid Penn does not intend to grow the investment portfolio beyond levels necessary to support pledging requirements.

The following table presents the expected maturities of the investment portfolio and the weighted average yields (calculated based on historical cost):

	Maturing							
(In Thousands)	One Year and Less		After One Year thru Five Years		After Five Years Thru Ten Years		After Ten Years	
As of June 30, 2024	**Amount**	**Weighted Average Yield**	**Amount**	**Weighted Average Yield**	**Amount**	**Weighted Average Yield**	**Amount**	**Weighted Average Yield**
Available for sale securities, at fair value:								
U.S. Treasury and U.S. government agencies	**$ 11,871**	**3.35 %**	**$ 16,939**	**2.62 %**	**$ 1,809**	**3.30 %**	**$ —**	**— %**
Mortgage-backed U.S. government agencies	**—**	**—**	**—**	**—**	**5,385**	**2.53**	**136,652**	**3.01**
State and political subdivision obligations	**—**	**—**	**—**	**—**	**2,522**	**2.42**	**1,069**	**2.46**
Corporate debt securities	**—**	**—**	**11,456**	**4.68**	**20,233**	**4.41**	**—**	**—**
	$ 11,871	**3.35 %**	**$ 28,395**	**3.46 %**	**$ 29,949**	**3.84 %**	**$ 137,721**	**3.00 %**
Held to maturity securities, at amortized cost:								
U.S. Treasury and U.S. government agencies	**$ 10,500**	**3.45 %**	**$ 85,211**	**1.89 %**	**$ 148,662**	**2.08 %**	**$ 1,500**	**2.45 %**
Mortgage-backed U.S. government agencies	**—**	**—**	**2,526**	**2.97**	**5,543**	**2.79**	**32,776**	**2.02**
State and political subdivision obligations	**6,958**	**2.44**	**34,229**	**2.49**	**21,328**	**2.25**	**18,627**	**2.59**
Corporate debt securities	**—**	**—**	**6,010**	**3.45**	**19,450**	**4.19**	**—**	**—**
	$ 17,458	**3.04 %**	**$ 127,976**	**2.14 %**	**$ 194,983**	**2.33 %**	**$ 52,903**	**2.23 %**

Loans, net of unearned interest

Total loans, net of unearned interest, as of June 30, 2024 were $4.4 billion compared to $4.3 billion as of December 31, 2023. The growth of $111.8 million, or 2.6%, since December 31, 2023 was primarily the result of organic loan growth across the commercial real estate and commercial and industrial portfolios, offset by decreases in residential mortgage loan portfolios.

	June 30, 2024		December 31, 2023		Change in Balance	
(Dollars in thousands)	**Balance**	**% of Total Loans**	**Balance**	**% of Total Loans**	**$**	**%**
Commercial real estate						
CRE Nonowner Occupied	**$ 1,187,050**	**27.2 %**	$ 1,149,553	27.0 %	$ 37,497	3.3 %
CRE Owner Occupied	**623,756**	**14.3**	629,904	14.8	(6,148)	(1.0)
Multifamily	**374,175**	**8.6**	309,059	7.3	65,116	21.1
Farmland	**213,002**	**4.9**	212,690	5.0	312	0.1
Total Commercial Real Estate	**2,397,983**	**54.9**	2,301,206	54.1	96,777	4.2
Commercial and industrial	**692,703**	**15.9**	675,079	15.9	17,624	2.6
Construction						
Residential Construction	**105,676**	**2.4**	92,843	2.2	12,833	13.8
Other Construction	**348,289**	**8.0**	362,624	8.5	(14,335)	(4.0)
Total Construction	**453,965**	**10.4**	455,467	10.7	(1,502)	(0.3)
Residential mortgage						
1-4 Family 1st Lien	**327,302**	**7.5**	339,142	8.0	(11,840)	(3.5)
1-4 Family Rental	**351,554**	**8.1**	341,937	8.0	9,617	2.8
HELOC and Junior Liens	**134,686**	**3.1**	132,795	3.1	1,891	1.4
Total Residential Mortgage	**813,542**	**18.6**	813,874	19.1	(332)	—
Consumer	**6,368**	**0.1**	7,166	0.2	(798)	(11.1)
	$ 4,364,561	**100.0 %**	$ 4,252,792	100.0 %	$ 111,769	2.6 %

The majority of the Bank's loan portfolio is to businesses and individuals located within the Bank's primary market area of the Pennsylvania counties of Berks, Blair, Bucks, Centre, Chester, Clearfield, Cumberland, Dauphin, Fayette, Huntingdon, Lancaster, Lehigh, Luzerne, Montgomery, Perry, Schuylkill and Westmoreland, along with Middlesex and Monmouth counties of New Jersey. Commercial real estate, construction, and land development loans are collateralized mainly by mortgages on the income-producing real estate or land involved. Commercial, industrial, and agricultural loans are primarily made to business entities and may be secured by business assets, including commercial real estate, or may be unsecured. Residential real estate loans are secured by liens on the residential property. Consumer loans include installment loans, lines of credit and home equity loans. The Bank has no significant concentration of credit to any one borrower. The Bank’s highest concentration of credit by loan type is in commercial real estate.

Credit risk is managed through portfolio diversification, underwriting policies and procedures, and loan monitoring practices. Lenders are provided with detailed underwriting policies for all types of credit risks accepted by the Bank and must obtain appropriate internal approvals for credit extensions. The Bank also maintains strict documentation requirements and robust credit quality assurance practices in order to identify credit portfolio weaknesses as early as possible, so any exposures that are discovered might be mitigated or potential losses reduced. The Bank generally secures its loans with real estate, with such collateral values dependent and subject to change based on real estate market conditions within its market area.

The following table presents the commercial real estate portfolio by property type along with the weighted average loan to value:

(Dollars in thousands)	June 30, 2024			December 31, 2023			
Commercial Real Estate	Balance	% of portfolio	Weighted Average LTV [(2)]	Balance		% of portfolio	Weighted Average LTV [(2)]
Owner Occupied (1)	$ **623,756**	**25.9 %**	**N/A**	$ 627,995		27.4 %	N/A
Farmland (1)	**212,772**	**8.9**	**N/A**	212,690		9.2	N/A
Multifamily	**374,175**	**15.6**	**63.8**	308,886		13.4	58.9
Non Owner Occupied							
Retail	**416,030**	**17.3**	**60.3**	414,485		18.0	51.0
Office	**293,177**	**12.2**	**63.2**	301,810		13.1	64.4
Industrial	**153,548**	**6.4**	**53.2**	156,075		6.8	49.3
Hospitality	**143,508**	**6.0**	**51.2**	137,718		6.0	49.4
Flex	**42,804**	**1.8**	**44.2**	39,374		1.7	56.0
Mobile Home Park	**21,931**	**0.9**	**67.7**	21,298		0.9	68.4
Health Care	**14,777**	**0.6**	**55.3**	15,618		0.7	54.6
Other Property Types	**101,505**	**4.4**	**64.1**	65,257		2.8	43.2
Total Commercial Real Estate	$ **2,397,983**	**100.0 %**	**59.9 %**	$ **2,301,206**	**2301206000000**	**100.0 %**	**55.4 %**

(1) LTV not available for Owner Occupied and Farmland properties.
(2) Weighted average Loan to Value is calculated based on estimated current market values of the properties.

Maturity distribution by contractual maturity date and rate sensitivity information related to the loan portfolio is reflected in the table below:

(In Thousands) As of June 30, 2024	One Year and Less	One to Five Years	Five to Fifteen Years	Over Fifteen Years	Total
Commercial real estate					
CRE Nonowner Occupied	$ 50,316	$ 347,733	$ 490,261	$ 298,740	$ 1,187,050
CRE Owner Occupied	22,135	69,829	262,709	269,083	623,756
Multifamily	44,762	107,632	118,365	103,416	374,175
Farmland	520	8,209	61,218	143,055	213,002
Total Commercial real estate	117,733	533,403	932,553	814,294	2,397,983
Commercial and industrial	21,545	339,011	105,976	226,171	692,703
Construction					
Residential Construction	51,479	42,759	5,889	5,549	105,676
Other Construction	75,355	202,941	54,206	15,787	348,289
Total Construction	126,834	245,700	60,095	21,336	453,965
Residential mortgage					
1-4 Family 1st Lien	10,647	23,911	90,290	202,454	327,302
1-4 Family Rental	11,501	52,716	107,377	179,960	351,554
HELOC and Junior Liens	8,259	15,433	36,109	74,885	134,686
Total Residential Mortgage	30,407	92,060	233,776	457,299	813,542
Consumer	932	1,771	1,421	2,244	6,368
Total loans held in portfolio	$ 297,451	$ 1,211,945	$ 1,333,821	$ 1,521,344	$ 4,364,561

Fixed interest rates					
Commercial real estate					
CRE Nonowner Occupied	$ 40,797	$ 205,219	$ 76,188	$ 9,542	$ 331,746
CRE Owner Occupied	14,874	50,472	25,515	2,046	92,907
Multifamily	8,361	59,520	6,785	—	74,666
Farmland	386	7,087	7,945	56	15,474
Total Commercial real estate	64,418	322,298	116,433	11,644	514,793
Commercial and industrial	16,132	210,639	33,478	11,604	271,853
Construction					
Residential Construction	22,259	9,861	—	—	32,120
Other Construction	31,582	57,370	36,544	824	126,320
Total Construction	53,841	67,231	36,544	824	158,440
Residential mortgage					
1-4 Family 1st Lien	10,636	21,129	57,859	125,977	215,601
1-4 Family Rental	7,932	48,376	6,945	6,205	69,458
HELOC and Junior Liens	188	6,363	25,123	2,528	34,202
Total Residential Mortgage	18,756	75,868	89,927	134,710	319,261
Consumer	522	1,730	1,421	11,790	15,463
Total fixed interest rates	$ 153,669	$ 677,766	$ 277,803	$ 170,572	$ 1,279,810
Floating interest rates:					
Commercial real estate					
CRE Nonowner Occupied	$ 9,517	$ 142,514	$ 414,073	$ 289,198	$ 855,302
CRE Owner Occupied	7,261	19,357	237,194	267,036	530,848
Multifamily	36,403	48,112	111,578	103,415	299,508
Farmland	132	1,123	53,274	142,999	197,528
Total Commercial real estate	53,313	211,106	816,119	802,648	1,883,186
Commercial and industrial	5,413	128,372	72,498	214,567	420,850
Construction					
Residential Construction	29,221	32,897	5,889	5,549	73,556
Other Construction	43,773	145,572	17,663	14,963	221,971
Total Construction	72,994	178,469	23,552	20,512	295,527
Residential mortgage					
1-4 Family 1st Lien	12	2,781	32,431	64,900	100,124
1-4 Family Rental	3,569	4,340	100,432	173,755	282,096
HELOC and Junior Liens	8,071	9,070	10,986	72,358	100,485
Total Residential Mortgage	11,652	16,191	143,849	311,013	482,705
Consumer	410	41	—	2,032	2,483
Total floating interest rates	143,782	534,179	1,056,018	1,350,772	3,084,751
Total fixed and floating interest rates	$ 297,451	$ 1,211,945	$ 1,333,821	$ 1,521,344	$ 4,364,561

Credit Quality, Credit Risk, and Allowance for Credit Losses

Mid Penn adopted FASB ASC Topic 326, in accordance with the amendments of FASB ASU 2016-13, effective January 1, 2023. The guidance in FASB ASC 326 replaces Mid Penn's previous incurred loss methodology with a methodology that reflects the current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit losses. Mid Penn's ACL methodology for loans is based upon guidance within FASB ASC Subtopic 326-20, "Financial Instruments – Credit Losses – Measured at Amortized Cost," as well as regulatory guidance from the FDIC, the Bank's primary federal regulator. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Credit quality within the loan portfolio is continuously monitored by management and is reflected within the ACL for loans. The ACL is an estimate of expected losses inherent within Mid Penn's existing loan portfolio. The ACL is adjusted through the provision for credit losses and reduced by the charge off of loan amounts, net of recoveries.

The loan loss estimation process involves procedures to appropriately consider the unique characteristics of Mid Penn's loan portfolio segments. When computing allowance levels, credit loss assumptions are estimated using a model that categorizes loan pools based on loss history, delinquency status and other credit trends and risk characteristics, including current conditions and reasonable and supportable forecasts about the future. Evaluations of the portfolio and individual credits are inherently subjective, as they require estimates, assumptions and judgments as to the facts and circumstances of particular situations. Determining the appropriateness of the allowance is complex and requires judgement by management about the effect of matters that are inherently uncertain. In future periods, evaluations of the overall loan portfolio, in light of the factors and forecasts then prevailing, may result in significant changes in the allowance and credit loss expense.

For a complete description of Mid Penn's ACL methodology and the quantitative and qualitative factors included in the calculation, please see "Note 4 – Loans and Allowance for Credit Losses – Loans" included in Part I. Item 1. – Financial Statements of this report.

Upon the adoption of FASB ASC Topic 326 on January 1, 2023, Mid Penn recorded an overall increase of $15.0 million to the ACL on January 1, 2023 as a result of the adoption of CECL. Retained earnings decreased $11.5 million and deferred tax assets increased by $3.1 million.

Changes in the ACL are summarized as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in thousands)	**2024**	**2023**	2024	2023
Balance, beginning of period	**$ 33,524**	$ 31,265	$ 34,187	$ 18,957
Impact of adopting CECL	**—**	—	—	11,931
Purchase credit deteriorated loans	**—**	336	—	336
Loans charged off during period	**(62)**	(174)	(112)	(324)
Recoveries of loans previously charged off	**44**	4	50	41
Net (charge-offs) recoveries	**(18)**	(170)	(62)	(283)
Provision for credit losses (1)	**1,782**	1,157	1,163	1,647
Balance, end of period	**$ 35,288**	$ 32,588	$ 35,288	$ 32,588
Ratio of net charge-offs (recoveries) to average loans outstanding (annualized)	**0.002 %**	0.018 %	0.003 %	0.015 %
Ratio of ACL - loans to net loans at end of period	**0.81 %**	0.81 %	0.81 %	0.81 %

.(1) Includes a $2.0 million initial provision for the three and six months ended June 30,2023, for credit losses on non-PCD loans acquired in the Brunswick Acquisition. in 2023.

The following table presents the change in nonperforming asset categories as of June 30, 2024, December 31, 2023, and June 30, 2023.

(Dollars in thousands)	June 30, 2024	December 31, 2023	June 30, 2023
Non-performing Assets:			
Total non-performing loans	**$ 9,999**	$ 14,216	$ 15,846
Foreclosed real estate	**441**	293	489
Total non-performing assets	**10,440**	14,509	16,335
Accruing loans 90 days or more past due	**—**	—	9
Total risk elements	**$ 10,440**	$ 14,509	$ 16,344
Non-performing loans as a percentage of total loans outstanding	**0.23 %**	0.33 %	0.39 %
Non-performing assets as a percentage of total loans outstanding and foreclosed real estate	**0.24 %**	0.34 %	0.40 %
Ratio of ACL to non-performing loans	**352.92 %**	240.48 %	205.65 %

Total nonperforming assets were $10.4 million at June 30, 2024, a decrease compared to nonperforming assets of $14.5 million at December 31, 2023. The decrease during the second quarter of 2024 primarily related to the sale of one foreclosed property, which resulted in a loss on sale of approximately $26 thousand. Delinquency as a percentage of total loans was 0.57% at June 30, 2024.

Goodwill

Mid Penn evaluates goodwill annually for impairment unless events occur which indicate that impairment is possible, a triggering event. At June 30, 2024, Mid Penn had goodwill of $127.0 million and Mid Penn's stock continues to trade below book value. Management has not noted any factors either internally or externally which would indicate that a triggering event has occurred during the second quarter of 2024 warranting an additional impairment test. Factors considered include actual earnings in relation to forecasted earnings, liquidity levels, changes in deposit balances, and credit quality, among others. Management will continue to monitor internal metrics and macroeconomic trends to determine if there is likelihood of goodwill impairment. Mid Penn's annual impairment test is scheduled to be conducted as of October 31, 2024.

Deposits

Total deposits increased $150.8 million, or 3.5%, from $4.3 billion on December 31, 2023, to $4.5 billion at June 30, 2024. The growth was driven by a $108.5 million increase in interest bearing accounts, and a $77.6 million increase in time deposits, offset by a $35.3 million decrease in noninterest bearing accounts.

As of June 30, 2024, uninsured deposits were approximately $1.2 billion compared to $1.2 billion as of December 31, 2023. The maturities of the uninsured time deposits as of June 30, 2024 were as follows:

(In thousands)	2024
Three months or less	**$ 136,892**
Over three months to six months	**101,947**
Over six months to twelve months	**128,779**
Over twelve months	**17,018**
	$ 384,636

Borrowings

Total short-term borrowings decreased $41.5 million, or 17.2%, from December 31, 2023. FHLB overnight borrowings decreased $166.5 million, offset by an increase of $125.0 million in short term FHLB borrowings. Total long-term borrowings were $23.8 million at June 30, 2024, a decrease of $35.2 million from December 31, 2023.

Liquidity

Mid Penn's objective is to maintain adequate liquidity to meet funding needs at a reasonable cost and to provide contingency plans to meet unanticipated funding needs or a loss of funding sources, 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 are as follows:

- a growing core deposit base;
- proceeds from the sale or maturity of investment securities;
- payments received on loans and mortgage-backed securities;
- overnight correspondent bank borrowings on various credit lines; and
- borrowing capacity available from the FHLB and the Federal Reserve Discount Window available to Mid Penn.

Mid Penn believes its core deposits are generally stable even in periods of changing interest rates. Liquidity is measured and monitored daily, allowing management to better understand and react to balance sheet trends. These measurements indicate that liquidity generally remains stable and exceeds our minimum defined levels of adequacy. Other than the trends of continued competitive pressures and volatile interest rates, and the uncertain impact of the current inflationary environment, there are no known demands, commitments, events, or uncertainties that will result in, or that are reasonably likely to result in, liquidity increasing or decreasing in any material way.

On at least a quarterly basis, a comprehensive liquidity analysis is reviewed by the Asset Liability Committee and Board of Directors. The analysis provides a summary of the current liquidity measurements, projections, and future liquidity positions given various levels of liquidity stress. Management also maintains a detailed Contingency Funding Plan designed to respond to overall stress in the financial condition of the banking industry or a prospective liquidity problem specific to Mid Penn.

The Consolidated Statements of Cash Flows provide additional information. Mid Penn's operating activities during the six months ended June 30, 2024 provided $30.4 million of cash, mainly due to net income. Cash used in investing activities during the six months ended June 30, 2024 was $88.9 million, mainly the result of the net increase in loans. Cash provided by financing activities during the six months ended June 30, 2024 totaled $67.4 million, primarily the result of an increase in net deposits.

Regulatory Capital

Mid Penn and the Bank are subject to regulatory capital requirements administered by banking regulators. Failure to meet minimum capital requirements can trigger certain mandatory, and possibly additional discretionary, actions by the regulators that if, undertaken, could have a direct material effect on Mid Penn's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory account practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Minimum regulatory capital requirements established by Basel III rules require Mid Penn and the Bank to:

- Meet a minimum Common Equity Tier I capital ratio of 4.5% of risk-weighted assets;
- Meet a minimum Tier I capital ratio of 6.0% of risk-weighted assets;
- Meet a minimum Total capital ratio of 8.0% of risk-weighted assets;
- Meet a minimum Tier I leverage capital ratio of 4.0% of average assets;
- Maintain a "capital conservation buffer" of 2.5% above the minimum risk-based capital requirements, which must be maintained to avoid restrictions on capital distributions and certain discretionary bonuses; and

- Comply with the definition of capital to improve the ability of regulatory capital instruments to absorb losses.

The Basel III Rules use a standardized approach for risk weightings that expands the risk-weighting for assets and off-balance sheet exposures from the previous 0%, 20%, 50% and 100% categories to a much larger and more risk-sensitive number of categories, depending on the nature of the assets and off-balance sheet exposures and resulting in higher risk weightings for a variety of asset categories.

Banks are evaluated for capital adequacy by regulatory supervisory agencies based on the ratio of capital to risk-weighted assets and total assets. The minimum capital to risk-weighted assets requirements, including the capital conservation buffers, which became effective for Mid Penn and the Bank on January 1, 2016, are illustrated below. At June 30, 2024, regulatory capital ratios for both Mid Penn and the Bank met the definition of a "well-capitalized" institution under the regulatory framework for prompt corrective action, and exceeded the minimum capital requirements under Basel III.

Mid Penn maintained the following regulatory capital ratios in comparison to regulatory requirements:

	June 30, 2024	December 31, 2023	Regulatory Minimum for Capital Adequacy	Fully Phased-In, with Capital Conversation Buffers
Total Risk-Based Capital (to Risk-Weighted Assets)	**11.78 %**	11.69 %	**10.50 %**	**4.00 %**
Tier I Risk-Based Capital (to Risk-Weighted Assets)	**9.91**	9.78	**8.50**	**7.00**
Common Equity Tier I (to Risk-Weighted Assets)	**9.91**	9.78	**7.00**	**8.50**
Tier I Leverage Capital (to Average Assets)	**8.38**	8.32	**4.00**	**10.50**

As of June 30, 2024 and December 31, 2023, Mid Penn and the Bank met all capital adequacy requirements and the Bank was considered "well-capitalized". However, future changes in regulations could increase capital requirements and may have an adverse effect on capital resources.

Shareholders' Equity

Shareholders' equity, or capital, is evaluated in relation to total assets and the risk associated with those assets, and the desire to collectively maintain and enhance shareholders’ value, and satisfactorily address regulatory capital requirements. Accordingly, capital management has been, and will continue to be, of paramount importance to Mid Penn.

Shareholders’ equity increased by $17.3 million, or 3.2%, from $542.4 million as of December 31, 2023 to $559.7 million as of June 30, 2024, primarily due to earnings of $23.9 million, partially offset by dividends declared of $6.6 million and stock repurchases of $323 thousand.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a financial institution, Mid Penn's primary source of market risk is interest rate risk. Interest rate risk is the exposure to fluctuations in Mid Penn's future earnings, earnings at risk, resulting from changes in interest rates. This exposure or sensitivity is a function of the repricing characteristics of Mid Penn's portfolio of assets and liabilities. Each asset and liability reprices either at maturity or during the life of the instrument. Interest rate sensitivity is measured as the difference between the volume of assets and liabilities that are subject to repricing in a future period of time.

The principal purpose of asset-liability management is to maximize current and future net interest income within acceptable levels of interest rate risk while satisfying liquidity and capital requirements. Net interest income is increased by increasing the net interest margin and by volume growth. Thus, the goal of interest rate risk management is to maintain a balance between risk and reward such that net interest income is maximized while risk is maintained at an acceptable level.

Mid Penn utilizes an asset-liability management model to measure the impact of interest rate movements on its interest rate sensitivity position. Mid Penn's management also reviews the traditional maturity gap analysis regularly. Mid Penn does not always attempt to achieve an exact match between interest sensitive assets and liabilities because it believes that an actively managed amount of interest rate risk is inherent and appropriate in the management of Mid Penn's profitability.

Modeling techniques and simulation analysis involve assumptions and estimates that inherently cannot be measured with complete precision. Key assumptions in the analyses include maturity and repricing characteristics of assets and liabilities, prepayments on amortizing assets, non-maturing deposit sensitivity, and loan and deposit pricing. These assumptions are inherently uncertain due to the timing, magnitude and frequency of rate changes and changes in market conditions and management strategies, among other factors. However, the analyses are useful in quantifying risk and provide a relative gauge of Mid Penn's interest rate risk position over time.

Management reviews interest rate risk on a quarterly basis. This analysis includes earnings scenarios whereby interest rates are increased or decreased by 100, 200, 300 and 400 bps. These scenarios, detailed in the table below, indicate that Mid Penn would experience enhanced net interest income over a one-year time frame due to downward interest rate changes, while an increase in interest rates would result in a decline in net interest income over a one-year time frame; however, actual results could vary significantly from the calculations prepared by management. At June 30, 2024, all interest rate risk levels according to the model were within the tolerance limits of the Board-approved policy.

Change in Basis Points	% Change in Net Interest Income	Policy Risk Limit
400	3.20%	≥ -25%
300	2.30%	≥ -20%
200	1.50%	≥ -15%
100	0.60%	≥ -10%
(100)	(0.40)%	≥ -10%
(200)	(1.30)%	≥ -15%
(300)	(2.10)%	≥ -20%
(400)	(3.80)%	≥ -25%

ITEM 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Mid Penn maintains controls and procedures designed to ensure that information required to be disclosed in the reports that Mid Penn files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon their evaluation of those controls and procedures as of June 30, 2024, Mid Penn's management, with the participation of the Principal Executive Officer and Principal Financial Officer, concluded that the disclosure controls and procedures were effective as of such date.

Changes in Internal Controls

There were no changes in Mid Penn's internal control over financial reporting that have materially affected, or are reasonable likely to materially affect, Mid Penn's internal control over financial reporting during the six months ended June 30, 2024.

PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

Mid Penn and its subsidiaries are subject to various pending and threatened legal proceedings or other matters arising out of the normal conduct of business in which claims for monetary damages are asserted. As of the date of this report, management, after consultation with legal counsel, does not anticipate that the aggregate ultimate liability arising out of such pending or threatened matters will be material to Mid Penn's consolidated financial position. On at least a quarterly basis, Mid Penn assesses its liabilities and contingencies in connection with such matters. For those matters where it is probable that Mid Penn will incur losses and the amounts of the losses can be reasonably estimated, Mid Penn records an expense and corresponding liability in its consolidated financial statements. To the extent such matters could result in exposure in excess of that liability, the amount of such excess is not currently estimable. The range of losses for matters where an exposure is not currently estimable or considered probable is not believed to be material in the aggregate. This is based on information currently available to Mid Penn and involves elements of judgment and significant uncertainties. While Mid Penn does not believe that the outcome of pending or threatened litigation or other matters will be material to Mid Penn's consolidated financial position, it cannot rule out the possibility that such outcomes will be material to the consolidated results of operations for a particular reporting period in the future. In addition, regardless of the ultimate outcome of any such legal proceeding, inquiry or investigation, any such matter could cause Mid Penn to incur additional expenses, which could be significant, and possibly material, to Mid Penn's results of operations in any future period.

In addition, management does not know of any material proceedings contemplated by governmental authorities against Mid Penn or any of its properties.

ITEM 1A – RISK FACTORS

Management has reviewed the risk factors that were previously disclosed in the 2023 Annual Report and subsequent reports filed with the SEC to determine if there were material changes applicable to the six months ended June 30, 2024. There have been no material changes to such risk factors.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(1) None.

(2) None.

Mid Penn adopted a treasury stock repurchase program ("Program") initially effective March 19, 2020, and renewed through April 24, 2025 by Mid Penn’s Board of Directors on April 24, 2024. The Program authorizes the repurchase of up to $15.0 million of Mid Penn’s outstanding common stock. Under the Program, Mid Penn conducts repurchases of its common stock through open market transactions (which may be by means of a trading plan adopted under SEC Rule 10b5-1) or in privately negotiated transactions. Repurchases under the Program are made at the discretion of management and are subject to market conditions and other factors. There is no guarantee as to the exact number of shares that Mid Penn may repurchase. The Program is able to be modified, suspended or terminated at any time, at Mid Penn’s discretion, based upon a number of factors, including liquidity, market conditions, the availability of alternative investment opportunities and other factors Mid Penn deems appropriate. The Program does not obligate Mid Penn to repurchase any shares. During the six months ended June 30, 2024, Mid Penn repurchased 15,500 shares of common stock at an average price of $20.81. As of June 30, 2024, Mid Penn repurchased 440,722 shares of common stock under the Program.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5 – OTHER INFORMATION

During the three months ended June 30, 2024, none of Mid Penn's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Mid Penn's common stock that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as such term is defined in Item 408(c) of Regulation S-K.

ITEM 6 – EXHIBITS

3.1	The Registrant's Articles of Incorporation. (Incorporated by reference to Exhibit 3.1 to Registrant's Quarterly Report on form 10-Q with the SEC on May 9, 2023.)
3.2	The Registrant's By-laws. (Incorporated by reference to Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed with the SEC on March 28, 2024.)
31.1	Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a)/15d-14(a) as added by Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101).

SIGNATURES

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)

By: /s/ Rory G. Ritrievi
Rory G. Ritrievi
President and CEO
(Principal Executive Officer)

Date: August 7, 2024

By: /s/ Justin T. Webb
Justin T. Webb
Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2024

EXHIBIT 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES
13A-14(A)/15D-14(A) AS ADDED BY SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION**

I, Rory G. Ritrievi, certify that:

1. I have reviewed this report on Form 10-Q of Mid Penn Bancorp, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) Significant deficiencies and material weaknesses, if any, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Rory G. Ritrievi
Rory G. Ritrievi
Chair, President and CEO

Date: August 7, 2024

EXHIBIT 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES
13A-14(A)/15D-14(A) AS ADDED BY SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION**

I, Justin T. Webb, certify that:

1. I have reviewed this report on Form 10-Q of Mid Penn Bancorp, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) Significant deficiencies and material weaknesses, if any, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Justin T. Webb
Justin T. Webb
Chief Financial Officer

Date: August 7, 2024

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADDED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Mid Penn Bancorp, Inc. (the "Corporation") on Form 10-Q for the period ending June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rory G. Ritrievi, President and CEO, and I, Justin T. Webb, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as added pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

2. To my knowledge, the information contained in the Report fairly presents, in all material respects the financial condition and results of operations of Mid Penn Bancorp, Inc. as of the dates and for the periods expressed in the Report.

By: /s/ Rory G. Ritrievi
Rory G. Ritrievi
Chair, President and CEO

Date: August 7, 2024

By: /s/ Justin T. Webb
Justin T. Webb
Chief Financial Officer

Date: August 7, 2024