

ACNB CORP  
Form 10-Q  
August 05, 2011

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2011

Commission file number 0-11783

**ACNB CORPORATION**

(Exact name of Registrant as specified in its charter)

**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-2233457**  
(I.R.S. Employer  
Identification No.)

**16 Lincoln Square, Gettysburg, Pennsylvania**  
(Address of principal executive offices)

**17325**  
(Zip Code)

Registrant's telephone number, including area code: **(717) 334-3161**

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| Title of each class                      | Name of each exchange on which registered |
|--|---|
| Common Stock, \$2.50 par value per share | 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of the Registrant's Common Stock outstanding on July 29, 2011, was 5,937,240.

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## PART I - FINANCIAL INFORMATION

## ACNB CORPORATION

## ITEM 1 - FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

| Dollars in thousands, except per share data   | June 30,<br>2011  | June 30,<br>2010 | December 31,<br>2010 |
|---|-------------------|------------------|----------------------|
| <b>ASSETS</b>   |                   |                  |                      |
| Cash and due from banks   | \$ 13,382         | \$ 14,193        | \$ 14,091            |
| Interest bearing deposits with banks  | 28,510            | 14,807           | 10,082               |
| <b>Total Cash and Cash Equivalents</b>  | <b>41,892</b>     | 29,000           | 24,173               |
| Securities available for sale   | 207,719           | 204,580          | 190,730              |
| Securities held to maturity, fair value \$10,702; \$10,681; \$10,671  | 10,038            | 10,051           | 10,044               |
| Loans held for sale   | 825               | 3,662            | 3,068                |
| Loans, net of allowance for loan losses \$14,700; \$14,344; \$15,252  | 653,652           | 646,355          | 650,039              |
| Premises and equipment  | 14,418            | 14,511           | 14,119               |
| Restricted investment in bank stocks  | 7,886             | 9,170            | 8,420                |
| Investment in bank-owned life insurance   | 27,931            | 26,699           | 27,443               |
| Investments in low-income housing partnerships  | 3,946             | 4,245            | 4,124                |
| Goodwill  | 5,972             | 5,972            | 5,972                |
| Intangible assets   | 3,369             | 4,023            | 3,688                |
| Foreclosed assets held for resale   | 3,631             | 7,395            | 7,859                |
| Other assets  | 17,058            | 12,623           | 18,988               |
| <b>Total Assets</b>   | <b>\$ 998,337</b> | \$ 978,286       | \$ 968,667           |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                   |                  |                      |
| <b>LIABILITIES</b>  |                   |                  |                      |
| Deposits:   |                   |                  |                      |
| Non-interest bearing  | \$ 112,411        | \$ 105,078       | \$ 103,464           |
| Interest bearing  | 656,989           | 647,710          | 643,062              |
| <b>Total Deposits</b>   | <b>769,400</b>    | 752,788          | 746,526              |
| Short-term borrowings   | 47,924            | 39,882           | 39,086               |
| Long-term borrowings  | 76,305            | 83,725           | 81,499               |
| Other liabilities   | 7,375             | 9,231            | 7,802                |
| <b>Total Liabilities</b>  | <b>901,004</b>    | 885,626          | 874,913              |
| <b>STOCKHOLDERS EQUITY</b>  |                   |                  |                      |
| Common stock, \$2.50 par value; 20,000,000 shares authorized;<br>5,999,840, 5,990,943 and 5,990,943 shares issued; 5,937,240, 5,928,343<br>and 5,928,343 shares outstanding | 14,999            | 14,977           | 14,977               |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Treasury stock, at cost (62,600 shares)          | (728)             | (728)             | (728)             |
| Additional paid-in capital                       | 8,901             | 8,787             | 8,787             |
| Retained earnings                                | 71,848            | 67,857            | 69,536            |
| Accumulated other comprehensive income           | 2,313             | 1,767             | 1,182             |
| <b>Total Stockholders Equity</b>                 | <b>97,333</b>     | <b>92,660</b>     | <b>93,754</b>     |
| <b>Total Liabilities and Stockholders Equity</b> | <b>\$ 998,337</b> | <b>\$ 978,286</b> | <b>\$ 968,667</b> |

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

## ACNB CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| Dollars in thousands, except per share data                | Three Months Ended June 30, |               | Six Months Ended June 30, |               |
|--|-----------------------------|---------------|---------------------------|---------------|
|  | 2011                        | 2010          | 2011                      | 2010          |
| <b>INTEREST INCOME</b>                                     |                             |               |                           |               |
| Loans, including fees                                      | \$ 8,605                    | \$ 9,476      | \$ 17,228                 | \$ 18,271     |
| Securities:  |                             |               |                           |               |
| Taxable  | 1,550                       | 1,857         | 3,081                     | 3,797         |
| Tax-exempt   | 304                         | 333           | 608                       | 690           |
| Dividends  | 3                           | 8             | 6                         | 15            |
| Other  | 26                          | 16            | 45                        | 42            |
| <b>Total Interest Income</b>                               | <b>10,488</b>               | <b>11,690</b> | <b>20,968</b>             | <b>22,815</b> |
| <b>INTEREST EXPENSE</b>                                    |                             |               |                           |               |
| Deposits   | 1,111                       | 1,602         | 2,247                     | 3,275         |
| Short-term borrowings                                      | 28                          | 31            | 48                        | 73            |
| Long-term borrowings                                       | 755                         | 849           | 1,515                     | 1,689         |
| <b>Total Interest Expense</b>                              | <b>1,894</b>                | <b>2,482</b>  | <b>3,810</b>              | <b>5,037</b>  |
| <b>Net Interest Income</b>                                 | <b>8,594</b>                | <b>9,208</b>  | <b>17,158</b>             | <b>17,778</b> |
| <b>PROVISION FOR LOAN LOSSES</b>                           | <b>1,310</b>                | <b>2,351</b>  | <b>2,410</b>              | <b>3,210</b>  |
| <b>Net Interest Income after Provision for Loan Losses</b> | <b>7,284</b>                | <b>6,857</b>  | <b>14,748</b>             | <b>14,568</b> |
| <b>OTHER INCOME</b>  |                             |               |                           |               |
| Service charges on deposit accounts                        | 603                         | 589           | 1,166                     | 1,150         |
| Income from fiduciary activities                           | 329                         | 326           | 702                       | 603           |
| Earnings on investment in bank-owned life insurance        | 251                         | 260           | 488                       | 507           |
| Gain on life insurance proceeds                            |                             | 78            |                           | 78            |
| Net (losses) gains on sales of securities                  |                             | (1)           |                           | 25            |
| Service charges on ATM and debit card transactions         | 320                         | 290           | 598                       | 544           |
| Commissions from insurance sales                           | 1,308                       | 1,406         | 2,513                     | 2,603         |
| Other  | 196                         | 212           | 497                       | 518           |
| <b>Total Other Income</b>                                  | <b>3,007</b>                | <b>3,160</b>  | <b>5,964</b>              | <b>6,028</b>  |
| <b>OTHER EXPENSES</b>                                      |                             |               |                           |               |
| Salaries and employee benefits                             | 4,335                       | 4,327         | 8,465                     | 8,495         |
| Net occupancy  | 500                         | 530           | 1,056                     | 1,138         |
| Equipment  | 682                         | 605           | 1,344                     | 1,231         |
| Other tax  | 175                         | 204           | 383                       | 406           |
| Professional services                                      | 261                         | 236           | 470                       | 481           |
| Supplies and postage                                       | 166                         | 177           | 320                       | 345           |
| Marketing  | 128                         | 138           | 252                       | 209           |
| FDIC and regulatory  | 335                         | 349           | 740                       | 706           |
| Intangible assets amortization                             | 160                         | 160           | 321                       | 321           |

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|                                   |                 |          |                 |          |
|-----------------------------------|-----------------|----------|-----------------|----------|
| Other operating                   | <b>911</b>      | 764      | <b>1,521</b>    | 1,630    |
| <b>Total Other Expenses</b>       | <b>7,653</b>    | 7,490    | <b>14,872</b>   | 14,962   |
| <b>Income before Income Taxes</b> | <b>2,638</b>    | 2,527    | <b>5,840</b>    | 5,634    |
| <b>PROVISION FOR INCOME TAXES</b> | <b>532</b>      | 462      | <b>1,274</b>    | 1,147    |
| <b>Net Income</b>                 | <b>\$ 2,106</b> | \$ 2,065 | <b>\$ 4,566</b> | \$ 4,487 |
| <b>PER SHARE DATA</b>             |                 |          |                 |          |
| Basic earnings                    | <b>\$ 0.36</b>  | \$ 0.35  | <b>\$ 0.77</b>  | \$ 0.76  |
| Cash dividends declared           | <b>\$ 0.19</b>  | \$ 0.19  | <b>\$ 0.38</b>  | \$ 0.38  |

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

## ACNB CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

Six Months Ended June 30, 2011 and 2010

| Dollars in thousands                         | Common Stock | Treasury Stock | Additional<br>Paid-in Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Stockholders<br>Equity |
|--|--------------|----------------|-------------------------------|----------------------|--|---------------------------------|
| <b>BALANCE JANUARY 1, 2010</b>               | \$ 14,977    | \$ (728)       | \$ 8,787                      | \$ 65,623            | \$ (356)   | \$ 88,303                       |
| Comprehensive income:                        |              |                |                               |                      |  |                                 |
| Net income                                   |              |                |                               | 4,487                |  | 4,487                           |
| Other comprehensive income,<br>net of taxes  |              |                |                               |                      | 2,123  | 2,123                           |
| <b>Total Comprehensive Income</b>            |              |                |                               |                      |  | <b>6,610</b>                    |
| Cash dividends declared                      |              |                |                               | (2,253)              |  | (2,253)                         |
| <b>BALANCE JUNE 30, 2010</b>                 | \$ 14,977    | \$ (728)       | \$ 8,787                      | \$ 67,857            | \$ 1,767   | \$ 92,660                       |
| <b>BALANCE JANUARY 1, 2011</b>               | \$ 14,977    | \$ (728)       | \$ 8,787                      | \$ 69,536            | \$ 1,182   | \$ 93,754                       |
| Comprehensive income:                        |              |                |                               |                      |  |                                 |
| Net income                                   |              |                |                               | 4,566                |  | 4,566                           |
| Other comprehensive income,<br>net of taxes  |              |                |                               |                      | 1,131  | 1,131                           |
| <b>Total Comprehensive Income</b>            |              |                |                               |                      |  | <b>5,697</b>                    |
| Common stock shares issued<br>(8,897 shares) | 22           |                | 114                           |                      |  | 136                             |