

ACNB CORP
Form 10-Q
November 07, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

FORM 10-Q

(Mark
One)

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

For the quarterly period ended September 30, 2008

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)

17325-3129
(Zip Code)

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

Common Stock, Par Value \$2.50 per Share

(Title of class)

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, 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
(Do not check if a smaller reporting company)

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 November 3, 2008, was 5,990,943.

PART I

ACNB CORPORATION

ITEM 1 - FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

Dollars in thousands, except per share data	September 30, 2008		September 30, 2007		December 31, 2007	
ASSETS						
Cash and due from banks	\$	15,427	\$	17,869	\$	18,319
Interest bearing deposits in banks		2,502		892		893
Cash and Cash Equivalents		17,929		18,761		19,212
Securities available for sale		231,346		351,344		286,346
Securities held to maturity, fair value \$0; \$14,615; \$4,123				14,642		4,150
Loans held for sale		304		1,025		1,175
Loans, net of allowance for loan losses \$9,618; \$5,537; \$5,848		612,882		545,770		542,354
Premises and equipment		14,447		14,404		14,530
Restricted investment in bank stocks		8,501		11,506		9,045
Investment in bank-owned life insurance		25,055		24,060		24,297
Investments in low-income housing partnerships		4,801		5,088		5,028
Other assets		21,433		19,610		20,528
Total Assets	\$	936,698	\$	1,006,210	\$	926,665
LIABILITIES AND STOCKHOLDERS EQUITY						
LIABILITIES						
Deposits:						
Non-interest bearing	\$	85,666	\$	81,180	\$	77,192
Interest bearing		592,714		606,121		593,448
Total Deposits		678,380		687,301		670,640
Short-term borrowings		36,991		109,488		30,768
Long-term borrowings		132,027		115,315		130,244
Other liabilities		6,452		12,009		9,883
Total Liabilities		853,850		924,113		841,535
STOCKHOLDERS EQUITY						

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Common stock, \$2.50 par value; 20,000,000 shares authorized; 5,990,943, 5,706,970 and 5,990,943 shares issued and outstanding, respectively		14,977		14,267		14,977
Additional paid-in capital		8,787		4,741		8,787
Retained earnings		62,301		65,234		61,439
Accumulated other comprehensive loss		(3,217)		(2,145)		(73)
Total Stockholders Equity		82,848		82,097		85,130
Total Liabilities and Stockholders Equity	\$	936,698	\$	1,006,210	\$	926,665

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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
INTEREST INCOME				
Loans, including fees	\$ 9,010	\$ 9,059	\$ 26,510	\$ 26,629
Securities:				
Taxable	2,417	3,811	7,778	10,294
Tax-exempt	476	340	1,410	955
Dividends	73	147	207	485
Other	35	39	83	123
Total Interest Income	12,011	13,396	35,988	38,486
INTEREST EXPENSE				
Deposits	2,967	4,367	10,281	12,626
Short-term borrowings	176	1,156	537	2,319
Long-term debt	1,318	1,572	3,673	5,050
Total Interest Expense	4,461	7,095	14,491	19,995
Net Interest Income	7,550	6,301	21,497	18,491
PROVISION FOR LOAN LOSSES	3,600	25	4,270	165
Net Interest Income after Provision for Loan Losses	3,950	6,276	17,227	18,326
OTHER INCOME				
Service charges on deposit accounts	628	521	1,667	1,542
Income from fiduciary activities	275	253	804	680
Earnings on investment in bank-owned life insurance	266	229	787	672
Gains on sales of securities	57		158	10
Service charges on ATM and debit card transactions	248	242	714	708
Commissions from insurance sales	939	962	3,100	3,287
Other	206	234	710	824
Total Other Income	2,619	2,441	7,940	7,723
OTHER EXPENSES				
Salaries and employee benefits	3,629	3,234	10,649	9,901
Net occupancy expense	514	543	1,639	1,713

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Equipment expense	489	527	1,446	1,715
Other tax expense	189	184	581	502
Professional services	238	216	704	593
Supplies and postage	185	183	581	596
Marketing expense	241	263	781	906
Other operating	979	961	3,002	2,901
Total Other Expenses	6,464	6,111	19,383	18,827
Income before Income Taxes	105	2,606	5,784	7,222
PROVISION (BENEFIT) FOR INCOME TAXES	(379)	524	762	1,408
Net Income	\$ 484	\$ 2,082	\$ 5,022	\$ 5,814
PER SHARE DATA				
Basic earnings	\$ 0.08	\$ 0.35	\$ 0.84	\$ 0.97
Cash dividends declared	\$ 0.19	\$ 0.19	\$ 0.57	\$ 0.57

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

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

Nine Months Ended September 30, 2008 and 2007

Dollars in thousands	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
BALANCE - DECEMBER 31, 2006	\$ 14,267	\$ 4,741	\$ 62,845	\$ (4,549)	\$ 77,304
Comprehensive income:					
Net income			5,814		5,814
Other comprehensive income, net of taxes				2,404	2,404
Total Comprehensive Income					8,218
Cash dividends declared			(3,425)		(3,425)
BALANCE - SEPTEMBER 30, 2007	\$ 14,267	\$ 4,741	\$ 65,234	\$ (2,145)	\$ 82,097
BALANCE - DECEMBER 31, 2007	\$ 14,977	\$ 8,787	\$ 61,439	\$ (73)	\$ 85,130
Cumulative effect of adoption of EITF 06-4			(745)		(745)
Comprehensive income:					
Net income			5,022		5,022
Other comprehensive loss, net of taxes				(3,144)	(3,144)
Total Comprehensive Income					1,878
Cash dividends declared			(3,415)		(3,415)
BALANCE - SEPTEMBER 30, 2008	\$ 14,977	\$ 8,787	\$ 62,301	\$ (3,217)	\$ 82,848

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

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

In thousands	Nine Months Ended September 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$	