

ACNB CORP  
Form 10-Q  
August 01, 2013

**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, 2013**

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)

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
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 definitions 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 26, 2013, was 6,043,616.

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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, 2013	June 30, 2012	December 31, 2012
<b>ASSETS</b>			
Cash and due from banks	\$ 15,398	\$ 13,620	\$ 19,078
Interest bearing deposits with banks	22,820	53,605	32,307
<b>Total Cash and Cash Equivalents</b>	<b>38,218</b>	67,225	51,385
Securities available for sale	141,536	188,711	165,790
Securities held to maturity, fair value \$88,351; \$29,011; \$50,980	90,314	28,388	50,159
Loans held for sale	2,427	1,540	6,687
Loans, net of allowance for loan losses \$17,239; \$15,322; \$16,825	683,357	676,984	691,311
Premises and equipment	15,147	14,723	15,131
Restricted investment in bank stocks	4,603	6,478	5,318
Investment in bank-owned life insurance	31,757	30,832	31,122
Investments in low-income housing partnerships	5,180	3,566	5,440
Goodwill	6,308	6,308	6,308
Intangible assets	2,089	2,730	2,409
Foreclosed assets held for resale	2,485	5,247	4,247
Other assets	15,435	14,587	14,688
<b>Total Assets</b>	<b>\$ 1,038,856</b>	\$ 1,047,319	\$ 1,049,995
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>LIABILITIES</b>			
Deposits:			
Non-interest bearing	\$ 132,776	\$ 115,616	\$ 119,297
Interest bearing	693,609	702,346	714,879
<b>Total Deposits</b>	<b>826,385</b>	817,962	834,176
Short-term borrowings	51,250	42,601	47,303
Long-term borrowings	52,830	80,074	59,954
Other liabilities	6,595	6,772	7,298
<b>Total Liabilities</b>	<b>937,060</b>	947,409	948,731
<b>STOCKHOLDERS EQUITY</b>			
Preferred Stock, \$2.50 par value; 20,000,000 shares authorized; no shares outstanding			
Common stock, \$2.50 par value; 20,000,000 shares authorized; 6,043,616, 6,018,135 and 6,027,968 shares issued; 5,981,016, 5,955,535 and 5,965,368 shares outstanding	15,109	15,045	15,070

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Treasury stock, at cost (62,600 shares)	(728)	(728)	(728)
Additional paid-in capital	9,475	9,117	9,246
Retained earnings	80,360	75,630	77,888
Accumulated other comprehensive (loss) income	(2,420)	846	(212)
<b>Total Stockholders Equity</b>	<b>101,796</b>	99,910	101,264
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,038,856</b>	\$ 1,047,319	\$ 1,049,995

*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,	
	2013	2012	2013	2012
<b>INTEREST INCOME</b>				
Loans, including fees	\$ 7,980	\$ 8,504	\$ 16,234	\$ 17,067
Securities:				
Taxable	1,048	1,265	2,088	2,600
Tax-exempt	294	371	642	737
Dividends	6	4	10	7
Other	28	19	48	23
<b>Total Interest Income</b>	<b>9,356</b>	<b>10,163</b>	<b>19,022</b>	<b>20,434</b>
<b>INTEREST EXPENSE</b>				
Deposits	560	872	1,221	1,788
Short-term borrowings	15	21	27	41
Long-term borrowings	443	702	902	1,397
<b>Total Interest Expense</b>	<b>1,018</b>	<b>1,595</b>	<b>2,150</b>	<b>3,226</b>
<b>Net Interest Income</b>	<b>8,338</b>	<b>8,568</b>	<b>16,872</b>	<b>17,208</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>500</b>	<b>1,125</b>	<b>1,150</b>	<b>2,250</b>
<b>Net Interest Income after Provision for Loan Losses</b>	<b>7,838</b>	<b>7,443</b>	<b>15,722</b>	<b>14,958</b>
<b>OTHER INCOME</b>				
Service charges on deposit accounts	548	603	1,086	1,155
Income from fiduciary activities	312	356	643	644
Earnings on investment in bank-owned life insurance	254	242	495	480
Net gains on sales or calls of securities		3		7
Service charges on ATM and debit card transactions	356	323	675	632
Commissions from insurance sales	1,399	1,295	2,530	2,500
Other	271	243	656	463
<b>Total Other Income</b>	<b>3,140</b>	<b>3,065</b>	<b>6,085</b>	<b>5,881</b>
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	4,864	4,672	9,612	9,245
Net occupancy	493	497	1,008	990
Equipment	792	671	1,450	1,282
Other tax	232	170	470	393
Professional services	191	251	435	442
Supplies and postage	185	152	316	327
Marketing and corporate relations	113	90	212	190
FDIC and regulatory	192	218	401	451
Intangible assets amortization	161	161	321	321
Foreclosed real estate (income) expenses	(72)	165	(93)	230
Other operating	866	793	1,641	1,508
<b>Total Other Expenses</b>	<b>8,017</b>	<b>7,840</b>	<b>15,773</b>	<b>15,379</b>

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<b>Income before Income Taxes</b>	<b>2,961</b>	2,668	<b>6,034</b>	5,460
<b>PROVISION FOR INCOME TAXES</b>	<b>639</b>	540	<b>1,294</b>	1,096
<b>Net Income</b>	<b>\$ 2,322</b>	\$ 2,128	<b>\$ 4,740</b>	\$ 4,364
<b>PER SHARE DATA</b>				
Basic earnings	<b>\$ 0.38</b>	\$ 0.35	<b>\$ 0.79</b>	\$ 0.73
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 COMPREHENSIVE INCOME (UNAUDITED)

Dollars in thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>NET INCOME</b>	\$ 2,322	\$ 2,128	\$ 4,740	\$ 4,364
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
<b>SECURITIES</b>				
Unrealized (losses) gains arising during the period, net of income taxes of \$(1,023), \$81, \$(1,254) and \$(10), respectively	(1,987)	156	(2,436)	(21)
Reclassification adjustment for net gains included in net income, net of income taxes of \$0, \$(1), \$0 and \$(2), respectively (A) (C)		(2)		(5)
<b>PENSION</b>				
Change in plan assets and benefit obligations, net of income taxes of \$59, \$56, \$118 and \$113, respectively (B) (C)	114	109	228	217
<b>TOTAL OTHER COMPREHENSIVE (LOSS) INCOME</b>	<b>(1,873)</b>	<b>263</b>	<b>(2,208)</b>	<b>191</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 449</b>	<b>\$ 2,391</b>	<b>\$ 2,532</b>	<b>\$ 4,555</b>

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

(A) Amounts are included in net gains on sales or calls of securities on the Consolidated Statements of Income in total other income.

(B) Amounts are included in the computation of net periodic benefit cost and are included in salaries and employee benefits on the Consolidated Statements of Income in other expenses.

(C) Income tax amounts are included in the provision for income taxes on the Consolidated Statements of Income.

## ACNB CORPORATION

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

Six Months Ended June 30, 2013 and 2012

Dollars in thousands	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
<b>BALANCE JANUARY 1, 2012</b>	\$ 15,021	\$ (728)	\$ 9,000	\$ 73,526	\$ 655	\$ 97,474
Net income				4,364		4,364
Other comprehensive income, net of taxes					191	191
Common stock shares issued (9,726 shares)	24		117			141
Cash dividends declared				(2,260)		(2,260)
<b>BALANCE JUNE 30, 2012</b>	\$ 15,045	\$ (728)	\$ 9,117	\$ 75,630	\$ 846	\$ 99,910