

FRANKLIN FINANCIAL SERVICES CORP /PA/
Form 10-Q
May 08, 2007

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 **March 31, 2007**

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 **0-12126**

FRANKLIN FINANCIAL SERVICES CORPORATION

(Exact name of registrant as specified in its charter)

PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

25-1440803
(I.R.S. Employer
Identification No.)

20 SOUTH MAIN STREET (P.O. BOX 6010), CHAMBERSBURG, PA 17201-0819

(Address of principal executive offices)

717/264-6116

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

There were 3,844,462 outstanding shares of the Registrant's common stock as of March 31, 2007.

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Part I FINANCIAL INFORMATION

Item 1 Financial Statements

Franklin Financial Services Corporation

Consolidated Balance Sheets

(Amounts in thousands, except per share data)

| | March 31 2007 (unaudited) | December 31 2006 |
|---|---------------------------------|---------------------|
| Assets | | |
| Cash and due from banks | \$ 13,594 | \$ 21,855 |
| Fed funds sold | 7,800 | |
| Interest bearing deposits in other banks | 2,240 | 293 |
| Total cash and cash equivalents | 23,634 | 22,148 |
| Investment securities available for sale | 174,435 | 189,345 |
| Restricted stock | 2,845 | 3,142 |
| Loans held for sale | 3,752 | 2,561 |
| Loans | 537,553 | 528,534 |
| Allowance for loan losses | (6,927) | (6,850) |
| Net Loans | 530,626 | 521,684 |
| Premises and equipment, net | 13,339 | 13,101 |
| Bank owned life insurance | 17,721 | 17,561 |
| Goodwill | 9,113 | 9,113 |
| Other intangible assets | 2,981 | 3,071 |
| Equity method investment | 3,971 | 4,028 |
| Other assets | 14,290 | 13,579 |
| Total assets | \$ 796,707 | \$ 799,333 |
| Liabilities | | |
| Deposits | | |
| Demand (non-interest bearing) | \$ 84,018 | \$ 87,688 |
| Savings and interest checking | 360,753 | 337,985 |
| Time | 164,430 | 169,622 |
| Total Deposits | 609,201 | 595,295 |
| Securities sold under agreements to repurchase | 71,821 | 78,410 |
| Short-term borrowings | | 6,700 |
| Long-term debt | 33,664 | 38,449 |
| Other liabilities | 9,247 | 8,865 |
| Total liabilities | 723,933 | 727,719 |
| Shareholders' equity | | |
| Common stock \$1 par value per share, 15,000 shares authorized with 4,299 shares issued and 3,845 and 3,838 shares outstanding at March 31, 2007 and December 31, 2006, respectively. | 4,299 | 4,299 |
| Capital stock without par value, 5,000 shares authorized with no shares issued or outstanding | | |
| Additional paid-in capital | 32,352 | 32,251 |
| Retained earnings | 43,753 | 42,649 |
| Accumulated other comprehensive income | 66 | 236 |
| Treasury stock, 454 shares and 461 shares at cost at March 31, 2007 and December 31, 2006, respectively | (7,696) | (7,821) |
| Total shareholders' equity | 72,774 | 71,614 |

| | | |
|---|------------|------------|
| Total liabilities and shareholders' equity | \$ 796,707 | \$ 799,333 |
|---|------------|------------|

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

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Franklin Financial Services Corporation

Consolidated Statements of Income

(Amounts in thousands, except per share data)

(unaudited)

| | For the Three Months Ended | |
|---|-----------------------------------|-------------|
| | March 31 | |
| | 2007 | 2006 |
| Interest Income | | |
| Loans, including fees | \$ 9,546 | \$ 6,609 |
| Interest and dividends on investments: | | |
| Taxable interest | 1,598 | 1,198 |
| Tax exempt interest | 560 | 464 |
| Dividend income | 85 | 68 |
| Federal funds sold | 51 | 52 |
| Deposits and obligations of other banks | | |