

FRANKLIN FINANCIAL SERVICES CORP /PA/
Form 10-Q
November 08, 2006

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 September 30,2006

OR

o **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.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

There were 3,836,060 outstanding shares of the Registrant's common stock as of September 30, 2006.

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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)

	September 30 2006 (unaudited)	December 31 2005
Assets		
Cash and due from banks	\$ 19,091	\$ 19,706
Fed funds sold	6,825	4,000
Interest bearing deposits in other banks and fed funds sold	3,415	1,032
Total cash and cash equivalents	29,331	24,738
Investment securities available for sale	183,652	164,060
Restricted stock	2,693	3,184
Loans held for sale	4,154	1,328
Loans	513,621	397,190
Allowance for loan losses	(6,940)	(5,402)
Net Loans	506,681	391,788
Premises and equipment, net	12,815	8,897
Bank owned life insurance	17,403	11,249
Goodwill	9,113	
Other intangible assets	3,177	139
Other assets	18,124	15,974
Total Assets	\$ 787,143	\$ 621,357
Liabilities		
Deposits		
Demand (non-interest bearing)	\$ 90,818	\$ 77,354
Savings and interest checking	330,321	254,722
Time	175,541	124,723
Total Deposits	596,680	456,799
Securities sold under agreements to repurchase	73,152	52,069
Short term borrowings		4,000
Long term debt	39,151	48,546
Other liabilities	6,809	4,273
Total Liabilities	715,792	565,687
Shareholders equity		
Common stock \$1 par value per share, 15,000 shares authorized with 4,299 and 3,806 shares issued and 3,836 and 3,352 shares outstanding at September 30, 2006 and December 31, 2005, respectively.	4,299	3,806
Capital stock without par value, 5,000 shares authorized with no shares issued or outstanding		
Additional paid in capital	32,179	19,907
Retained earnings	41,516	38,638
Accumulated other comprehensive income	1,135	801
Treasury stock, 463 shares and 436 shares at cost at September 30, 2006 and December 31, 2005, respectively	(7,778)	(7,482)
Total shareholders equity	71,351	55,670
Total Liabilities and Shareholders Equity	\$ 787,143	\$ 621,357

The accompanying notes are an integral part of these financial statements

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Franklin Financial Services Corporation

Consolidated Statements of Income (unaudited)

(Amounts in thousands, except per share data)

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2006	2005	2006	2005
Interest Income				
Loans	\$ 9,165	\$ 6,018	\$ 22,911	\$ 16,681
Interest and dividends on investments:				
Taxable interest	1,459	1,115	3,944	3,114
Tax exempt interest	509	445	1,487	1,330
Dividend income				