

FRANKLIN FINANCIAL SERVICES CORP /PA/  
Form 10-Q  
May 10, 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 March 31, 2011,

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)

Not Applicable  
(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 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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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 Act) Yes  No

There were 3,935,003 outstanding shares of the Registrant's common stock as of April 29, 2011.

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## Part I FINANCIAL INFORMATION

## Item 1 Financial Statements

Consolidated Balance Sheets  
(Amounts in thousands, except share and per share data)  
(unaudited)

	March 31 2011	December 31 2010
<b>Assets</b>		
Cash and due from banks	\$ 12,512	\$ 11,528
Interest-bearing deposits in other banks	9,468	10,578
Total cash and cash equivalents	21,980	22,106
Investment securities available for sale , at fair value	123,467	117,616
Restricted stock	5,852	6,159
Loans	763,518	748,642
Allowance for loan losses	(9,198 )	(8,801 )
Net Loans	754,320	739,841
Premises and equipment, net	16,392	16,592
Bank owned life insurance	19,756	19,591
Goodwill	9,016	9,016
Other intangible assets	1,894	2,004
Other assets	19,306	18,964
<b>Total assets</b>	<b>\$ 971,983</b>	<b>\$ 951,889</b>
<b>Liabilities</b>		
<b>Deposits</b>		
Demand (noninterest-bearing)	\$ 100,647	\$ 90,317
Savings and interest checking	455,947	441,819
Time	200,713	202,195
Total Deposits	757,307	734,331
Securities sold under agreements to repurchase	54,366	51,164
Long-term debt	61,712	70,885
Other liabilities	14,258	12,870
<b>Total liabilities</b>	<b>887,643</b>	<b>869,250</b>
<b>Shareholders' equity</b>		
Common stock \$1 par value per share, 15,000,000 shares authorized with 4,330,848 shares issued and 3,932,924 shares outstanding at March 31, 2011 and 4,317,058 shares issued and 3,919,108 shares outstanding at December 31, 2010	4,331	4,317
Capital stock without par value, 5,000 shares authorized with no shares issued or outstanding	-	-
Additional paid-in capital	33,354	33,096
Retained earnings	58,775	57,984
Accumulated other comprehensive loss	(5,005 )	(5,642 )
Treasury stock, 397,924 shares and 397,950 shares at cost at March 31,		

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2011 and December 31, 2010, respectively	(7,115 )	(7,116 )
Total shareholders' equity	84,340	82,639
Total liabilities and shareholders' equity	\$971,983	\$ 951,889

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

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Consolidated Statements of Income  
 (Amounts in thousands, except per share data)  
 (unaudited)

	For the Three Months Ended March 31	
	2011	2010
<b>Interest income</b>		
Loans, including fees	\$ 9,342	\$ 9,551
<b>Interest and dividends on investments:</b>		
Taxable interest	583	870
Tax exempt interest	343	472
Dividend income	25	16
Deposits and obligations of other banks	7	7
<b>Total interest income</b>	<b>10,300</b>	<b>10,916</b>
<b>Interest expense</b>		
Deposits	1,670	2,360
Securities sold under agreements to repurchase	33	38
Short-term borrowings	1	-
Long-term debt	701	