

ACNB CORP  
Form 10-Q  
October 30, 2015

**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, 2015

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)

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

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**Title of each class**  
Common Stock, \$2.50 par value per share

**Name of each exchange on which registered**  
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 October 30, 2015, was 6,034,635.

## PART I - FINANCIAL INFORMATION

## ACNB CORPORATION

## ITEM 1 - FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

Dollars in thousands, except per share data	September 30, 2015	September 30, 2014	December 31, 2014
<b>ASSETS</b>			
Cash and due from banks	\$ 13,013	\$ 14,338	\$ 13,502
Interest bearing deposits with banks	33,076	9,670	6,171
<b>Total Cash and Cash Equivalents</b>	<b>46,089</b>	24,008	19,673
Securities available for sale	108,708	122,064	118,000
Securities held to maturity, fair value \$74,069; \$74,338; \$73,057	73,507	75,407	73,346
Loans held for sale	1,229	1,482	1,623
Loans, net of allowance for loan losses \$14,762; \$15,421; \$15,172	810,490	750,920	784,100
Premises and equipment	17,952	16,871	17,725
Restricted investment in bank stocks	4,078	5,239	4,216
Investment in bank-owned life insurance	39,366	37,667	37,942
Investments in low-income housing partnerships	3,457	3,974	3,793
Goodwill	6,308	6,308	6,308
Intangible assets	1,118	1,359	1,196
Foreclosed assets held for resale	599	1,688	1,617
Other assets	19,642	20,544	20,269
<b>Total Assets</b>	<b>\$ 1,132,543</b>	\$ 1,067,531	\$ 1,089,808
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>LIABILITIES</b>			
Deposits:			
Non-interest bearing	\$ 156,962	\$ 142,696	\$ 144,987
Interest bearing	738,407	681,316	699,889
<b>Total Deposits</b>	<b>895,369</b>	824,012	844,876
Short-term borrowings	37,724	53,824	45,699
Long-term borrowings	75,500	69,505	80,937
Other liabilities	9,405	8,482	8,274
<b>Total Liabilities</b>	<b>1,017,998</b>	955,823	979,786
<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; 6,097,235, 6,073,929 and 6,078,250 shares issued; 6,034,635, 6,011,329 and 6,015,650 shares outstanding			
	15,243	15,185	15,196

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Treasury stock, at cost (62,600 shares)	(728)	(728)	(728)
Additional paid-in capital	10,290	9,959	9,948
Retained earnings	92,881	87,069	88,329
Accumulated other comprehensive (loss) income	(3,141)	223	(2,723)
<b>Total Stockholders Equity</b>	<b>114,545</b>	111,708	110,022
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,132,543</b>	\$ 1,067,531	\$ 1,089,808

*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,	
	2015	2014	2015	2014
<b>INTEREST INCOME</b>				
Loans, including fees	\$ 8,699	\$ 8,199	\$ 26,256	\$ 24,222
Securities:				
Taxable	743	843	2,337	2,805
Tax-exempt	208	260	660	800
Dividends	44	55	258	144
Other	23	19	62	49
<b>Total Interest Income</b>	<b>9,717</b>	<b>9,376</b>	<b>29,573</b>	<b>28,020</b>
<b>INTEREST EXPENSE</b>				
Deposits	545	460	1,577	1,326
Short-term borrowings	5	12	33	46
Long-term borrowings	409	439	1,308	1,346
<b>Total Interest Expense</b>	<b>959</b>	<b>911</b>	<b>2,918</b>	<b>2,718</b>
<b>Net Interest Income</b>	<b>8,758</b>	<b>8,465</b>	<b>26,655</b>	<b>25,302</b>
<b>PROVISION FOR LOAN LOSSES</b>				150
<b>Net Interest Income after Provision for Loan Losses</b>	<b>8,758</b>	<b>8,465</b>	<b>26,655</b>	<b>25,152</b>
<b>OTHER INCOME</b>				
Service charges on deposit accounts	624	550	1,734	1,548
Income from fiduciary activities	410	337	1,150	1,074
Earnings on investment in bank-owned life insurance	277	281	824	825
Net gains on sales or calls of securities	158	2	259	54
Service charges on ATM and debit card transactions	359	391	1,113	1,150
Commissions from insurance sales	1,223	1,124	3,503	3,721
Other	239	245	739	552
<b>Total Other Income</b>	<b>3,290</b>	<b>2,930</b>	<b>9,322</b>	<b>8,924</b>
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	5,118	4,776	15,706	14,485
Net occupancy	511	470	1,635	1,544
Equipment	758	731	2,223	2,051
Other tax	269	184	666	555
Professional services	197	158	621	732
Supplies and postage	175	156	493	429
Marketing and corporate relations	88	150	293	451
FDIC and regulatory	175	183	504	582
Intangible assets amortization	84	162	251	487
Foreclosed real estate expenses	112	135	220	252
Other operating	773	874	2,413	2,313
<b>Total Other Expenses</b>	<b>8,260</b>	<b>7,979</b>	<b>25,025</b>	<b>23,881</b>

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<b>Income before Income Taxes</b>	<b>3,788</b>	3,416	<b>10,952</b>	10,195
<b>PROVISION FOR INCOME TAXES</b>	<b>976</b>	792	<b>2,787</b>	2,368
<b>Net Income</b>	<b>\$ 2,812</b>	\$ 2,624	<b>\$ 8,165</b>	\$ 7,827
<b>PER SHARE DATA</b>				
Basic earnings	<b>\$ 0.47</b>	\$ 0.44	<b>\$ 1.36</b>	\$ 1.30
Cash dividends declared	<b>\$ 0.20</b>	\$ 0.19	<b>\$ 0.60</b>	\$ 0.57

*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 September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
<b>NET INCOME</b>	\$ 2,812	\$ 2,624	\$ 8,165	\$ 7,827
<b>OTHER COMPREHENSIVE (LOSS) INCOME</b>				
<b>SECURITIES</b>				
Unrealized (losses) gains arising during the period, net of income taxes of \$(16), \$(181), \$(256) and \$62, respectively	(34)	(352)	(497)	122
Reclassification adjustment for net gains included in net income, net of income taxes of \$(54), \$(1), \$(88) and \$(18), respectively (A) (C)	(104)	(1)	(171)	(36)
<b>PENSION</b>				
Amortization of pension net loss, transition liability, and prior service cost, net of income taxes of \$43, \$5, \$129 and \$15, respectively (B) (C)	84	10	250	31
<b>TOTAL OTHER COMPREHENSIVE (LOSS) INCOME</b>	<b>(54)</b>	<b>(343)</b>	<b>(418)</b>	<b>117</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 2,758</b>	<b>\$ 2,281</b>	<b>\$ 7,747</b>	<b>\$ 7,944</b>

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

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

(B) Gross 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 total 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)

Nine Months Ended September 30, 2015 and 2014

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, 2014</b>	\$ 15,135	\$ (728)	\$ 9,628	\$ 82,661	\$ 106	\$ 106,802
Net income				7,827		7,827
Other comprehensive income, net of taxes					117	117
Common stock shares issued (20,018 shares)	50		331			381
Cash dividends declared				(3,419)		(3,419)
<b>BALANCE SEPTEMBER 30, 2014</b>	\$ 15,185	\$ (728)	\$ 9,959	\$ 87,069	\$ 223	\$ 111,708
<b>BALANCE JANUARY 1, 2015</b>	\$ 15,196	\$ (728)	\$ 9,948	\$ 88,329	\$ (2,723)	\$ 110,022
Net income				8,165		8,165
Other comprehensive loss, net of taxes					(418)	(418)
Common stock shares issued (18,985 shares)	47		342			389
Cash dividends declared				(3,613)		(3,613)
<b>BALANCE SEPTEMBER 30, 2015</b>	\$ 15,243	\$ (728)	\$ 10,290	\$ 92,881	\$ (3,141)	\$ 114,545

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



## ACNB CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Dollars in thousands	Nine Months Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 8,165	\$ 7,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of loans originated for sale	(337)	(138)
Gain on sales of foreclosed assets held for resale, including writedowns	(36)	(42)
Earnings on investment in bank-owned life insurance	(824)	(825)
Gain on sales or calls of securities	(259)	(54)
Depreciation and amortization	1,308	1,530
Provision for loan losses		150
Net amortization of investment securities premiums	510	625
Decrease in accrued interest receivable	76	139
Decrease in accrued interest payable	(8)	(301)
Mortgage loans originated for sale	(22,192)	(10,192)
Proceeds from sales of loans originated for sale	22,923	9,344
Decrease in other assets	1,102	581
Increase in other liabilities	1,518	1,984
<b>Net Cash Provided by Operating Activities</b>	<b>11,946</b>	<b>10,628</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities of investment securities held to maturity	7,581	18,600
Proceeds from maturities of investment securities available for sale	18,516	13,747
Proceeds from sales of investment securities available for sale	2,933	1,862
Purchase of investment securities available for sale	(13,118)	(7,765)
Purchase of investment securities held to maturity	(8,044)	
Redemption of restricted investment in bank stocks	138	1,622
Net increase in loans	(27,520)	(39,363)
Proceeds from sale of low-income housing partnerships		219
Purchase of bank-owned life insurance	(600)	(4,605)
Purchase of book of business	(174)	
Capital expenditures	(1,283)	(1,924)
Proceeds from sale of foreclosed real estate	2,184	966
<b>Net Cash Used in Investing Activities</b>	<b>(19,387)</b>	<b>(16,641)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in demand deposits	11,975	14,685
Net increase in time certificates of deposits and interest bearing deposits	38,518	8,684
Net (decrease) increase in short-term borrowings	(7,975)	4,772
Proceeds from long-term borrowings	11,000	10,000
Repayments on long-term borrowings	(16,437)	(23,198)
Dividends paid	(3,613)	(3,419)
Common stock issued	389	381
<b>Net Cash Provided by Financing Activities</b>	<b>33,857</b>	<b>11,905</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>26,416</b>	<b>5,892</b>
<b>CASH AND CASH EQUIVALENTS BEGINNING</b>	<b>19,673</b>	<b>18,116</b>

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<b>CASH AND CASH EQUIVALENTS</b>	<b>ENDING</b>	<b>\$</b>	<b>46,089</b>	<b>\$</b>	<b>24,008</b>
Interest paid		\$	2,926	\$	3,019
Income taxes paid		\$	975	\$	1,600
Loans transferred to foreclosed assets held for resale and other foreclosed transactions		\$	1,130	\$	850

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

**ACNB CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

ACNB Corporation (the Corporation or ACNB), headquartered in Gettysburg, Pennsylvania, provides banking, insurance, and financial services to businesses and consumers through its wholly-owned subsidiaries, ACNB Bank (Bank) and Russell Insurance Group, Inc. (RIG). The Bank engages in full-service commercial and consumer banking and trust services through its twenty-one retail banking office locations in Adams, Cumberland, Franklin and York Counties, Pennsylvania. There is also a loan production office situated in York County, Pennsylvania.

RIG is a full-service insurance agency based in Westminster, Maryland with a second location in Germantown, Maryland. The agency offers a broad range of property and casualty, life, and health insurance to both commercial and individual clients.

The Corporation's primary source of revenue is interest income on loans and investment securities and fee income on its products and services. Expenses consist of interest expense on deposits and borrowed funds, provisions for loan losses, and other operating expenses.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly ACNB Corporation's financial position and the results of operations, comprehensive income, changes in stockholders' equity, and cash flows. All such adjustments are of a normal recurring nature.

The accounting policies followed by the Corporation are set forth in Note A to the Corporation's consolidated financial statements in the 2014 ACNB Corporation Annual Report on Form 10-K, filed with the SEC on March 6, 2015. It is suggested that the consolidated financial statements contained herein be read in conjunction with the consolidated financial statements and notes included in the Corporation's Annual Report on Form 10-K. The results of operations for the three and nine month periods ended September 30, 2015, are not necessarily indicative of the results to be expected for the full year.

The Corporation has evaluated events and transactions occurring subsequent to the statement of condition date of September 30, 2015, for items that should potentially be recognized or disclosed in the consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

**2. Earnings Per Share**

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The Corporation has a simple capital structure. Basic earnings per share of common stock is computed based on 6,023,090 and 5,995,165 weighted average shares of common stock outstanding for the nine months ended September 30, 2015 and 2014, respectively, and 6,030,846 and 5,997,999 for the three months ended September 30, 2015 and 2014, respectively. The Corporation does not have dilutive securities outstanding.

### 3. Retirement Benefits

The components of net periodic benefit income related to the non-contributory, defined benefit pension plan for the three and nine month periods ended September 30 were as follows:

In thousands	Three Months Ended September 30,		Nine months Ended September 30,	
	2015	2014	2015	2014
Service cost	\$ 220	\$ 172	\$ 660	\$ 516
Interest cost	260	259	780	777
Expected return on plan assets	(635)	(578)	(1,906)	(1,734)
Amortization of net loss	120	5	360	16
Amortization of prior service cost	6	10	19	30
<b>Net Periodic Benefit Income</b>	<b>\$ (29)</b>	<b>\$ (132)</b>	<b>\$ (87)</b>	<b>\$ (395)</b>

The Corporation previously disclosed in its consolidated financial statements for the year ended December 31, 2014, that it had not yet determined the amount the Bank planned on contributing to the defined benefit plan in 2015. As of September 30, 2015, this contribution amount had still not been determined. Effective April 1, 2012, no inactive or former participant in the plan is eligible to again participate in the plan, and no employee hired after March 31, 2012, is eligible to participate in the plan. As of the last annual census, ACNB Bank had a combined 379 active, vested, terminated and retired persons in the plan.

### 4. Guarantees

The Corporation does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit are written conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Corporation generally holds collateral and/or personal guarantees supporting these commitments. The Corporation had \$4,984,000 in standby letters of credit as of September 30, 2015. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The current amount of the liability, as of September 30, 2015, for guarantees under standby letters of credit issued is not material.

### 5. Accumulated Other Comprehensive (Loss) Income

The components of accumulated other comprehensive (loss) income, net of taxes, are as follows:

In thousands		Unrealized	Pension	Accumulated Other
		Gains on Securities	Liability	Comprehensive (Loss) Income
<b>BALANCE</b>	<b>SEPTEMBER 30, 2015</b>	<b>\$ 1,902</b>	<b>\$ (5,043)</b>	<b>\$ (3,141)</b>

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BALANCE	DECEMBER 31, 2014	\$	2,570	\$	(5,293)	\$	(2,723)
BALANCE	SEPTEMBER 30, 2014	\$	2,658	\$	(2,435)	\$	223

6. **Segment Reporting**

The Corporation has two reporting segments, the Bank and RIG. RIG is managed separately from the banking segment, which includes the Bank and related financial services that the Corporation offers through its banking subsidiary. RIG offers a broad range of property and casualty, life, and health insurance to both commercial and individual clients.

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Segment information for the nine month periods ended September 30, 2015 and 2014, is as follows:

In thousands	Banking	Insurance	Total
<b>2015</b>			
Net interest income and other income from external customers	\$ 32,331	\$ 3,646	\$ 35,977
Income before income taxes	10,354	598	10,952
Total assets	1,122,465	10,078	1,132,543
Capital expenditures	1,263	20	1,283
<b>2014</b>			
Net interest income and other income from external customers	\$ 30,370	\$ 3,856	\$ 34,226
Income before income taxes	9,566	629	10,195
Total assets	1,058,774	8,757	1,067,531
Capital expenditures	1,924		1,924

Segment information for the three month periods ended September 30, 2015 and 2014, is as follows:

In thousands	Banking	Insurance	Total
<b>2015</b>			
Net interest income and other income from external customers	\$ 10,687	\$ 1,361	\$ 12,048
Income before income taxes	3,557	231	3,788
Total assets	1,122,465	10,078	1,132,543
Capital expenditures	637		637
<b>2014</b>			
Net interest income and other income from external customers	\$ 10,141	\$ 1,254	\$ 11,395
Income before income taxes	3,269	147	3,416
Total assets	1,058,774	8,757	1,067,531
Capital expenditures	918		918

Intangible assets, representing customer lists, are amortized over 10 years on a straight line basis. Goodwill is not amortized, but rather is analyzed annually for impairment. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested for impairment when such events occur. Tax amortization of goodwill and the intangible assets is deductible for tax purposes.

### 7. Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as held to maturity and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as available for sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported, net of tax, in other comprehensive income (loss).

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the fair value of held to maturity and available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses on debt securities, management considers (1) whether

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management intends to sell the security, or (2) if it is more likely than not that management will be required to sell the security before recovery, or (3) if management does not expect to recover the entire amortized cost basis. In assessing potential other-than-temporary impairment for equity securities, consideration is given to management's intention and ability to hold the securities until recovery of unrealized losses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.



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Amortized cost and fair value of securities at September 30, 2015, and December 31, 2014, were as follows:

In thousands	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>SECURITIES AVAILABLE FOR SALE</b>				
<b>SEPTEMBER 30, 2015</b>				
U.S. Government and agencies	\$ 23,929	\$ 296	\$	\$ 24,225
Mortgage-backed securities, residential	44,333	1,770		46,103
State and municipal	28,818	726	1	29,543
Corporate bonds	7,000	44		7,044
CRA mutual fund	1,044	19		1,063
Stock in other banks	702	52	24	730
	\$ 105,826	\$ 2,907	\$ 25	\$ 108,708
<b>DECEMBER 31, 2014</b>				
U.S. Government and agencies	\$ 16,980	\$ 337	\$	\$ 17,317
Mortgage-backed securities, residential	51,076	2,187	1	53,262
State and municipal	34,378	1,072	5	35,445
Corporate bonds	10,001	82		10,083
CRA mutual fund	1,044	14		1,058
Stock in other banks	627	208		835
	\$ 114,106	\$ 3,900	\$ 6	\$ 118,000
<b>SECURITIES HELD TO MATURITY</b>				
<b>SEPTEMBER 30, 2015</b>				
U.S. Government and agencies	\$ 31,059	\$ 155	\$ 21	\$ 31,193
Mortgage-backed securities, residential	42,448	507	79	42,876
	\$ 73,507	\$ 662	\$ 100	\$ 74,069
<b>DECEMBER 31, 2014</b>				
U.S. Government and agencies	\$ 24,497	\$ 11	\$ 348	\$ 24,160
Mortgage-backed securities, residential	48,849	305	257	48,897
	\$ 73,346	\$ 316	\$ 605	\$ 73,057

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The following table shows the Corporation's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2015, and December 31, 2014:

In thousands	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>SECURITIES AVAILABLE FOR SALE</b>						
<b>SEPTEMBER 30, 2015</b>						
State and municipal	\$		\$ 156	\$ 1	\$ 156	\$ 1
Stock in other banks		180		24	180	24
	\$	180	\$	24	\$	25
<b>DECEMBER 31, 2014</b>						
Mortgage-backed securities, residential	\$	2,038	\$	1	\$	2,038
State and municipal			1,059	5	1,059	5
	\$	2,038	\$	1	\$	6
<b>SECURITIES HELD TO MATURITY</b>						
<b>SEPTEMBER 30, 2015</b>						
U.S. Government and agencies	\$		\$ 6,979	\$ 21	\$ 6,979	\$ 21
Mortgage-backed securities, residential			16,121	79	16,121	79
	\$		\$	100	\$	100
<b>DECEMBER 31, 2014</b>						
U.S. Government and agencies	\$		\$ 21,149	\$ 348	\$ 21,149	\$ 348
Mortgage-backed securities, residential			21,666	257	21,666	257
	\$		\$	605	\$	605

All mortgage-backed security investments are government sponsored enterprise (GSE) pass-through instruments issued by the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA) or Federal Home Loan Mortgage Corporation (FHLMC), which guarantee the timely payment of principal on these investments.

At September 30, 2015, one available for sale state and municipal bond had an unrealized loss that did not exceed 1% of amortized cost. This security has been in a continuous loss position for 12 months or more. This unrealized loss relates principally to changes in interest rates subsequent to the acquisition of the security.

At September 30, 2015, one available for sale Stock in other banks had an unrealized loss that did not exceed 12% of amortized cost. This security has not been in a continuous loss position for 12 months or more. This unrealized loss relates principally to changes in interest rates subsequent to the acquisition of the security.

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At September 30, 2015, three held to maturity U.S. Government and agency securities had unrealized losses that individually did not exceed 1% of amortized cost. All of these securities have been in a continuous loss position for 12 months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities.

At September 30, 2015, thirteen held to maturity residential mortgage-backed securities had unrealized losses that individually did not exceed 2% of amortized cost. All of these securities have been in a continuous loss position for 12 months or more. These unrealized losses relate principally to changes in interest rates subsequent to the acquisition of the specific securities.

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In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance, and projected target prices of investment analysts within a one-year time frame. Based on the above information, management has determined that none of these investments are other-than-temporarily impaired.

The fair values of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2) which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the security's relationship to other benchmark quoted prices. The Corporation uses independent service providers to provide matrix pricing.

Management routinely sells securities from its available for sale portfolio in an effort to manage and allocate the portfolio. At September 30, 2015, management had not identified any securities with an unrealized loss that it intends to sell or will be required to sell. In estimating other-than-temporary impairment losses on debt securities, management considers (1) whether management intends to sell the security, or (2) if it is more likely than not that management will be required to sell the security before recovery, or (3) if management does not expect to recover the entire amortized cost basis. In assessing potential other-than-temporary impairment for equity securities, consideration is given to management's intention and ability to hold the securities until recovery of unrealized losses.

Amortized cost and fair value at September 30, 2015, by contractual maturity, where applicable, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay with or without penalties.

In thousands	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
1 year or less	\$ 9,038	\$ 9,130	\$	\$
Over 1 year through 5 years	32,533	33,177	29,059	29,139
Over 5 years through 10 years	17,510	17,834	2,000	2,054
Over 10 years	666	671		
Mortgage-backed securities, residential	44,333	46,103	42,448	42,876
CRA mutual fund	1,044	1,063		
Stock in other banks	702	730		
	<b>\$ 105,826</b>	<b>\$ 108,708</b>	<b>\$ 73,507</b>	<b>\$ 74,069</b>

The Corporation realized \$158,000 gross gains and \$0 gross losses on sales of securities available for sale during the three month period ended September 30, 2015. The Corporation realized gross gains of \$259,000 and \$0 in gross losses on sales of securities available for sale during the nine month period ended September 30, 2015. The Corporation realized \$2,000 in gross gains and \$0 in gross losses on sales of securities available for sale during the three month period ended September 30, 2014. The Corporation realized gross gains of \$54,000 and \$0 in gross losses on sales of securities available for sale during the nine month period ended September 30, 2014.

At September 30, 2015, and December 31, 2014, securities with a carrying value of \$141,544,000 and \$128,710,000, respectively, were pledged as collateral as required by law on public and trust deposits, repurchase agreements, and for other purposes.



8. **Loans**

The Corporation grants commercial, residential, and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout southcentral Pennsylvania and northern Maryland. The ability of the Corporation's debtors to honor their contracts is dependent upon the real estate values and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The loans receivable portfolio is segmented into commercial, residential mortgage, home equity lines of credit, and consumer loans. Commercial loans consist of the following classes: commercial and industrial, commercial real estate, and commercial real estate construction.

The accrual of interest on residential mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Consumer loans (consisting of home equity lines of credit and consumer loan classes) are typically charged off no later than 120 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not collected, for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

**Allowance for Credit Losses**

The allowance for credit losses consists of the allowance for loan losses and the reserve for unfunded lending commitments. The allowance for loan losses (the allowance) is established as losses are estimated to occur through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The reserve for unfunded lending commitments represents management's estimate of losses inherent in its unfunded loan commitments and is recorded in other liabilities on the consolidated statement of condition. The amount of the reserve for unfunded lending commitments is not material to the consolidated financial statements.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity, and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for the previous twelve quarters for each of these categories of loans, adjusted for qualitative risk factors. These qualitative risk factors include:

- lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices;
- national, regional and local economic and business conditions, as well as the condition of various market segments, including the impact on the value of underlying collateral for collateral dependent loans;

- the nature and volume of the portfolio and terms of loans;
- the experience, ability and depth of lending management and staff;
- the volume and severity of past due, classified and nonaccrual loans, as well as other loan modifications; and,
- the existence and effect of any concentrations of credit and changes in the level of such concentrations.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

The unallocated component of the allowance is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. It covers risks that are inherently difficult to quantify including, but not limited to, collateral risk, information risk, and historical charge-off risk.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal and/or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and/or interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and commercial construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

A specific allocation within the allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. The estimated fair values of the Corporation's impaired loans are measured based on the estimated fair value of the loan's collateral or the discounted cash flows method.

It is the policy of the Corporation to order an updated valuation on all real estate secured loans when the loan becomes 90 days past due and there has not been an updated valuation completed within the previous 12 months. In addition, the Corporation orders third-party valuations on all impaired real estate collateralized loans within 30 days of the loan being classified as impaired. Until the valuations are completed, the Corporation utilizes the most recent independent third-party real estate valuation to estimate the need for a specific allocation to be assigned to the loan. These existing valuations are discounted downward to account for such things as the age of the existing collateral valuation, change in the condition of the real estate, change in local market and economic conditions, and other specific factors involving the collateral. Once the updated valuation is completed, the collateral value is updated accordingly.



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For commercial and industrial loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable aging reports, equipment appraisals, or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

The Corporation actively monitors the values of collateral as well as the age of the valuation of impaired loans. Management believes that the Corporation's market area is not as volatile as other areas throughout the United States, therefore valuations are ordered at least every 18 months, or more frequently if management believes that there is an indication that the fair value has declined.

For impaired loans secured by collateral other than real estate, the Corporation considers the net book value of the collateral, as recorded in the most recent financial statements of the borrower, and determines fair value based on estimates made by management.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a troubled debt restructure.

Loans whose terms are modified are classified as troubled debt restructured loans if the Corporation grants such borrowers concessions that it would not otherwise consider and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate, a below market interest rate given the risk associated with the loan, or an extension of a loan's stated maturity date. Nonaccrual troubled debt restructurings may be restored to accrual status if principal and interest payments, under the modified terms, are current for a sustained period of time and, based on a well-documented credit evaluation of the borrower's financial condition, there is reasonable assurance of repayment. Loans classified as troubled debt restructurings are generally designated as impaired.

The allowance calculation methodology includes further segregation of loan classes into credit quality rating categories. The borrower's overall financial condition, repayment sources, guarantors, and value of collateral, if appropriate, are generally evaluated annually for commercial loans or when credit deficiencies arise, such as delinquent loan payments.

Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful, and loss. Loans classified special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

In addition, federal and state regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses and may require the Corporation to recognize additions to the allowance based on their judgments about information available to them at the time of their examination, which may not be currently available to management. Based on management's comprehensive analysis of the loan portfolio and economic conditions, management believes the current level of the allowance for loan losses is adequate.

**Commercial and Industrial Lending** The Corporation originates commercial and industrial loans primarily to businesses located in its primary market area and surrounding areas. These loans are used for various business purposes which include short-term loans and lines of credit to finance machinery and equipment purchases, inventory, and accounts receivable. Generally, the maximum term for loans extended on machinery and equipment is based on the projected useful life of such machinery and equipment. Most business lines of credit are written on demand and may be renewed annually.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum values have been established by the Corporation and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, collateral appraisals, etc.

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In underwriting commercial and industrial loans, an analysis is performed to evaluate the borrower's character and capacity to repay the loan, the adequacy of the borrower's capital and collateral, as well as the conditions affecting the borrower. Evaluation of the borrower's past, present and future cash flows is also an important aspect of the Corporation's analysis.

Commercial loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions.

**Commercial Real Estate Lending** The Corporation engages in commercial real estate lending in its primary market area and surrounding areas. The Corporation's commercial loan portfolio is secured primarily by commercial retail space, office buildings, and hotels. Generally, commercial real estate loans have terms that do not exceed 20 years, have loan-to-value ratios of up to 80% of the appraised value of the property, and are typically secured by personal guarantees of the borrowers.

In underwriting these loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the property securing the loan. Appraisals on properties securing commercial real estate loans originated by the Corporation are performed by independent appraisers.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the complexities involved in valuing the underlying collateral.

**Commercial Real Estate Construction Lending** The Corporation engages in commercial real estate construction lending in its primary market area and surrounding areas. The Corporation's commercial real estate construction lending consists of commercial and residential site development loans, as well as commercial building construction and residential housing construction loans.

The Corporation's commercial real estate construction loans are generally secured with the subject property. Terms of construction loans depend on the specifics of the project, such as estimated absorption rates, estimated time to complete, etc.

In underwriting commercial real estate construction loans, the Corporation performs a thorough analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc. Appraisals on properties securing commercial real estate construction loans originated by the Corporation are performed by independent appraisers.

Commercial real estate construction loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the uncertainties surrounding total construction costs.

**Residential Mortgage Lending** One-to-four family residential mortgage loan originations, including home equity closed-end loans, are generated by the Corporation's marketing efforts, its present customers, walk-in customers, and referrals. These loans originate primarily within the Corporation's market area or with customers primarily from the market area.

The Corporation offers fixed-rate and adjustable-rate mortgage loans with terms up to a maximum of 30 years for both permanent structures and those under construction. The Corporation's one-to-four family residential mortgage originations are secured primarily by properties located in its primary market area and surrounding areas. The majority of the Corporation's residential mortgage loans originate with a loan-to-value of 80% or less. Loans in excess of 80% are required to have private mortgage insurance.

In underwriting one-to-four family residential real estate loans, the Corporation evaluates both the borrower's financial ability to repay the loan as agreed and the value of the property securing the loan. Properties securing real estate loans made by the Corporation are appraised by independent appraisers. The Corporation generally requires borrowers to obtain an attorney's title opinion or title insurance, as well as fire and property insurance (including flood insurance, if necessary) in an amount not less than the amount of the loan. The Corporation has not engaged

in subprime residential mortgage originations.

Residential mortgage loans present a moderate level of risk due primarily to general economic conditions, as well as a continued weak housing market.

**Home Equity Lines of Credit Lending** The Corporation originates home equity lines of credit primarily within the Corporation's market area or with customers primarily from the market area. Home equity lines of credit are generated by the Corporation's marketing efforts, its present customers, walk-in customers, and referrals.

Home equity lines of credit are secured by the borrower's primary residence with a maximum loan-to-value of 90% and a maximum term of 20 years. In underwriting home equity lines of credit, the Corporation evaluates both the value of the property securing the loan and the borrower's financial ability to repay the loan as agreed. The ability to repay is determined by the borrower's employment history, current financial condition, and credit background.

Home equity lines of credit generally present a moderate level of risk due primarily to general economic conditions, as well as a continued weak housing market.

Junior liens inherently have more credit risk by virtue of the fact that another financial institution may have a higher security position in the case of foreclosure liquidation of collateral to extinguish the debt. Generally, foreclosure actions could become more prevalent if the real estate market continues to be weak and property values deteriorate.

**Consumer Lending** The Corporation offers a variety of secured and unsecured consumer loans, including those for vehicles and mobile homes and those secured by savings deposits. These loans originate primarily within the Corporation's market area or with customers primarily from the market area.

Consumer loan terms vary according to the type and value of collateral and the creditworthiness of the borrower. In underwriting consumer loans, a thorough analysis of the borrower's financial ability to repay the loan as agreed is performed. The ability to repay is determined by the borrower's employment history, current financial condition, and credit background.

Consumer loans may entail greater credit risk than residential mortgage loans or home equity lines of credit, particularly in the case of consumer loans which are unsecured or are secured by rapidly depreciable assets such as automobiles or recreational equipment. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard, and doubtful within the Corporation's internal risk rating system as of September 30, 2015, and December 31, 2014:

In thousands	Pass	Special Mention	Substandard	Doubtful	Total
<b>SEPTEMBER 30, 2015</b>					
Commercial and industrial	\$ 98,834	\$ 2,448	\$ 1,963	\$	\$ 103,245
Commercial real estate	241,244	22,499	15,871		279,614
Commercial real estate construction	12,296	2,347	414		15,057
Residential mortgage	345,587	5,969	1,095		352,651
Home equity lines of credit	58,324	1,184	131		59,639
Consumer	15,046				15,046
	\$ 771,331	\$ 34,447	\$ 19,474	\$	\$ 825,252
<b>DECEMBER 31, 2014</b>					
Commercial and industrial	\$ 68,712	\$ 2,412	\$ 3,731	\$	\$ 74,855
Commercial real estate	238,820	26,214	16,548		281,582
Commercial real estate construction	8,714	2,917	579		12,210
Residential mortgage	352,283	4,507	2,585		359,375
Home equity lines of credit	55,254	650	69		55,973
Consumer	15,277				15,277
	\$ 739,060	\$ 36,700	\$ 23,512	\$	\$ 799,272

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The following table summarizes information relative to impaired loans by loan portfolio class as of September 30, 2015, and December 31, 2014:

In thousands	Impaired Loans with Allowance			Impaired Loans with No Allowance	
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance
<b>SEPTEMBER 30, 2015</b>					
Commercial and industrial	\$	\$	\$	\$ 1,515	\$ 1,515
Commercial real estate				8,253	8,463
Commercial real estate construction				114	388
Residential mortgage				407	407
	\$	\$	\$	\$ 10,289	\$ 10,773
<b>DECEMBER 31, 2014</b>					
Commercial and industrial	\$	\$	\$	\$ 1,729	\$ 2,844
Commercial real estate				9,999	10,209
Commercial real estate construction				368	642
Residential mortgage	694	694	302	826	1,052
	\$ 694	\$ 694	\$ 302	\$ 12,922	\$ 14,747

The following table summarizes information in regards to the average of impaired loans and related interest income by loan portfolio class for the three months ended September 30, 2015 and 2014:

In thousands	Impaired Loans with Allowance		Impaired Loans with No Allowance	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
<b>SEPTEMBER 30, 2015</b>				
Commercial and industrial	\$	\$	\$ 1,549	\$
Commercial real estate			8,608	134
Commercial real estate construction			154	
Residential mortgage			358	9
	\$	\$	\$ 10,669	\$ 143
<b>SEPTEMBER 30, 2014</b>				
Commercial and industrial	\$	\$	\$ 1,048	\$ 2
Commercial real estate			10,468	58
Commercial real estate construction			539	
Residential mortgage	601		578	4
	\$ 601	\$	\$ 12,633	\$ 64

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The following table summarizes information in regards to the average of impaired loans and related interest income by loan portfolio class for the nine months ended September 30, 2015 and 2014:

In thousands	Impaired Loans with Allowance		Impaired Loans with No Allowance	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
<b>SEPTEMBER 30, 2015</b>				
Commercial and industrial	\$	\$	\$ 1,621	\$ 129
Commercial real estate			9,275	405
Commercial real estate construction			251	
Residential mortgage	347		464	14
	\$ 347	\$	\$ 11,611	\$ 548
<b>SEPTEMBER 30, 2014</b>				
Commercial and industrial	\$	\$	\$ 1,256	\$ 2
Commercial real estate	180		10,475	388
Commercial real estate construction			663	
Residential mortgage	1,111	9	513	12
	\$ 1,291	\$ 9	\$ 12,907	\$ 402

No additional funds are committed to be advanced in connection with impaired loans.

The following table presents nonaccrual loans by loan portfolio class as of September 30, 2015, and December 31, 2014:

In thousands	September 30, 2015	December 31, 2014
Commercial and industrial	\$ 1,515	\$ 1,729
Commercial real estate	1,702	3,325
Commercial real estate construction	114	368
Residential mortgage	121	1,226
	\$ 3,452	\$ 6,648



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The following table summarizes information relative to troubled debt restructurings by loan portfolio class as of September 30, 2015, and December 31, 2014:

In thousands	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Recorded Investment at Period End
<b>SEPTEMBER 30, 2015</b>			
Nonaccruing troubled debt restructurings:			
Commercial real estate	\$ 1,021	\$ 1,021	\$ 482
Commercial real estate construction	1,548	1,541	114
Total nonaccruing troubled debt restructurings	2,569	2,562	596
Accruing troubled debt restructurings:			
Commercial real estate	7,118	7,170	6,551
Residential mortgage	336	336	286
Total accruing troubled debt restructurings	7,454	7,506	6,837
<b>Total Troubled Debt Restructurings</b>	<b>\$ 10,023</b>	<b>\$ 10,068</b>	<b>\$ 7,433</b>
<b>DECEMBER 31, 2014</b>			
Nonaccruing troubled debt restructurings:			
Commercial and industrial	\$ 490	\$ 485	\$ 46
Commercial real estate	1,021	1,021	546
Commercial real estate construction	1,548	1,541	274
Total nonaccruing troubled debt restructurings	3,059	3,047	866
Accruing troubled debt restructurings:			
Commercial real estate	7,118	7,170	6,674
Residential mortgage	336	336	294
Total accruing troubled debt restructurings	7,454	7,506	6,968
<b>Total Troubled Debt Restructurings</b>	<b>\$ 10,513</b>	<b>\$ 10,553</b>	<b>\$ 7,834</b>

All of the Corporation's troubled debt restructured loans are also impaired loans, of which some have resulted in a specific allocation and, subsequently, a charge-off as appropriate. As of September 30, 2015, there was no specific allocation on any of the troubled debt restructured loans. As of September 30, 2015 and 2014, there were no defaulted troubled debt restructured loans. There were no charge-offs on troubled debt restructured loans for the three and nine months ended September 30, 2015 and 2014. One troubled debt restructured loan paid off during the second quarter of 2015. All other troubled debt restructured loans were current as of September 30, 2015, with respect to their associated forbearance agreement, except for one loan which has had periodic late payments. One forbearance agreement was negotiated during 2009 and modified during 2011, one was negotiated during 2010, three were negotiated during 2012, and one was negotiated during 2013.

There are forbearance agreements on all loans currently classified as troubled debt restructurings, however four of the forbearance agreements have expired but all of the loans remain classified as troubled debt restructured loans. All of these troubled debt restructured loans have resulted in additional principal repayment. The terms of these troubled debt restructured loans vary whereby principal payments have been decreased, interest rates have been reduced, and/or the loan will be repaid as collateral is sold.

There were no loans whose terms have been modified resulting in troubled debt restructurings during the three and nine months ended September 30, 2015 and 2014.

Consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process at September 30, 2015 and December 31, 2014, totaled \$429,000 and \$568,000, respectively.

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined by the length of time a recorded payment is past due.

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The following table presents the classes of the loan portfolio summarized by the past due status as of September 30, 2015, and December 31, 2014:

In thousands	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
<b>SEPTEMBER 30, 2015</b>							
Commercial and industrial	\$ 15	\$	\$ 1,515	\$ 1,530	\$ 101,715	\$ 103,245	
Commercial real estate	167	1,262	747				