ACNB CORP
Form 10-Q
November 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

Commission file number 0-11783

ACNB CORPORATION

(Exact name of Registrant as specified in its charter)

Pennsylvania	**23-2233457**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
16 Lincoln Square, Gettysburg, Pennsylvania	**17325-3129**
(Address of principal executive offices)	(Zip Code)

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

Common Stock, Par Value $2.50 per Share

(Title of class)

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 x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer: o Accelerated filer: x Non-accelerated filer: o

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

The number of shares of the Registrant s Common Stock outstanding on October 15, 2007, was 5,706,970.

Part I

ACNB Corporation

ITEM 1 - FINANCIAL Information

CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)

Dollars in thousands, except per share data	September 30, 2007	September 30, 2006	December 31, 2006
ASSETS			
Cash and due from banks	**$ 17,869**	$ 18,800	$ 19,764
Interest bearing deposits in banks	**892**	894	892
Cash and Cash Equivalents	**18,761**	19,694	20,656
Securities available for sale	**351,344**	332,474	336,251
Securities held to maturity, fair value $14,615; $16,831; $16,496	**14,642**	16,884	16,546
Loans held for sale	**1,025**	729	601
Loans, net of allowance for loan losses $5,537; $5,173; $5,375	**545,770**	523,526	518,843
Premises and equipment	**14,404**	14,955	14,871
Restricted investment in bank stocks	**11,506**	10,810	10,263
Investment in bank-owned life insurance	**24,060**	21,697	21,901
Investments in low-income housing partnerships	**5,088**	5,313	5,202
Other assets	**19,610**	18,400	19,623
Total Assets	**$ 1,006,210**	$ 964,482	$ 964,757
LIABILITIES AND STOCKHOLDERS EQUITY			
LIABILITIES			
Deposits:			
Non-interest bearing	**$ 81,180**	$ 79,762	$ 74,919
Interest bearing	**606,121**	589,465	594,786
Total Deposits	**687,301**	669,227	669,705
Short-term borrowings	**109,488**	95,622	59,983
Long-term borrowings	**115,315**	115,586	145,520
Other liabilities	**12,009**	7,076	12,245
Total Liabilities	**924,113**	887,511	887,453
STOCKHOLDERS EQUITY			
Common stock, $2.50 par value; 20,000,000 shares authorized; 5,706,970, 5,436,101 and 5,706,970 shares issued and outstanding, respectively	**14,267**	13,590	14,267
Additional paid-in capital	**4,741**		4,741
Retained earnings	**65,234**	67,694	62,845
Accumulated other comprehensive loss	**(2,145)**	(4,313)	(4,549)

Total Stockholders Equity	**82,097**	76,971	77,304
Total Liabilities and Stockholders Equity	**$ 1,006,210**	$ 964,482	$ 964,757

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, 2007	2006	Nine Months Ended September 30, 2007	2006
INTEREST INCOME				
Loans, including fees	**$ 9,059**	$ 8,629	**$ 26,629**	$ 24,620
Securities:				
Taxable	**3,811**	3,278	**10,294**	10,017
Tax-exempt	**340**	227	**955**	684
Dividends	**147**	131	**485**	409
Other	**39**	36	**123**	104
Total Interest Income	**13,396**	12,301	**38,486**	35,834
INTEREST EXPENSE				
Deposits	**4,367**	3,850	**12,626**	10,902
Short-term borrowings	**1,156**	878	**2,319**	1,993
Long-term debt	**1,572**	1,348	**5,050**	4,217
Total Interest Expense	**7,095**	6,076	**19,995**	17,112
Net Interest Income	**6,301**	6,225	**18,491**	18,722
Provision for Loan Losses	**25**	225	**165**	675
Net Interest Income after Provision for Loan Losses	**6,276**	6,000	**18,326**	18,047
OTHER INCOME				
Service charges on deposit accounts	**521**	507	**1,542**	1,409
Income from fiduciary activities	**253**	199	**680**	504
Earnings on investment in bank-owned life insurance	**229**	214	**672**	618
Gains on sales of securities			**10**	204
Service charges on ATM and debit card transactions	**242**	222	**708**	640
Commissions from insurance sales	**962**	971	**3,287**	3,308
Other	**234**	233	**824**	774
Total Other Income	**2,441**	2,346	**7,723**	7,457
OTHER EXPENSES				
Salaries and employee benefits	**3,234**	3,046	**9,901**	9,622
Net occupancy expense	**543**	527	**1,713**	1,661
Equipment expense	**527**	619	**1,715**	1,874
Other tax expense	**184**	182	**502**	606
Professional services	**216**	259	**593**	862
Supplies and postage	**183**	178	**596**	571
Advertising expense	**263**	178	**906**	510
Other operating	**961**	910	**2,901**	2,778
Total Other Expenses	**6,111**	5,899	**18,827**	18,484
Income before Income Taxes	**2,606**	2,447	**7,222**	7,020

PROVISION FOR INCOME TAXES		**524**		541		**1,408**	1,457
Net Income	**$**	**2,082**	$	1,906	**$**	**5,814**	$ 5,563
PER SHARE DATA							
Basic earnings	**$**	**0.35**	$	0.32	**$**	**0.97**	$ 0.93
Cash dividends declared	**$**	**0.19**	$	0.19	**$**	**0.57**	$ 0.57

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

ACNB CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Nine Months Ended September 30, 2007 and 2006 (Unaudited)

Dollars in thousands	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
BALANCE - DECEMBER 31, 2005	$ 13,590		$ 65,556	$ (5,136)	$ 74,010
Comprehensive income:					
Net income			5,563		5,563
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and taxes				823	823
Total Comprehensive Income					6,386
Cash dividends declared			(3,425)		(3,425)
BALANCE - SEPTEMBER 30, 2006	$ 13,590	$	$ 67,694	$ (4,313)	$ 76,971
BALANCE - DECEMBER 31, 2006	$ 14,267	$ 4,741	$ 62,845	$ (4,549)	$ 77,304
Comprehensive income :					
Net income			5,814		5,814
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and taxes				2,404	2,404
Total Comprehensive Income					8,218
Cash dividends declared			(3,425)		(3,425)
BALANCE - SEPTEMBER 30, 2007	**$ 14,267**	**$ 4,741**	**$ 65,234**	**$ (2,145)**	**$ 82,097**

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, 2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$ 5,814**	$ 5,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sales of loans and property	**(281)**	(158)
Earnings on investment in bank-owned life insurance	**(672)**	(618)
Gains on sales of securities	**(10)**	(204)
Deferred income taxes	**(362)**	(140)
Depreciation and amortization	**1,245**	1,351
Provision for loan losses	**165**	675
Net amortization of investment securities premiums	**334**	710
Increase in interest receivable	**(937)**	(597)
Increase in interest payable	**712**	864
Increase in mortgage loans held for sale	**(215)**	(511)
Decrease in other assets	**432**	638
Decrease in other liabilities	**(2,044)**	(562)
Net Cash Provided by Operating Activities	**4,181**	7,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investment securities held to maturity	**1,854**	2,199
Proceeds from maturities of investment securities available for sale	**88,941**	17,084
Proceeds from sales of investment securities available for sale	**1,589**	
Purchase of investment securities available for sale	**(101,073)**	
Net purchase of restricted investment in bank stocks	**(1,243)**	(1,757)
Purchase of bank-owned life insurance	**(1,525)**	
Net increase in loans	**(27,092)**	(35,396)
Purchase of insurance book of business	**(429)**	
Investments in low-income housing partnerships	**(131)**	
Capital expenditures	**(633)**	(1,265)
Proceeds from sales of property	**195**	
Net Cash Used in Investing Activities	**(39,547)**	(19,135)
Cash Flows from Financing Activities		
Net increase in demand deposits, interest bearing deposits, and savings accounts	**6,261**	334
Net increase (decrease) in time certificates of deposit	**11,335**	(10,488)
Net increase in short-term borrowings	**49,505**	36,315
Dividends paid	**(3,425)**	(3,425)
Proceeds from long-term borrowings	**40,000**	45,000
Repayments on long-term borrowings	**(70,205)**	(55,192)
Net Cash Provided by Financing Activities	**33,471**	12,544
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,895)**	420
CASH AND CASH EQUIVALENTS BEGINNING	**20,656**	19,274
CASH AND CASH EQUIVALENTS ENDING	**$ 18,761**	$ 19,694

Interest paid	**$**	**19,283**	$	16,248
Income taxes paid	**$**	**1,075**	$	2,197
Loans transferred to foreclosed real estate	**$**		$	203

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

ACNB Corporation

Item 1 - Notes to Consolidated Financial Statements

1. Basis of Presentation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly ACNB Corporation s financial position as of September 30, 2007 and 2006, and the results of its operations, changes in stockholders equity and cash flows for the three and nine months ended September 30, 2007 and 2006. 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 financial statements in the 2006 ACNB Corporation Annual Report on Form 10-K, filed with the SEC on March 16, 2007. The results of operations for the nine month period ended September 30, 2007, are not necessarily indicative of the results to be expected for the full year. For comparative purposes, the September 30, 2006, balances have been reclassified to conform with the 2007 presentation. Such reclassifications had no impact on net income.

2. Earnings Per Share

The Corporation has a simple capital structure. Basic earnings per share of common stock is computed based on 5,992,319 weighted average shares of common stock outstanding for all periods presented. The weighted average shares have been retroactively adjusted to give effect to a 5% common stock dividend effective December 2006 and the 5% common stock dividend declared October 23, 2007. The Corporation does not have dilutive securities outstanding.

3. Components of Net Periodic Benefit Cost

The components of net periodic benefit costs for the three month and nine month periods ended September 30 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Service cost	**$ 125**	$ 142	**$ 375**	$ 426
Interest cost	**211**	213	**633**	639
Expected return on plan assets	**(295)**	(254)	**(885)**	(762)
Recognized net actuarial loss		31		93
Other, net	**13**	13	**39**	39
Net Periodic Benefit Cost	**$ 54**	$ 145	**$ 162**	$ 435

The Corporation previously disclosed in its financial statements for the year ended December 31, 2006, that it expected to contribute $1,250,000 to its pension plan in 2007. As of September 30, 2007, $0 of contributions have been made, with the full contribution expected to be made in the fourth quarter of 2007.

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 $4,833,000 in standby letters of credit, as of September 30, 2007. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees should 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, 2007, for guarantees under standby letters of credit issued is not material.

5. Comprehensive Income

The Corporation s other comprehensive income items are unrealized gains (losses) on securities available for sale and unfunded pension liability. There was no change in the unfunded pension liability during the three month and nine month periods ended September 30, 2007 and 2006. The components of other comprehensive income for the three month and nine month periods ended September 30 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Unrealized holding gains on available for sale securities arising during the period	**$ 3,423**	$ 4,643	**$ 3,654**	$ 1,473
Reclassification of gains realized in net income			**10**	204
Net Unrealized Gains	**3,423**	4,643	**3,644**	1,269
Tax effect	**(1,165)**	(1,625)	**(1,240)**	(446)
Other Comprehensive Income	**$ 2,258**	$ 3,018	**$ 2,404**	$ 823

6. Segment Information

Russell Insurance Group, Inc. is managed separately from the banking and related financial services that the Corporation offers. Russell Insurance Group offers a broad range of property and casualty, life and health insurance to both commercial and individual clients.

Segment information for the three and nine month periods ended September 30, 2007 and 2006, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	**2006**	**2007**	**2006**
Commissions from insurance sales	**$ 962**	$ 971	**$ 3,287**	$ 3,308
Income before income taxes	**$ 177**	$ 223	**$ 867**	$ 1,051
Total assets			**$ 11,869**	$ 8,504

In June 2007, Russell Insurance Group acquired an additional book of business for an estimated purchase price of $708,000; the final purchase price is dependent on the active customer list as of October 31, 2007, based on a predetermined multiple. A down payment of 60% of the estimated purchase price, or $429,000, was paid on June 22, 2007. The final payment will be paid on or about November 15, 2007. It is anticipated that substantially all of the purchase price will be allocated to a customer list intangible asset.

ITEM 2 - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION AND FORWARD-LOOKING STATEMENTS

INTRODUCTION

The following is management s discussion and analysis of the significant changes in the financial condition, results of operations, capital resources and liquidity presented in its accompanying consolidated financial statements for ACNB Corporation (the Corporation or ACNB), a financial holding company. Please read this discussion in conjunction with the consolidated financial statements and disclosures included herein. Current performance does not guarantee, assure or indicate similar performance in the future.

Forward-Looking Statements

In addition to historical information, this Form 10-Q contains forward-looking statements. Examples of forward-looking statements include, but are not limited to, (a) projections or statements regarding future earnings, expenses, net interest income, other income, earnings or loss per share, asset mix and quality, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management or the Board of Directors, and (c) statements of assumptions, such as economic conditions in the Corporation s market areas. Such forward-looking statements can be identified by the use of forward-looking terminology such as believes , expects , may , intends , will , should , anticipates negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. Forward-looking statements are subject to certain risks and uncertainties such as local economic conditions, competitive factors, and regulatory limitations. Actual results may differ materially from those projected in the forward-looking statements. We caution readers not to place undue reliance on these forward-looking statements. They only reflect management s analysis, as of this date. The Corporation does not revise or update these forward-looking statements to reflect events or changed circumstances. Please carefully review the risk factors described in other documents the Corporation files from time-to-time with the Securities and Exchange Commission, including the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and any Current Reports on Form 8-K filed by the Corporation.

CRITICAL ACCOUNTING POLICIES

The accounting policies that the Corporation s management deems to be most important to the portrayal of its financial condition and results of operations, and that require management s most difficult, subjective or complex judgment, often result in the need to make estimates about the effect of such matters which are inherently uncertain. The following policies are deemed to be critical accounting policies by management:

The allowance for loan losses represents management s estimate of probable losses inherent in the loan portfolio. Management makes numerous assumptions, estimates and adjustments in determining an adequate allowance. The Corporation assesses the level of potential loss associated with its loan portfolio and provides for that exposure through an allowance for loan losses. The allowance is established through a provision for loan losses charged to earnings. The allowance is an estimate of the losses inherent in the loan portfolio as of the end of each reporting period. The Corporation assesses the adequacy of its allowance on a quarterly basis. The specific methodologies applied on a consistent basis are discussed in greater detail under the caption, Allowance for Loan Losses , in a subsequent section of the following Management s Discussion and Analysis of Financial Condition and Results of Operations.

The evaluation of securities for other than temporary impairment requires a significant amount of judgment. In estimating other than temporary impairment losses, management considers various factors, including length of time the fair value has been below cost, the financial condition of the issuer, and the intent and ability of the Corporation to hold the securities until recovery. Declines in fair value that are determined to be other than temporary are charged against earnings.

SFAS No. 142, Goodwill and Other Intangible Assets , requires that goodwill is not amortized to expense, but rather that it be tested for impairment at least annually. Impairment write-downs are charged to results of operations in the period in which the impairment is determined. The Corporation did not identify any impairment on its goodwill from its most recent testing, which was performed as of December 31, 2006. If certain events occur which might indicate goodwill has been impaired, the goodwill is tested when such events occur. Other acquired intangible assets with infinite lives, such as core deposit intangibles, are required to be amortized over the estimated lives. Core deposit and other intangibles are generally amortized using the accelerated methods over estimated useful lives of ten to fifteen years.

NEW ACCOUNTING PRONOUNCEMENTS

FIN No. 48

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109 (FIN No. 48), which clarifies the accounting for uncertainty in tax positions. This interpretation requires that companies recognize in their financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN No. 48 were effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The impact of adopting FIN No. 48 on the Corporation s financial statements was not material.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements , which defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements. The new guidance is effective for financial statements issued for fiscal years beginning after November 15, 2007, and for interim periods within those fiscal years. The Corporation is currently evaluating the potential impact, if any, of the adoption of SFAS No. 157 on its consolidated financial position, results of operations, and cash flows.

SFAS No. 159

On February 15, 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115 . This standard permits an entity to choose to measure many financial instruments and certain other items at fair value. This option is available to all entities, including not-for-profit organizations. Most of the provisions in SFAS No. 159 are elective; however, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities , applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income. The FASB s stated objective in issuing this standard is as follows: to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity will report unrealized gains and losses on items for which the fair value option has been elected in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. A not-for-profit organization will report unrealized gains and losses in its statement of activities or similar statement. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and, (c) is applied only to the entire instruments and not to portions of instruments.

SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year, provided the entity makes that choice in the first 120 days of that fiscal year and elects to apply the provisions of SFAS No. 157, Fair Value Measurements . The Corporation did not elect early adoption.

EITF 06-5

On September 7, 2006, the Emerging Issues Task Force reached a conclusion on EITF Issue No. 06-5 (EITF 06-5), Accounting for Purchases of Life Insurance Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance . The scope of EITF 06-5 consists of six separate issues relating to accounting for life insurance policies purchased by entities protecting against the loss of key persons . The six issues are clarifications of previously issued guidance on FASB Technical Bulletin No. 85-4. EITF 06-5 is effective for fiscal years beginning after December 15, 2006. The impact of adopting EITF 06-5 on the Corporation s consolidated financial statements was not material.

EITF 06-10

In March 2007, the FASB ratified Emerging Issues Task Force Issue No. 06-10 (EITF 06-10), Accounting for Collateral Assignment Split-Dollar Life Insurance Agreements . EITF 06-10 provides guidance for determining a liability for the postretirement benefit obligation, as well as recognition and measurement of the associated asset on the basis of the terms of the collateral assignment agreement. EITF 06-10 is effective for fiscal years beginning after December 15, 2007. The Corporation is currently assessing the impact of EITF 06-10 on its consolidated financial position and results of operations.

RESULTS OF OPERATIONS

Net income for the three months ended September 30, 2007, was $2,082,000 compared to $1,906,000 for the same quarter in 2006, an increase of $176,000 or 9%. Earnings per share increased from $0.33 in 2006 to $0.36 in 2007. Net interest income increased $76,000 or 1%; provision for loan losses decreased $200,000 or 89%; other income increased $95,000 or 4%; and, other expenses increased $212,000 or 4%.

Net income for the nine months ended September 30, 2007, was $5,814,000 compared to $5,563,000 for the same nine month period in 2006, an increase of $251,000 or 5%. Earnings per share increased to $1.02 in 2007 from $0.97 in 2006. Net interest income decreased $231,000 or 1%; provision for loan losses decreased $510,000 or 76%; other income increased $266,000 or 4%; and, other expenses increased $343,000 or 2%.

Quarter ended September 30, 2007, compared to quarter ended September 30, 2006

Net Interest Income

Net interest income totaled $6,301,000 during the quarter ended September 30, 2007, compared to $6,225,000 for the same period in 2006, an increase of $76,000 or 1%. Net interest income increased despite an increase in interest expense from changes in the funding mix to more expensive time deposits and because of rate increases on renewed time deposits and borrowings. Interest expense increased $1,019,000 or 17%. The increase in funding costs was offset by improvements to interest income, which increased $1,095,000 or 9%. Improvement in interest income was a result of more volume, a better mix of higher-earning loans, and interest rate increases. In addition, a program of purchasing investment securities in anticipation of securities calls in the fourth quarter of 2007 resulted in an increase in securities interest income of $665,000 compared to the same quarter in 2006. The purchases are to mitigate the risk of reinvestment in a short time period and to better diversify maturities. The funding for the purchases included short-term borrowings that can be repaid when the securities are called in the fourth quarter.

The net interest spread for the third quarter of 2007 was 2.29% compared to 2.54% during the same period in 2006. Also comparing the third quarter of 2007 to 2006, the yield on interest earning assets increased by 0.07% and the cost of interest bearing liabilities increased by 0.32%. The net interest margin was 2.66% for the third quarter of 2007 and 2.84% for the third quarter of 2006.

Average earning assets were $945,819,000 during the third quarter of 2007, an increase of $66,309,000 over the average for the third quarter of 2006. Earning assets increased due to loan growth and purchases of investment securities in anticipation of securities calls in the fourth quarter of 2007. Average interest bearing liabilities were $840,761,000 in the third quarter of 2007, an increase of $47,658,000 from the same quarter in 2006.

Provision for Loan Losses

There was a $25,000 provision for loan losses charged against earnings in the third quarter of 2007 compared to $225,000 in the third quarter of 2006. The decrease was primarily a result of the calculation of adequacy in the allowance for loan losses at September 30, 2007, indicating less

need for provision than in the same period of 2006. ACNB adjusts the provision for loan losses periodically as necessary to maintain the allowance at a level deemed to meet the risk characteristics of the loan portfolio. For the third quarter of 2007, the Corporation had net charge-offs of $2,000 compared with net recoveries of $33,000 for the third quarter of 2006. For further information, refer to the *Allowance for Loan Losses* discussion in the Financial Condition section of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

Other Income

Total other income was $2,441,000 for the three months ended September 30, 2007, a $95,000 or 4% increase from the third quarter of 2006. Fees from deposit accounts increased by $14,000 or 3% due to revised fee schedules and higher volume. ATM/debit card revenues increased by $20,000 or 9% due primarily to higher volume. Income from fiduciary activities, which includes both institutional and personal trust management services, totaled $253,000 for the three months ended September 30, 2007, as compared to $199,000 during the third quarter of 2006, a 27% increase as a result of assets under management growth and estate settlement income. Earnings on bank-owned life insurance increased by $15,000 or 7% as a result of an increase in value and higher crediting rates. Commissions from insurance sales at the Corporation s subsidiary, Russell Insurance Group, Inc., decreased $9,000 or less than 1% due to lower commissions in a soft commercial insurance market.

Other Expenses

The largest component of other expenses is salaries and employee benefits, which increased by $188,000 or 6% during the third quarter of 2007 as compared to the same period a year ago. The increase in salaries and employee benefits was the result of:

An increase in the number of full-time equivalent employees due to growth and expansion;

Normal merit and promotion increases to employees; and,

Increased production-based incentive compensation for employees.

Partially offsetting increases was lower defined benefit pension expense of $91,000 due to the funded position and recent earnings on pension fund assets.

Net occupancy expense increased by $16,000 or 3% due to two new leased offices and higher maintenance. Equipment expense decreased by $92,000 or 15% as a result of lower leased equipment and outsourced processing expenses.

Professional services expense totaled $216,000 during the third quarter of 2007, as compared to $259,000 for the same period in 2006. The decrease was due to management of expenses relating to Sarbanes-Oxley §404, internal and external audit, and regulatory compliance.

Advertising expenses increased by $85,000 or 48%. The increase included costs to further the growth and brand image of the Corporation, with variances due to different promotions in each period.

Other operating expenses totaled $961,000 during the quarter ended September 30, 2007, compared to $910,000 during the third quarter of 2006. Higher expenses in 2007 included training/education expenditures and losses on deposit accounts.

Nine months ended September 30, 2007, compared to nine months ended September 30, 2006

Net Interest Income

Net interest income totaled $18,491,000 during the nine months ended September 30, 2007, compared to $18,722,000 for the same period in 2006, a decrease of $231,000 or 1%. Net interest income was down because of changes in the funding mix to more expensive time deposits and because of rate increases on renewed time deposits and borrowings. Interest expense increased $2,883,000 or 17%. The increase in funding costs offset improvements to interest income which increased $2,652,000 or 7%. Improvement in interest income was a result of more volume, a better mix of higher-earning loans, and interest rate increases. In addition, a program of purchasing investment securities in anticipation of securities calls in the fourth quarter of 2007 resulted in an increase in securities interest income of $643,000 compared to the same nine months in 2006. The funding for the purchases included short-term borrowings that can be repaid when the securities are called in the fourth quarter.

The net interest spread for the first nine months of 2007 was 2.36% compared to 2.52% during the same period in 2006. The yield on interest earning assets increased by 0.24% and the cost of interest bearing liabilities increased by 0.40% when comparing the first nine months of each year. The net interest margin was 2.72% for the first nine months of 2007 and 2.84% for the first nine months of 2006.

Average earning assets were $917,036,000 during the first nine months of 2007, an increase of $25,371,000 over the average for the first nine months of 2006. Average interest bearing liabilities were $815,026,000 in the first nine months of 2007, an increase of $22,319,000 over the same nine month period in 2006.

Provision for Loan Losses

The provision for loan losses was $165,000 in the first nine months of 2007 compared to $675,000 in the first nine months of 2006, a decrease of $510,000 or 76%. The decrease was primarily a result of the limited increase in the risk position during the intervening period and the continued absence of realized losses in the portfolio despite the increase in outstanding loans. ACNB adjusts the provision for loan losses periodically as necessary to maintain the allowance at a level deemed to meet the risk characteristics of the loan portfolio. For the first nine months of 2007, the Corporation had net charge-offs of $3,000 compared with net recoveries of $42,000 for the first nine months of 2006. For further information, refer to the *Allowance for Loan Losses* discussion in the Financial Condition section of the Management s Discussion and Analysis of Financial Condition and Results of Operations.

Other Income

Total other income was $7,723,000 for the nine months ended September 30, 2007, a $266,000 or 4% increase from the first nine months of 2006. Gains on investment securities in 2006 of $204,000 exceeded gains on sales of investment securities and buildings in 2007 of $10,000 and $72,000, respectively. Income on sales of loans increased $51,000 in 2007 as more fixed rate mortgages were sold. Insurance sales commissions by the Corporation s subsidiary, Russell Insurance Group, Inc., were similar between the two nine month periods despite a continued soft insurance market. Commission revenue in both years included contingent or extra commission payments from insurance carriers in approximately equal amounts. The amount of contingent commissions is based on several factors, and the payments are at the discretion of various insurance carriers in accordance with state insurance regulations. Fees from deposit accounts increased by $133,000 or 9% due to revised fee schedules and higher volume. ATM/debit card revenues increased by $68,000 or 11% due primarily to higher volume. Income from fiduciary activities, which includes both institutional and personal trust management services, totaled $680,000 for the nine months ended September 30, 2007, as compared to $504,000 during the first nine months of 2006, a 35% increase as a result of more assets under management and estate settlement income. Earnings on bank-owned life insurance increased $54,000 or 9% as a result of an increase in value and higher crediting rates.

Other Expenses

The largest component of other expenses is salaries and employee benefits, which increased by $279,000 for the nine months ended September 30, 2007, as compared to the same period a year ago. During the second quarter of 2006, the Corporation expensed the severance costs related to the June 13, 2006, settlement with the former Secretary and Treasurer of the Corporation in the amount of approximately $133,000. In 2007, an increase in salaries and employee benefits was the result of:

An increase in the number of full-time equivalent employees due to growth and expansion;

Normal merit and promotion increases to employees; and,

Increased production-based incentive compensation for employees.

Partially offsetting increases was lower defined benefit pension expense of $273,000 due to the funded position and recent earnings on pension fund assets.

Net occupancy expense increased by $52,000 or 3% due to two new leased offices and higher maintenance. Equipment expense decreased $159,000 or 8% as a result of lower leased equipment and outsourced processing expenses.

Professional services expense totaled $593,000 for the nine months ended September 30, 2007, as compared to $862,000 for the same period in 2006. The decrease was due to timing and management of expenses relating to Sarbanes-Oxley §404, internal and external audit, and regulatory compliance, mainly in the first half of the year.

Supplies and postage increased due to an expanded customer base and additional direct mail promotions, as well as a postage rate increase.

Advertising expenses increased by $396,000 or 78%, which included approximately $144,000 in 2007 to promote the 150th Anniversary of the bank subsidiary. The remainder of the increase included costs to further the growth and brand image of the Corporation, with variances due to different promotions in each period.

Other operating expenses totaled $2,901,000 for the nine months ended September 30, 2007, compared to $2,778,000 during the same period of 2006. Higher expenses in 2007 included electronic banking services which attract and maintain deposits, as well as training/educational expenditures and deposit losses.

Income Tax Expense

The Corporation recognized income taxes of $524,000 or 20% of pre-tax income during the third quarter of 2007, as compared to $541,000 or 22% of pre-tax income during the same period in 2006. The Corporation recognized income taxes of $1,408,000 or 20% of pre-tax income during the first nine months of 2007, as compared to $1,457,000 or 21% of pre-tax income during the same period in 2006. The variances from the federal statutory rate of 34% in all periods are generally due to tax-exempt income on securities, loans, bank-owned life insurance, and investments in low-income housing partnerships (which qualify for federal tax credits). The lower effective tax rate in 2007 was a result of more tax advantaged municipal securities and loan income. The income tax provision during the third quarter ended September 30, 2007 and 2006 included historical and low-income housing tax credits of $172,000 in both periods. The income tax provision during the nine months ended September 30, 2007 and 2006 included historical and low-income housing tax credits of $517,000 in both periods.

FINANCIAL CONDITION

Assets totaled $1,006,210,000 at September 30, 2007, compared to $964,757,000 at December 31, 2006, and $964,482,000 at September 30, 2006. Average earning assets during the nine months ended September 30, 2007, increased to $939,652,000 from $893,121,000 during the same period in 2006. Average interest bearing liabilities increased in 2007 to $834,213,000 from $792,767,000 in 2006.

Investment Securities

ACNB uses investment securities to generate interest and dividend income, to manage interest rate risk, and to provide liquidity. The investment portfolio is comprised of U.S. Government agency, tax-free municipal, and corporate securities. These securities provide the appropriate characteristics with respect to yield and maturity relative to the management of the overall balance sheet. Total investment securities increased by $13,189,000 compared to December 31, 2006. This increase is the result of purchasing investment securities in anticipation of securities calls in the fourth quarter of 2007. The purchases are to mitigate the risk of reinvestment in a short time period and to better diversify maturities. Investment calls projected for the fourth quarter are currently designated to provide funds to pay down borrowings, and thus reduce a low-spread balance sheet leverage position. The result is expected to increase net interest margin, while total assets decrease. The magnitude of these changes will be adjusted in fourth quarter of 2007, depending on the slope of the yield curve and other funding sources and needs.

At September 30, 2007, the securities balance included a net unrealized loss of $1,033,000, net of taxes, on available for sale securities versus a net unrealized loss of $3,437,000, net of taxes, at December 31, 2006. The increase in interest rates since the purchase of securities led to the depreciation in the fair value of securities during both periods. Investments in U.S. Government agency mortgage-backed securities purchased during periods of low interest rates sustained the larger decreases in fair value. Management has determined that the declines in fair value are not other than temporary. All mortgage-backed security investments are pass through instruments issued by Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), which guarantee the timely payment of principal on these investments. During the third quarter of 2007 a $6 million GMAC bond that was below investment grade paid in full at maturity.

Loans

Loans outstanding increased by $22,904,000 or 4% from September 30, 2006, to September 30, 2007, and by $27,513,000 or 5% from December 31, 2006, to September 30, 2007. The growth in loans is consistent with the Corporation s strategic direction to increase loans, a stable local economy, and lending to support existing customers. Compared to September 30, 2006, commercial loans grew by $30,500,000 or 13%. Commercial loan growth is the result of the strategy to actively lend to businesses in the banking subsidiary s market area. Additionally, ACNB has been able to participate with other local financial institutions on commercial lending credits. Residential real estate and home equity lending decreased by $3,300,000 or 1%, as a result of a slowing local housing market and customer desire for long-term fixed rate mortgages which the Corporation sells in the secondary market.

Most of the Corporation s lending activities are with customers located within the southcentral Pennsylvania and northern Maryland region of the country. This region currently and historically has lower unemployment than the U.S. as a whole. The Corporation does not have any concentrations greater than 10% of total loans to any one industry or customer. The Corporation does not hold subprime mortgages in its loan portfolio.

Allowance for Loan Losses

The allowance for loan losses at September 30, 2007, was $5,537,000 or 1.00% of loans, as compared to $5,173,000 or 0.98% of loans at September 30, 2006, and $5,375,000 or 1.02% of loans at December 31, 2006. The ratio of non-performing loans plus foreclosed assets to total assets was 0.51% at September 30, 2007, as compared to 0.47% at September 30, 2006, and 0.43% at December 31, 2006.

Loans past due 90 days and still accruing were $1,126,000 and nonaccrual loans were $4,050,000 as of September 30, 2007, substantially all of which are secured by real estate and are unrelated borrowers. Loans past due 90 days and still accruing were $220,000 at December 31, 2006, while nonaccruals were $3,900,000. The increase in loans past due 90 days or more is on loans that are considered to be well secured and in the process of collection. Impaired loans totaled $15,239,000 at September 30, 2007, an increase of $8,257,000 from the impaired loans reported at December 31, 2006. Of this increase, loans totaling $4,562,000 were considered to be well secured by real estate and other collateral. The Corporation had net recoveries (amounts recovered on loans previously charged-off exceeded new loans charged-off) of $2,000 and $49,000 for the years ended December 31, 2005 and 2006, respectively. The Corporation had net charge-offs of $3,000 for the nine months ended September 30, 2007.

The Corporation utilizes a systematic review of its loan portfolio on a quarterly basis in order to determine the adequacy of the allowance for loan losses. The allowance for loan losses consists of two basic components, the first of which is individual loan impairment based primarily on the loan s collateral fair value and other observable data. A watch list of loans is identified for this evaluation based on internal and external loan grading and reviews. Loans other than those determined to be impaired are then grouped into pools of loans with similar credit risk characteristics. These loans are evaluated as groups with allocations made to the allowance based on historical loss experience adjusted for current trends in delinquencies, trends in underwriting and oversight, concentrations of credit, and general economic conditions within the Corporation s trading area. The decrease in provision for loan losses expense in 2007 compared to 2006 was primarily a result of stabilization of the risk position and the continued absence of realized losses in the loan portfolio.

Deposits

ACNB continues to rely on deposit growth as a primary source of funds for lending activities. Deposits increased by $18,074,000 or 3% from September 30, 2006, to September 30, 2007. Deposits increased by $17,596,000 or 3% from December 31, 2006, to September 30, 2007, with seasonal and other variations in funds held in customer transaction accounts used for cash flow needs. In addition, deposit growth has primarily been in promotional certificates of deposit, which attract funds from the banking subsidiary s lower-cost deposit categories as well as from new funding sources. Deposit costs increased during the first nine months of 2007 due to certificate of deposit renewals and new funds in promotional products with rates higher than the overall cost of funds.

Borrowings

Short-term borrowings are comprised primarily of securities sold under agreements to repurchase and overnight borrowings at the Federal Home Loan Bank of Pittsburgh (FHLB). As of September 30, 2007, short-term borrowings were $109,488,000, as compared to $59,983,000 at December 31, 2006, and $95,622,000 at September 30, 2006. The Corporation increased short-term borrowings by 83% from year-end 2006 to fund the pre-purchase of investment securities ahead of expected calls later in 2007.

Long-term debt consists primarily of advances from the FHLB to fund the banking subsidiary s asset growth. Long-term debt totaled $115,315,000 at September 30, 2007, versus $145,520,000 at December 31, 2006, and $115,586,000 at September 30, 2006. The Corporation decreased long-term debt by 21% from year-end 2006 as a part of the strategy to continue to de-leverage the balance sheet through 2007.

Capital

ACNB s capital management strategies have been developed to provide attractive rates of returns to stockholders, while maintaining its well-capitalized position. Total stockholders equity was $82,097,000 at September 30, 2007, as compared to $77,304,000 at December 31, 2006, and $76,971,000 at September 30, 2006. Stockholders equity increased in the first nine months of 2007 due to earnings retained in capital and improvement in the fair value of securities available for sale.

The primary source of additional capital to ACNB is earnings retention, which represents net income less dividends declared. During the first nine months of 2007, ACNB earned $5,814,000 and paid dividends of $3,425,000 for a net retainage of $2,389,000 or 41%. During the first nine months of 2006, ACNB earned $5,563,000 and paid dividends of $3,425,000 for a net retainage of $2,138,000 or 38%.

ACNB is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on ACNB. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, ACNB must meet specific capital guidelines that involve quantitative measures of its assets and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy requires ACNB and its banking subsidiary to maintain minimum amounts and ratios of total and Tier 1 capital to average and risk-weighted assets. Management believes, as of September 30, 2007, that ACNB and its banking subsidiary met all minimum capital adequacy requirements to which they are subject and are categorized as well-capitalized .

Risk-Based Capital

ACNB s capital ratios are as follows:

	September 30, 2007	December 31, 2006
Tier 1 leverage ratio (to average assets)	**7.49%**	7.74%
Tier 1 risk-based capital ratio (to risk-weighted assets)	**12.26%**	12.65%
Total risk-based capital ratio	**13.16%**	13.58%

Liquidity

Effective liquidity management ensures the cash flow requirements of depositors and borrowers, as well as the operating cash needs of ACNB, are met.

ACNB s funds are available from a variety of sources, including assets that are readily convertible to cash, maturities and repayments from the securities portfolio, scheduled repayments of loans receivable, the core deposit base, and the ability to borrow from the FHLB. At September 30, 2007, ACNB had a borrowing capacity of approximately $500,443,000 from the FHLB of which $311,815,000 was available.

Another source of liquidity is securities sold under repurchase agreements to customers of ACNB s banking subsidiary totaling $30,408,000 and $19,919,000 at September 30, 2007, and December 31, 2006, respectively.

The liquidity of the parent company, ACNB Corporation, also represents an important aspect of liquidity management. The parent company s cash outflows consist principally of dividends to stockholders and corporate expenses. The main source of funding for the parent company is the dividends it receives from its banking subsidiary. Federal and state banking regulations place certain restrictions on dividends paid to the parent company from subsidiary banks. The total amount of dividends that may be paid from the subsidiary bank to ACNB was $4,843,000 at

September 30, 2007.

Off-Balance Sheet Arrangements

The Corporation is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and, to a lesser extent, standby letters of credit. At September 30, 2007, the Corporation had unfunded outstanding commitments to extend credit of $120,000,000 and outstanding standby letters of credit of $4,800,000. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Management monitors and evaluates changes in market conditions on a regular basis. Based upon the most recent review, management has determined that there have been no material changes in market risks since year-end. For further discussion of year-end information, refer to the Annual Report on Form 10-K.

ITEM 4 - CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Corporation carried out an evaluation, under the supervision and with the participation of the Corporation s management, including the Corporation s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures pursuant to the Securities Exchange Act of 1934 (Exchange Act) Rule 13a-15e. Based upon that evaluation, the Corporation s Chief Executive Officer along with the Corporation s Chief Financial Officer concluded that the Corporation s disclosure controls and procedures are effective.

Disclosure controls and procedures are Corporation controls and other procedures that are designed to ensure that information required to be disclosed by the Corporation in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms.

There were no changes in the Corporation s internal control over financial reporting during the fiscal quarter ended September 30, 2007, that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

ITEM 4T - CONTROLS AND PROCEDURES

Not Applicable.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

Management is not aware of any litigation that would have a material adverse effect on the consolidated financial position or results of operations of the Corporation. There are no proceedings pending other than the ordinary routine litigation incident to the business of the Corporation and its subsidiaries. In addition, no material proceedings are pending, or are known to be threatened or contemplated, against the Corporation and its subsidiaries by government authorities.

ITEM 1A - RISK FACTORS

Management has reviewed the risk factors that were previously disclosed in the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2006. It was determined that there are no material changes from the risk factors as previously disclosed in the Annual Report on Form 10-K.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS - NOTHING TO REPORT.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES - NOTHING TO REPORT.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS- NOTHING TO REPORT.

ITEM 5 - OTHER INFORMATION - NOTHING TO REPORT.

ITEM 6 - EXHIBITS

The following Exhibits are included in this Report:

Exhibit 3(i)	Articles of Incorporation of ACNB Corporation, as amended. (Incorporated by reference to Exhibit 3(i) of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Commission on March 15, 2007.)
Exhibit 3(ii)	Bylaws of Registrant; a copy of the Bylaws, as amended. (Incorporated by reference to Exhibit 99 of the Registrant s Current Report on Form 8-K, filed with the Commission on December 19, 2003.)
Exhibit 10.1	ACNB Corporation, ACNB Acquisition Subsidiary LLC, and Russell Insurance Group, Inc. Stock Purchase Agreement. (Incorporated by reference to Exhibit 10.2 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.2	Salary Continuation Agreement - Applicable to Ronald L. Hankey, Thomas A. Ritter, Lynda L. Glass and John W. Krichten. (Incorporated by reference to Exhibit 10.3 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.3	Executive Supplemental Life Insurance Plan - Applicable to Ronald L. Hankey, Thomas A. Ritter, Lynda L. Glass and John W. Krichten. (Incorporated by reference to Exhibit 10.4 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.4	Director Supplemental Life Insurance Plan - Applicable to Philip P. Asper, Frank Elsner III, Wayne E. Lau, Daniel W. Potts, Marian B. Schultz, Alan J. Stock, Jennifer L. Weaver and Harry L. Wheeler. (Incorporated by reference to Exhibit 10.5 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.5	Director Fee Deferral Agreement - Applicable to Frank Elsner III, Wayne E. Lau, Marian B. Schultz, Alan J. Stock, Jennifer L. Weaver and Harry L. Wheeler. (Incorporated by reference to Exhibit 10.6 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.6	Adams County National Bank Salary Savings Plan. (Incorporated by reference to Exhibit 10.7 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.7	Group Pension Plan for Employees of Adams County National Bank. (Incorporated by reference to Exhibit 10.8 of the Registrant s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Commission on March 15, 2005.)
Exhibit 10.8	Complete Settlement Agreement and General Release made among ACNB Corporation, Adams County National Bank and John W. Krichten effective June 13, 2006. (Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K, filed with the Commission on June 15, 2006.)
Exhibit 10.9	Employment Agreement between ACNB Corporation, Adams County National Bank and Thomas A. Ritter dated as of July 3, 2006. (Incorporated by reference to Exhibit 99.1 of the Registrant s Current Report on Form 8-K, filed with the Commission on July 6, 2006.)
Exhibit 10.10	Employment Agreement between ACNB Corporation, Adams County National Bank and Lynda L. Glass dated as of July 3, 2006. (Incorporated by reference to Exhibit 99.2 of the Registrant s Current Report on Form 8-K, filed with the Commission on July 6, 2006.)

Exhibit 31.1	Chief Executive Officer Certification of Quarterly Report on Form 10-Q.
Exhibit 31.2	Chief Financial Officer Certification of Quarterly Report on Form 10-Q.
Exhibit 32.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Added by Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Added by Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACNB CORPORATION (Registrant)

November 9, 2007

/s/ Thomas A. Ritter
Thomas A. Ritter
President & Chief Executive Officer

/s/ David W. Cathell
David W. Cathell
Senior Vice President & Chief Financial Officer