FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. 0000950154-01-500281

(HTML Version on secdatabase.com)

FILER

ACNB CORP

CIK:**715579**| IRS No.: **232233457** | State of Incorp.:**PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-11783** | Film No.: **1697095**
SIC: **6022** State commercial banks

Mailing Address
P O BOX 3129
675 OLD HARRISBURG RD
GETTYSBURG PA 17325

Business Address
675 OLD HARRISBURG RD
P O BOX 3129
GETTYSBURG PA 17325
7173343161

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 June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-11783

ACNB CORPORATION
(Exact name of corporation as specified in its charter)

PENNSYLVANIA	23-2233457
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

675 OLD HARRISBURG ROAD, GETTYSBURG, PA	17325
(Address of principal executive offices)	(Zip Code)

(717) 334-3161
(corporation's telephone number, including area code)

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

Indicate by check mark whether the corporation (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 corporation was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED
IN BANKRUPTCY PROCEEDINGS DURING
THE PRECEDING FIVE YEARS:

Indicate by check mark whether the corporation has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class - Common Stock ($2.50 par value)
Outstanding at June 30, 2001 - 5,436,101

PART I
<TABLE>
<CAPTION>

ITEM I FINANCIAL INFORMATION
ACNB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

<S>	6/30 2001 <C>	6/30 2000 <C>	12/31 2000 <C>
ASSETS		(000 omitted)	
Cash and Due from Banks	$ 46,734	$ 21,094	$ 20,202
Investment Securities			
Securities Held to Maturity	47,515	63,239	63,724
Securities Available for Sale	92,541	113,496	108,342
Total Investment Securities	140,056	176,735	172,066
Federal Funds Sold	0	800	3,514
Loans	359,916	353,099	360,990
Less: Reserve for Loan Losses	(3,757)	(3,611)	(3,695)
Net Loans	356,159	349,488	357,295
Premises and Equipment	5,409	4,494	4,688
Other Real Estate	1,262	1,069	981
Other Assets	17,354	9,470	8,584
TOTAL ASSETS	$566,974	$563,150	$567,330
LIABILITIES			
Deposits			
Noninterest Bearing	67,317	64,905	66,739
Interest Bearing	407,628	392,820	386,410
Total Deposits	474,945	457,725	453,149
Securities Sold Under Agreement To Repurchase	24,274	23,405	32,207
Borrowing Federal Home Loan Bank	0	18,100	16,300
Demand Notes U.S. Treasury	450	450	450
Other Liabilities	5,070	4,044	4,787
TOTAL LIABILITIES	504,739	503,724	506,893
SHAREHOLDERS' EQUITY			
Common Stock ($2.50 par value) 20,000,000 shares authorized: 5,436,101 shares issued and outstanding at 6/30/01	13,590	14,061	13,602
Surplus	0	32	0
Retained Earnings	48,031	47,453	46,258
Net unrealized gains (losses) on securities available for sale	614	(2,120)	577

TOTAL SHAREHOLDERS' EQUITY	62,235	59,426	60,437
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$566,974	$563,150	$567,330

</TABLE>
See accompanying notes to financial statements.

<TABLE>
<CAPTION>

ACNB CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended 6/30		Six Months Ended 6/30	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
	(000 omitted)		(000 omitted)	
INTEREST INCOME				
Loan Interest and Fees	$7,088	$7,038	$14,320	$13,865
Interest and Dividends on Investment Securities	2,517	2,653	5,309	5,281
Interest on Federal Funds Sold	127	23	198	38
Interest on Balances with Depository Institutions	99	145	137	256
TOTAL INTEREST INCOME	9,831	9,859	19,964	19,440
INTEREST EXPENSE				
Deposits	3,851	3,702	7,691	7,323
Other Borrowed Funds	256	329	930	646
TOTAL INTEREST EXPENSE	4,107	4,031	8,621	7,969
NET INTEREST INCOME	5,724	5,828	11,343	11,471
Provision for Loan Losses	60	60	120	120
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,664	5,768	11,223	11,351
OTHER INCOME				
Trust Department	120	181	278	302
Service Charges on Deposit Accounts	340	233	578	452
Other Operating Income	352	252	806	530
Securities Gains	0	0	0	24
TOTAL OTHER INCOME	812	666	1,662	1,308
OTHER EXPENSES				
Salaries and Employee Benefits	1,999	1,947	3,845	3,789
Premises and Fixed Assets	467	450	1,030	953
Other Expenses	1,140	933	2,130	1,885
TOTAL OTHER EXPENSE	3,606	3,330	7,005	6,627
INCOME BEFORE INCOME TAX	2,870	3,104	5,880	6,032
Applicable Income Tax	885	1,009	1,867	1,954
NET INCOME	$1,985	$2,095	$ 4,013	$ 4,078

	======	======	=======	=======
EARNINGS PER SHARE*	$0.37	$0.37	$0.74	$0.72
DIVIDENDS PER SHARE*	0.20	0.20	0.40	0.40

</TABLE>
*Based on 5,436,133 shares outstanding in 2001 and 5,690,172 in 2000

See accompanying notes to financial statements.

<TABLE>
<CAPTION>

ACNB CORPORATION AND SUBSIDIARIES
STATEMENT OF CASH FLOWS

	Six months ended 6/30	
	2001	2000
	(000 omitted)	
<S>	<C>	<C>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash Flows from Operating Activities:		
Interest and Dividends Received	$ 19,125	$ 18,941
Fees and Commissions Received	1,824	1,645
Interest Paid	(8,282)	(7,722)
Cash Paid to Suppliers and Employees	(14,788)	(7,123)
Income Taxes Paid	(1,973)	(1,936)
Net Cash (Used in) Provided by Operating Activities	(4,094)	3,805
Cash Flows from Investing Activities:		
Proceeds from Maturities of Investment Securities and Interest Bearing Balances with Other Banks	31,998	6,867
Purchase of Investment Securities and Interest Bearing Balances with Other Banks	0	(30,384)
Principal Collected on Loans	40,751	32,665
Loans Made to Customers	(40,016)	(38,928)
Capital Expenditures	(936)	(240)
Net Cash (Used in) Provided by Investing Activities	31,797	(30,020)
Cash Flow from Financing Activities:		
Net Increase in Demand Deposits, NOW Accounts, and Savings Accounts	5,459	5,585
Proceeds from Sale of Certificates of Deposit	18,875	12,164
Payments for Maturing Certificates of Deposit	(10,471)	(18,629)
Dividends Paid	(2,174)	(2,290)
Increase (Decrease) in Borrowings	(16,300)	18,100
Retirement of Common Stock	(74)	(2,211)
Net Cash Used in Financing Activities	(4,685)	12,719
Net Increase (Decrease) in Cash and Cash Equivalents	23,018	(13,496)
Cash and Cash Equivalents: Beginning of Period	23,716	35,390
End of Period	$ 46,734	$ 21,894
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Income	$ 4,013	$ 4,078
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	215	270
Provision for Possible Credit Losses	120	120
Provision for Deferred Taxes	(85)	0
(Amortization) Accretion of Investment Securities Premiums	12	48

Increase (Decrease) in Taxes Payable	(21)	(37)
(Increase) Decrease in Interest Receivable	(75)	(476)
Increase (Decrease) in Interest Payable	339	247
Increase (Decrease) in Accrued Expenses	468	(420)
(Increase) Decrease in Other Assets	(8,466)	(291)
Increase (Decrease) in Other Liabilities	(614)	266
Net Cash (Used in) Provided by Operating Activities	$ (4,094)	$ 3,805

DISCLOSURE OF ACCOUNTING POLICY
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.
</TABLE>

ACNB CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. 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 June 30, 2001 and 2000 and December 31, 2000 and the results of its operations for the six months ended June 30, 2001 and 2000 and changes in financial position for the six months then ended. All such adjustments are of a normal recurring nature.

   The accounting policies followed by the company are set forth in Note A to the company's financial statements in the 2000 ACNB Corporation Annual Report and Form 10-K filed with the Securities and Exchange Commission under file no. 0-11783.

2. The book and approximate market value of securities owned at June 30, 2001 and December 31, 2000 were as follows:

<TABLE>
<CAPTION>

	6/30/01 Amortized Cost	Fair Value	12/31/00 Amortized Cost	Fair Value
		(000 omitted)		
<S>	<C>	<C>	<C>	<C>
U.S. Treasury and U.S. Government Agencies (held to maturity)	40,744	41,735	50,955	51,711
State and Municipal (held to maturity)	2,223	2,231	2,624	2,606
Corporate (held to maturity)	4,478	4,516	6,619	6,639
U.S. Government Agencies (available for sale)	91,610	92,541	107,467	108,342
Restricted Equity Securities	70	70	3,526	3,526
	--------	--------	--------	--------
TOTAL	$139,125	$141,093	$171,191	$172,824

</TABLE>

Income earned on investment securities was as follows:

Six Months Ended June 30	2001	2000
	(000 omitted)	

U.S. Treasury	343	509
U.S. Government Agencies	4,604	4,303
State and Municipal	59	93
Other Investments	303	376
	-----	-----
	5,309	5,281

3. Gross loans are summarized as follows:

	June 30 2001	December 31 2000
	(000 omitted)	
Real Estate	316,142	314,385
Real Estate Construction	14,088	15,786
Commercial and Industrial	17,525	18,376
Consumer	12,161	12,443
	--------	--------
Total Loans	$359,916	$360,990

4. Earnings per share are based on the weighted average number of shares of stock outstanding during each period. Weighted average shares outstanding for the six month periods ended June 30, 2001 and 2000 were 5,436,133 and 5,690,172 respectively.

5. Dividends per share were $.40 and $.40 for the six month periods ended June 30, 2001 and 2000 respectively. This represented a 54% payout of net income in 2001 and a 56% payout in 2000.

6. The results of operations for the six month periods ended June 30, 2001 and 2000 are not necessarily indicative of the results to be expected for the full year.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The Registrant's discussion and analysis of the significant changes in the results of operations, capital resources and liquidity presented in the accompanying consolidated financial statements for the Registrant, and its wholly-owned subsidiary, Adams County National Bank, follow. The Registrant's consolidated financial condition and results of operations consist almost entirely of the bank's financial condition and results of operations. This discussion should be read in conjunction with the corporation's 2000 Annual

Report to Shareholders. Current performance does not guarantee, assure, and is not necessarily indicative of similar performance in the future.

In addition to historical information, this Form 10-Q contains forward-looking statements. From time to time, the corporation may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the corporation notes that a variety of factors could cause the corporation's actual results and experience to differ materially from the anticipated results or other expectations expressed in the corporation's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the corporation's business include the following: general economic conditions, including their impact on capital expenditures; business conditions in the banking industry; the regulatory environment; rapidly changing technology and evolving banking industry standards; competitive factors, including increased competition with community, regional and national financial institutions; new service and product offerings by competitors and price pressures; and similar items.

Three months ended June 30, 2001 compared to three months ended June 30, 2000

Net Income for the three month period ending June 30, 2001 was $1,985,000, down $110,000 from the second quarter of 2000. Net interest income was down $104,000, but total other income was up and other expense was up. The second quarter decrease is due to a decline in net interest income and greater growth in total other expense than total other income. Net income per share, for the second quarter, was $.37, compared to the $.37 earned in the same period in 2000. For the three month period (annualized) in 2001, the return on average assets and return on average equity were 1.42% and 12.92%, respectively, compared to 1.44% and 13.32%, respectively for 2000.

An explanation of the factors and trends that caused changes between the two periods, by major earnings category, follows.

Total interest income for the second three month period of 2001 was $9,831,000, down $28,000 or 0.3% below the $9,859,000 earned in the same period of 2000. The $28,000 decrease in interest income was due to falling yield on earning assets. In an effort to manage interest rate risk, the Registrant continues to invest in mortgage-backed securities classified as available-for-sale and now holds a total volume of over $81 million. Income from loans and securities during the current period decreased approximately $86,000 due to declining volume and interest rates.

Total interest expense for the second three month period of 2001 was $4,107,000, up $76,000 or 1.9% from the $4,031,000 incurred for the same period in 2000. The $76,000 increase in interest expense was due to increased deposits. Since interest expense increased while interest income fell, net interest income was adversely effected and narrowed by $104,000.

Total other income for the second three month period of 2001 at $812,000, was $146,000 greater than the same quarter in 2000. This was due to new premium income earned from an investment in Pennbanks Insurance Company of $30,000, a $107,000 increase in service charges on deposits, and additional income from Bank Owned Life Insurance (BOLI).

Total other expense for the second three month period of 2001 was

$3,606,000, up $276,000 from the $3,330,000 incurred for the second quarter of 2000. The increase was due to Pennbanks Insurance Company expense of $15,000, a salaries and employee benefits increase of $52,000, and increases in postage, supplies, contributions and professional services.

The provision for income taxes in the second quarter decreased $124,000 due to a lower level of pretax earnings and Bank Owned Life Insurance (BOLI).

Six months ended June 30, 2001 compared to six months ended June 30, 2000

Net income for the first six months of 2001 was $4,013,000, down $65,000 or 2% below the $4,078,000 earned for the same period of 2000. The decrease in net income was due primarily to weakening net interest income and growing total other expense as explained below. For the six month period (annualized) of 2001, the return on average assets (ROA) and return on average equity (ROE) were 1.43% and 13.12%, respectively, compared to 1.50% and 13.74%, respectively, for 2000.

At June 30, 2001, total assets were approximately $567 million, reflecting a $4 million or 1% increase above June 30, 2000. The increase in other assets from $8,584,000 at December 31, 2000 to $17,354,000 at June 30, 2001 was due to the purchase of approximately $5,500,000 in Bank Owned Life Insurance and the reclassification of $3,500,000 in restricted securities to other assets. As explained more fully under Capital Management section, book value per share was $10.45 on June 30, 2001, compared to $10.57 on June 30, 2000. The corporation's capital remained sound as evidenced by Total Shareholders Capital Ratio of 10.98% and a Total Risk-Based Capital Ratio of 20.34% on June 30, 2001.

Total interest income for the current six month period was $19,964,000 up $524,000 or 3% from the $19,440,000 earned in the same period of 2000. The $524,000 increase in total interest income was due to rising interest rates in the general market economy in 2000 translating to higher rates on new loans and securities. In first half 2001, market rates fell rapidly but the effect had still not been fully assimilated by the corporation's balance sheet.

Total interest expense for the current six month period was $8,621,000, up $652,000 or 8% above the $7,969,000 incurred for the same period in 2000. The $652,000 increase in total interest expense was due to rising interest rates through the year 2000.

Net interest income was $11,343,000 for the current period, $128,000 below the first six months in 2000. Margins are slipping and hurting net interest income. The bank has shifted to a funds sold position from a funds purchased position since June of 2000, but has been unable to improve net yield.

Total non-interest income for the current six month period was $1,662,000, $354,000 or 27% above the same period in 2000. The increase was caused by income of $162,000 provided by Pennbanks (see below), a $126,000 improvement in service charges on deposit accounts, $26,000 from accounting service fees, $23,000 in safe deposit box rent, and $120,000 on Bank Owned Life Insurance.

Total non-interest expense for the current six month period was $7,005,000, $378,000 above the $6,627,000 incurred for the same period in 2000. The increase was located in the previously mentioned Pennbanks insurance subsidiary ($147,000) a $56,000 increase in salaries and benefits and a $77,000 increase in occupancy expense.

The provision for income taxes was $1,867,000 for the current period, $87,000 below the same period in 2000 due to lower pretax income and Bank Owned Life Insurance, which is tax free for federal tax purposes.

INTEREST RATE SPREAD AND NET YIELD ON EARNING ASSETS

	Six Months Ended	
	6/30/01	6/30/00
	Rate	Rate
Earning Assets	7.51%	7.46%
Interest Bearing Liabilities	3.97%	3.80%
Interest Rate Spread	3.54%	3.66%
Net Yield on Earning Assets	4.27%	4.40%

Net Yield on Earning Assets is the difference, stated in percentages, between the interest earned on loans and other investments and the interest paid on deposits and other sources of funds. The Net Yield on Earning Assets is one of the best analytical tools available to demonstrate the effect of interest rate changes on the corporation's earning capacity.

The Net Yield on Earning Assets, for the first six months of 2001, was down 13 basis points compared to the same period in 2000. Yields on loans and securities have changed more rapidly than deposit rates as interest rates in the general economy have risen and fallen over the last twelve months. This was beneficial during the last half of 2000, but not during first half 2001.

PROVISION AND RESERVE FOR POSSIBLE LOAN LOSSES

	Reserve for Possible Loan Losses (In Thousands) Six Months Ended	
	6/30/01	6/30/00
Balance at Beginning of Period	3,695	3,543
Provision Charged to Expense	120	120
Loans Charged Off	81	82
Recoveries	23	30
Balance at End of Period	3,757	3,611

Ratios:		
Net Charge-offs to:		
Net Income	1.45%	1.28%
Total Loans	.02%	.01%
Reserve for Possible Loan Losses	1.54%	1.44%
Reserve for Possible Loan Losses to:		
Total Loans	1.04%	1.02%

The Reserve for Possible Loan Losses at June 30, 2001 was $3,757,000 (1.04% of Total Loans), an increase of $146,000 from $3,611,000 (1.02% of Total Loans) at the end of the first six months of 2000. Loans past due 90 days and still accruing were $1,547,000 and non-accrual loans were $1,193,000, as of June 30, 2001. The ratio of non-performing assets plus other real estate owned to total assets was .71%, at June 30, 2001. All properties are carried at the lower of market or book value and are not considered to represent significant threat of loss to the bank.

Loans past due 90 days and still accruing were $1,528,000, at year end 2000, while non-accruals were at $1,318,000. The bulk of the corporation's real estate loans are in owner occupied dwellings. Management believes that internal loan review procedures will be effective in recognizing and correcting any real estate lending problems that may occur due to current economic conditions. Interest not accrued, due to an average of $1,163,000 in non-accrual loans, was approximately $47,000 for the first six months of 2001.

The bank considers a loan impaired when, based on current information and events, it is probable that a lender will be unable to collect all amounts due. We measure impaired loans based on the present value of expected future cash flows, discounted at the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than its recorded investment a lender must recognize an impairment by creating, or adjusting, a valuation allowance with a corresponding charge to loan loss expense. The corporation uses the cash basis method to recognize interest income on loans that are impaired. All of the corporation's impaired loans were on a non-accrual status for all reported periods.

CAPITAL MANAGEMENT

Total Shareholders' Equity was $62,235,000 at June 30, 2001, compared to $59,426,000 at June 30, 2000, an increase of $2,809,000 or 4.7% over that period. The ratio of Total Shareholders' Equity to Total Assets was 10.65% at December 31, 2000, 10.55% at June 30, 2000, and 10.98% at June 30, 2001. The total risk-based capital ratio was 20.34% at June 30, 2001. The leverage ratio was 10.79% at June 30, 2001, and 10.94% during the same period in 2000. Capital at the corporation remains strong even with a 54% dividend payout ratio. The decrease in capital is due to a stock repurchase plan and a change in the value of securities available for sale.

LIQUIDITY AND INTEREST RATE SENSITIVITY

Management believes that the corporation's liquidity is adequate. Liquid assets (cash and due from banks, federal funds sold, money market instruments, available for sale securities and held to maturity investment securities maturing within one year) were 26% of total assets at June 30, 2001. This mix of assets would be readily available for funding any cash requirements. In addition, the Bank has an approved line of credit of $258,931,000 at the Federal Home Loan Bank of Pittsburgh with $-0- outstanding at June 30, 2001.

As of June 30, 2001, the cumulative asset sensitive gap was 11.9% of total assets at one month, 10.5% at six months, and 16.0% at one year. Adjustable rate mortgages, which have an annual interest rate cap of 2%, are considered rate sensitive. Passbook savings and NOW accounts are carried in the one to five year category while half of money market deposit accounts are spread over the four to twelve month category and the other half are shown to mature in the one to three year category.

There are no known trends or demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, liquidity increasing or decreasing in any material way. Aside from those matters described above, management does not currently believe that there are any known trends or uncertainties which would have a material impact on future operating results, liquidity or capital resources nor is it aware of any current recommendations by the regulatory authorities which if they were to be implemented would have such an effect, although the general cost of compliance with numerous and multiple federal and state laws and regulation does have and in the future may have a negative impact on the corporation's results of operations.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURE 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings - Nothing to report.

Item 2. Changes in 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.

(a) An annual meeting of shareholders was held at 1:00 p.m. on May 1, 2001 at the main office of Adams County National Bank, 675 Old Harrisburg Road, Gettysburg, PA 17325.

(b) (c) Five matters were voted upon, as follows:

Proposal to fix the number of Directors of ACNB Corporation at twelve (12):

Votes Cast "FOR"	Votes Cast "AGAINST"	Votes ABSTAINED
3,877,848	50,820	12,320

Proposal to fix the number of Class 1 Directors at four (4):

Votes Cast "FOR"	Votes Cast "AGAINST"	Votes ABSTAINED
3,900,537	29,545	10,906

Proposal to fix the number of Class 3 Directors at five (5):

Votes Cast "FOR"	Votes Cast "AGAINST"	Votes "ABSTAINED"
3,893,210	32,047	15,731

Election of two (2) Class 3 Directors to serve a one-year term:

Director	Term Expires	Votes Cast "FOR"	Votes "WITHHELD"
Philip P. Asper	2002	3,852,513	88,475
Thomas A. Ritter	2002	3,878,152	62,836

Election of four (4) Class 1 Directors to serve for a three-year term:

Director	Term Expires	Votes Cast "FOR"	Votes "WITHHELD"
D. Richard Guise	2004	3,876,758	64,230

Ronald L. Hankey	2004	3,866,160	74,828
Edgar S. Heberlig	2004	3,885,597	55,391
Marian B. Schultz	2004	3,891,430	49,558

Directors whose term continued after meeting:

(Class 2 Directors)		(Class 3 Directors)	
Wayne E. Lau	(2003)	Guy F. Donaldson	(2002)
Jennifer L. Weaver	(2003)	William B. Lower	(2002)
Harry L. Wheeler	(2003)	Ralph S. Sandoe	(2002)

Item 5. Other Information - Nothing to report.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following Exhibits are included in this Report:

Exhibit 3(i) Articles of Incorporation of Registrant (Incorporated by Reference to Exhibit 3(i) in Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

Exhibit 3(ii) Bylaws of Registrant (Incorporated by Reference to Exhibit 3(ii) in Registrant's Report of Form 8-K, filed with the Commission on March 25, 1998).

Exhibit 10.1 Executive Employment Agreement Dated as of January 1, 1998 between Adams County National Bank, ACNB Corporation and Ronald L. Hankey (Incorporated By Reference to Exhibit 99 of the Registrant's Current Report on Form 8-K, Filed with the Commission on March 25, 1998).

Exhibit 10.2 Executive Employment Agreement Dated as of January 1, 2000 between Adams County National Bank, ACNB Corporation and Thomas A. Ritter (Incorporated by Reference to Exhibit 99 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 26, 2001).

Exhibit 11 Statement Regarding Computation of Earnings Per Share.

(b) Report on Form 8-K.

The Registrant filed no Current Report on Form 8-K during the quarter ended June 30, 2001.

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

ACNB CORPORATION

Ronald L. Hankey, Chairman/CEO

August 1, 2001

John W. Krichten, Secretary/Treasurer

EXHIBIT INDEX

Exhibit Number	
Exhibit 3(i)	Articles of Incorporation of Registrant (Incorporated by Reference to Exhibit 3(i) of Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).
Exhibit 3(ii)	Bylaws of Registrant (Incorporated by Reference to Exhibit 3(ii) of Registrant's Report on Form 8-K, filed with the Commission on March 25, 1998).
Exhibit 10.1	Executive Employment Agreement Dated as of January 1, 1998 between Adams County National Bank, ACNB Corporation and Ronald L. Hankey (Incorporated By Reference to Exhibit 99 of the Registrant's Current Report on Form 8-K, Filed with the Commission on March 25, 1998).
Exhibit 10.2	Executive Employment Agreement Dated as of January 1, 2000 between Adams County National Bank, ACNB Corporation and Thomas A. Ritter (Incorporated by Reference to Exhibit 99 of the Registrant's Current Report on Form 8-K, filed with the Commission on March 26, 2001).
Exhibit 11	Statement Regarding Computation of Earnings Per Share.

EXHIBIT 11

Statement Regarding the Computation of Earnings Per Share

	For the six month period ending June 30	
	2001	2000
Weighted average shares outstanding:	5,436,133	5,690,172
Common Stock		
Common Stock Equivalents		
Stock Options	0	0
Stock Awards	0	0
ESOP Shares	0	0
Total Common Stock Equivalents	0	0
Total weighted average shares outstanding	5,436,133	5,690,172
Net Income	$4,013,000	$4,078,000
Net Income Per Share	.74	.72
Fully Diluted Income Per Share	.74	.72