

PEOPLES FINANCIAL SERVICES CORP.
Form 10-Q
May 10, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q
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(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2010 or
() Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the transition period from

No. 0-23863
(Commission File Number)

PEOPLES FINANCIAL SERVICES CORP.
(Exact Name of Registrant as Specified in its Charter)

Pennsylvania
(State of Incorporation)

23-2391852
(IRS Employer ID Number)

82 Franklin Avenue
Hallstead, PA
(Address of Principal Executive Offices)

18822
(Zip Code)

(570) 879-2175
(Registrant's Telephone Number)

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 ___

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 (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer ___ Accelerated filer X Non-accelerated filer ___ Smaller reporting company ___
(Do not check if 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 X

Number of shares outstanding as of March 31, 2010

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COMMON STOCK (\$2 Par Value)
(Title of Class)

3,136,806
(Outstanding Shares)

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PEOPLES FINANCIAL SERVICES CORP.
FORM 10-Q

For the Quarter Ended March 31, 2010

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

PEOPLES FINANCIAL SERVICES CORP.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
March 31, 2010 and December 31, 2009

(In thousands, except share data)

ASSETS:	March 2010	Dec 2009
Cash and due from banks	\$7,077	\$7,259
Interest bearing deposits in other banks	890	895
Federal funds sold	19,222	10,761
Cash and cash equivalents	27,189	18,915
Securities available for sale	129,734	130,506
Loans	355,505	336,303
Allowance for loan losses	(4,110)	(3,337)
Loans, net	351,395	332,966
Investment in restricted stock, at cost	2,870	2,870
Bank premises and equipment, net	7,979	7,509
Accrued interest receivable	2,970	2,580
Intangible assets	495	560
Other real estate owned	3,882	5,534
Bank owned life insurance	8,106	8,253
Other assets	6,831	6,790
Total assets	\$541,451	\$516,483
LIABILITIES:		
Deposits:		
Non-interest bearing	\$68,775	\$71,835
Interest bearing	360,616	338,203
Total deposits	429,391	410,038
Accrued interest payable	470	446
Short-term borrowings	24,044	20,439
Long-term borrowings	38,526	38,750
Other liabilities	2,355	1,840
Total liabilities	494,786	471,513
STOCKHOLDERS' EQUITY:		
Common stock, par value \$2 per share; authorized 12,500,000 shares; issued 3,341,251 shares; outstanding 3,136,806 shares and 3,136,156 shares at March 31, 2010 and December 31, 2009, respectively	6,683	6,683
Surplus	3,100	3,098
Retained earnings	42,965	42,043
Accumulated other comprehensive loss	(1,499)	(2,258)
Treasury stock, at cost, 204,445 and 205,095 shares at March 31, 2010 and December 31, 2009, respectively	(4,584)	(4,596)
Total stockholders' equity	46,665	44,970
Total liabilities and stockholders' equity	\$541,451	\$516,483

PEOPLES FINANCIAL SERVICES CORP.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended	
	March 31, 2010	March 31, 2009
INTEREST INCOME:		
Loans receivable, including fees	\$4,987	\$4,844
Securities:		
Taxable	764	824
Tax exempt	494	501
Other	5	15
Total interest income	6,250	6,184
INTEREST EXPENSE:		
Deposits	1,252	1,662
Short-term borrowings	71	67
Long-term borrowings	392	402
Total interest expense	1,715	2,131
Net interest income	4,535	4,053
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	3,640	3,888
OTHER INCOME:		
Customer service fees	490	450
Investment division commission income	60	106
Earnings on investment in life insurance	82	88
Other income	458	164
Net realized gains on sales of securities available for sale	22	179
Other than temporary impairment – equity securities	0	(76)
Total other income	1,112	911
OTHER EXPENSES:		
Salaries and employee benefits	1,311	1,341
Occupancy	237	239
Equipment	123	144
FDIC insurance and assessments	182	91
Professional fees and outside services	159	138
Computer services and supplies	262	247
Taxes, other than payroll and income	70	96
Amortization expense-deposit acquisition premiums	65	65
Advertising	97	87
Stationary and printing supplies	95	90
Other	436	383
Total other expenses	3,037	2,921
Income before income taxes	1,715	1,878
INCOME TAXES		
Net income	\$1,518	\$1,521
Net income per share, basic	\$0.48	\$0.49

Net income per share, diluted		\$0.48	\$0.49
	See Notes to Consolidated Financial Statements		

PEOPLES FINANCIAL SERVICES CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(UNAUDITED)

(In thousands, except share and per share data)	Common Stock	Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2009	\$6,683	\$3,098	\$42,043	\$ (2,258)	\$(4,596)	\$44,970
Comprehensive income						
Net income	0	0	1,518	0	0	1,518
Net change in unrealized losses on securities available for sale, net of reclassification adjustment and taxes	0	0	0	759	0	759
Total comprehensive income						2,277
Cash dividends, (\$0.19 per share)	0	0	(596)	0	0	(596)
Treasury stock issued for stock option plan (650 shares)	0	2	0	0	12	14
Balance, March 31, 2010	\$6,683	\$3,100	\$42,965	\$ (1,499)	\$(4,584)	\$46,665
Balance, December 31, 2008	\$6,683	\$3,100	\$39,375	\$ (4,755)	\$(4,683)	\$39,720
Comprehensive income						
Net income	0	0	1,521	0	0	1,521
Net change in unrealized losses on securities available for sale, net of reclassification adjustment and taxes	0	0	0	(971)	0	(971)
Total comprehensive income						550
Cash dividends, (\$0.19 per share)	0	0	(595)	0	0	(595)
Treasury stock issued for stock option plan (100 shares)	0	0	0	0	2	2
Balance, March 31, 2009	\$6,683	\$3,100	\$40,301	\$ (5,726)	\$(4,681)	\$39,677

See Notes to Consolidated Financial Statements

PEOPLES FINANCIAL SERVICES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

Three Months Ended

March 31,
2010

March 31, 2009

Cash Flows from Operating Activities