

PEOPLES FINANCIAL SERVICES CORP.  
Form 10-Q  
August 08, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form 10-Q

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2012 or

( ) Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934 for the transition period from

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, including area code)

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 during the preceding 12 months or for such shorter period that the registrant was required to submit and post such files. Yes X 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

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes \_\_\_ No X

APPLICABLE ONLY TO CORPORATE REGISTRANTS:

Indicate the number of shares outstanding of the registrant's common stock, as of the latest practicable date: 3,118,356 at July 31, 2012.

Page 1 of 50  
Exhibit index on page

1

---

PEOPLES FINANCIAL SERVICES CORP.  
FORM 10-Q

For the Quarter Ended June 30, 2012

Contents		Page No.
PART I.	FINANCIAL INFORMATION:	
Item 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets at June 30, 2012 and December 31, 2011	3
	Consolidated Statements of Income and Comprehensive Income for the Three and Six Months Ended June 30, 2012 and 2011	4
	Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2012 and 2011	5
	Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2012 and 2011	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	26
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	42
Item 4.	Controls and Procedures	42
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	43
Item 1A.	Risk Factors	43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	43
Item 3.	Defaults upon Senior Securities	43
Item 4.	Mine Safety Disclosures	43
Item 5.	Other Information	43
Item 6.	Exhibits	44
	Signatures	45



PEOPLES FINANCIAL SERVICES CORP.  
CONSOLIDATED BALANCE SHEETS (UNAUDITED)  
(Dollars in thousands, except per share data)

	June 30, 2012	December 31, 2011
Assets:		
Cash and due from banks	\$ 8,084	\$ 9,488
Interest-bearing deposits in other banks	1,175	1,071
Federal funds sold	13,130	
Investment securities available-for-sale	128,596	139,899
Loans held for sale	2,242	569
Loans, net	457,054	445,103
Less: allowance for loan losses	5,916	5,349
Net loans	451,138	439,754
Premises and equipment, net	8,716	7,916
Accrued interest receivable	2,903	3,448
Other assets	22,730	19,259
Total assets	\$ 638,714	\$ 621,404
Liabilities:		
Deposits:		
Noninterest-bearing	\$ 96,692	\$ 92,985
Interest-bearing	441,419	401,298
Total deposits	538,111	494,283
Short-term borrowings	13,233	43,791
Long-term debt	18,533	18,927
Accrued interest payable	248	284
Other liabilities	4,713	4,506
Total liabilities	574,838	561,791
Stockholders' equity:		
Common stock, par value \$2.00; authorized 12,500,000 shares; issued 3,341,251 shares	6,683	6,683
Capital surplus	3,155	3,141
Retained earnings	54,738	51,342
Accumulated other comprehensive income	4,559	3,645
Less: Treasury stock, at cost, held: June 30, 2012, 222,895 shares; December 31, 2011, 222,395 shares	5,259	5,198
Total stockholders' equity	63,876	59,613
Total liabilities and stockholders' equity	\$ 638,714	\$ 621,404

See Notes to Consolidated Financial Statements



PEOPLES FINANCIAL SERVICES CORP.  
 CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)  
 (Dollars in thousands, except per share data)

June 30	Three Months Ended		Six Months Ended	
	2012	2011	2012	2011
Interest income:				
Interest and fees on loans:				
Taxable	\$5,682	\$5,413	\$11,197	\$10,549
Tax-exempt	393	346	812	703
Interest and dividends on investment securities available-for-sale:				
Taxable	603	633	1,239	1,299
Tax-exempt	328	411	687	886
Dividends	8	8	15	17
Interest on interest-bearing deposits in other banks	1	3	5	5
Interest on federal funds sold		11		13
Total interest income	7,015	6,825	13,955	13,472
Interest expense:				
Interest on deposits	1,071	1,132	2,119	2,176
Interest on short-term borrowings	49			