

AUBURN NATIONAL BANCORPORATION, INC

Form 10-Q

August 02, 2013

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**(Mark One)**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the quarterly period ended June 30, 2013

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-26486

**Auburn National Bancorporation, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**100 N. Gay Street**

**63-0885779**  
(I.R.S. Employer  
Identification No.)

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Auburn, Alabama 36830

(334) 821-9200

(Address and telephone number of principal executive offices)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

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

Class	Outstanding at July 31, 2013
Common Stock, \$0.01 par value per share	3,643,013 shares

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**AUBURN NATIONAL BANCORPORATION, INC. AND SUBSIDIARIES**

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**Table of Contents****PART 1. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****AUBURN NATIONAL BANCORPORATION, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)**

*(Dollars in thousands, except share data)*

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
<b>Assets:</b>		
Cash and due from banks	\$ 17,015	\$ 18,762
Federal funds sold	38,710	42,682
Interest bearing bank deposits	6,813	505
<b>Cash and cash equivalents</b>	<b>62,538</b>	<b>61,949</b>
Securities available-for-sale	270,794	259,475
Loans held for sale	4,824	2,887
Loans, net of unearned income	390,726	398,193
Allowance for loan losses	(6,457)	(6,723)
<b>Loans, net</b>	<b>384,269</b>	<b>391,470</b>
Premises and equipment, net	10,790	10,528
Bank-owned life insurance	17,272	17,076
Other real estate owned	3,609	4,919
Other assets	13,651	11,529
<b>Total assets</b>	<b>\$ 767,747</b>	<b>\$ 759,833</b>
<b>Liabilities:</b>		
Deposits:		
Noninterest-bearing	\$ 127,189	\$ 118,014
Interest-bearing	539,301	518,803
<b>Total deposits</b>	<b>666,490</b>	<b>636,817</b>
Federal funds purchased and securities sold under agreements to repurchase	4,953	2,689
Long-term debt	27,217	47,217
Accrued expenses and other liabilities	3,876	2,961
<b>Total liabilities</b>	<b>702,536</b>	<b>689,684</b>
<b>Stockholders equity:</b>		
Preferred stock of \$.01 par value; authorized 200,000 shares; no issued shares		
Common stock of \$.01 par value; authorized 8,500,000 shares; issued 3,957,135 shares	39	39
Additional paid-in capital	3,757	3,756
Retained earnings	69,887	67,821
Accumulated other comprehensive (loss) income, net	(1,831)	5,174

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Less treasury stock, at cost 314,142 shares and 314,232 shares at June 30, 2013 and December 31, 2012, respectively	(6,641)	(6,641)
Total stockholders' equity	65,211	70,149
Total liabilities and stockholders' equity	\$ 767,747	\$ 759,833

*See accompanying notes to consolidated financial statements*

**Table of Contents****AUBURN NATIONAL BANCORPORATION, INC. AND SUBSIDIARIES****Consolidated Statements of Earnings****(Unaudited)**

<i>(In thousands, except share and per share data)</i>	<b>Quarters ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Interest income:</b>				
Loans, including fees	\$ 5,224	\$ 5,490	\$ 10,552	\$ 10,755
Securities	1,607	1,860	3,223	3,829
Federal funds sold and interest bearing bank deposits	29	7	60	21
Total interest income	6,860	7,357	13,835	14,605
<b>Interest expense:</b>				
Deposits	1,349	1,605	2,753	3,330
Short-term borrowings	3	5	7	9
Long-term debt	276	435	702	953
Total interest expense	1,628	2,045	3,462	4,292
<b>Net interest income</b>	<b>5,232</b>	<b>5,312</b>	<b>10,373</b>	<b>10,313</b>
<b>Provision for loan losses</b>		<b>600</b>	<b>400</b>	<b>1,200</b>
<b>Net interest income after provision for loan losses</b>	<b>5,232</b>	<b>4,712</b>	<b>9,973</b>	<b>9,113</b>
<b>Noninterest income:</b>				
Service charges on deposit accounts	234	279	483	570
Mortgage lending	837	785	1,647	1,454
Bank-owned life insurance	101	113	196	212
Gain on sale of affordable housing investments				3,268
Other	381	386	721	744
Securities gains, net:				
Realized gains, net	518	251	679	560
Total other-than-temporary impairments				(130)
Total securities gains, net	518	251	679	430
Total noninterest income	2,071	1,814	3,726	6,678
<b>Noninterest expense:</b>				
Salaries and benefits	2,114	2,205	4,364	4,348
Net occupancy and equipment	333	336	664	674
Professional fees	209	188	385	375
FDIC and other regulatory assessments	143	185	337	368
Other real estate owned, net	20	(6)	43	63
Prepayment penalty on long-term debt	1,046	12	1,471	3,720
Other	859	1,128	1,686	2,042
Total noninterest expense	4,724	4,048	8,950	11,590

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Earnings before income taxes	2,579	2,478	4,749	4,201
<b>Income tax expense</b>	672	449	1,153	707
<b>Net earnings</b>	\$ 1,907	\$ 2,029	\$ 3,596	\$ 3,494
<b>Net earnings per share:</b>				
Basic and diluted	\$ 0.52	\$ 0.56	\$ 0.99	\$ 0.96
<b>Weighted average shares outstanding:</b>				
Basic and diluted	3,642,955	3,642,826	3,642,936	3,642,782

*See accompanying notes to consolidated financial statements*

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**AUBURN NATIONAL BANCORPORATION, INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**(Unaudited)**

*(Dollars in thousands)*

**Quarters ended June 30,      Six months ended June 30,**  
&n