

PATRIOT NATIONAL BANCORP INC

Form 10-Q

May 15, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2012

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut
(State of

06-1559137
(I.R.S. Employer

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incorporation)

Identification Number)

900 Bedford Street, Stamford, Connecticut 06901

(Address of principal executive offices)

(203) 324-7500

(Registrant's telephone number)

Check whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 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 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 in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated Filer

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

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date.

Common stock, \$0.01 par value per share, 38,467,073 shares outstanding as of the close of business April 30, 2012.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1: Consolidated Financial Statements****PATRIOT NATIONAL BANCORP, INC.****CONSOLIDATED BALANCE SHEETS**

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$ 4,052,483	\$ 4,241,552
Interest bearing deposits	99,211,871	50,474,257
Short-term investments	709,843	709,567
Total cash and cash equivalents	103,974,197	55,425,376
Securities:		
Available for sale securities, at fair value (Note 2)	58,591,854	66,469,972
Other Investments	3,500,000	3,500,000
Federal Reserve Bank stock, at cost	1,692,150	1,707,000
Federal Home Loan Bank stock, at cost	4,343,800	4,508,300
Total securities	68,127,804	76,185,272
Loans receivable (net of allowance for loan losses: 2012: \$8,460,943 2011: \$9,384,672) (Note 3)	466,265,222	501,227,297
Loans held for sale		250,000
Accrued interest and dividends receivable	2,242,791	2,453,179
Premises and equipment, net	4,882,489	4,108,318
Cash surrender value of life insurance	21,127,273	20,984,604
Other real estate owned	1,461,647	2,762,640
Deferred tax asset (Note 6)		
Other assets	3,046,285	2,419,592
Total assets	\$ 671,127,708	\$ 665,816,278
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Deposits (Note 4):		
Noninterest bearing deposits	\$ 59,049,656	\$ 65,613,374
Interest bearing deposits	480,540,664	479,296,019
Total deposits	539,590,320	544,909,393
Borrowings:		
Repurchase agreements	7,000,000	7,000,000
Federal Home Loan Bank borrowings	60,000,000	50,000,000
Total borrowings	67,000,000	57,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	5,052,168	5,109,225
Total liabilities	619,890,488	615,266,618

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Commitments (Note 9)

Shareholders equity

Preferred stock, no par value; 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, \$.01 par value, 100,000,000 shares authorized; 2012: 38,478,778 shares issued; 38,467,073 shares outstanding. 2011: 38,374,432 shares issued; 38,362,727 shares outstanding	384,787	383,744
Additional paid-in capital	105,129,021	105,050,433
Accumulated deficit	(54,313,301)	(54,858,831)
Less: Treasury stock, at cost: 2012 and 2011 11,705 shares	(160,025)	(160,025)
Accumulated other comprehensive income	196,738	134,339
Total shareholders equity	51,237,220	50,549,660
Total liabilities and shareholders equity	\$ 671,127,708	\$ 665,816,278

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**PATRIOT NATIONAL BANCORP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)**

	Three Months Ended	
	March 31,	
	2012	2011
Interest and Dividend Income		
Interest and fees on loans	\$ 6,665,792	\$ 6,956,561
Interest on investment securities	477,030	274,183
Dividends on investment securities	33,281	69,901
Interest on federal funds sold		4,026
Other interest income	10,478	61,890
Total interest and dividend income	7,186,581	7,366,561
Interest Expense		
Interest on deposits	1,516,844	1,865,349
Interest on Federal Home Loan Bank borrowings	356,837	418,875
Interest on subordinated debt	76,567	70,398
Interest on other borrowings	76,926	76,082
Total interest expense	2,027,174	2,430,704
Net interest income	5,159,407	4,935,857
Provision for Loan Losses	(845,402)	6,981,629
Net interest income (loss) after provision for loan losses	6,004,809	(2,045,772)
Non-interest Income		
Mortgage brokerage referral fees	12,420	13,000
Loan application, inspection & processing fees	14,727	16,799
Fees and service charges	228,668	280,901
Gain on sale of loans	263,646	
Loss on sale of investment securities	(8,042)	
Earnings on cash surrender value of life insurance	142,669	168,260
Other income	95,909	103,890
Total non-interest income	749,997	582,850
Non-interest Expense		
Salaries and benefits	2,890,724	3,214,515
Occupancy and equipment expense	1,123,584	1,354,567
Data processing	346,021	327,804
Advertising and promotional expense	17,729	157,974
Professional and other outside services	615,082	881,707
Loan administration and processing expense	8,280	37,059
Regulatory assessments	410,001	611,268
Insurance expense	169,245	230,774
Other real estate operations	(150,247)	270,507

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Material and communications	131,178	200,138
Restructuring charges	368,477	
Other operating expense	279,202	233,363
Total non-interest expense	6,209,276	7,519,676
Income (loss) before income taxes	545,530	(8,982,598)
Provision for Income Taxes		
Net income (loss)	\$ 545,530	\$ (8,982,598)
Basic and diluted income (loss) per share	\$ 0.01	\$ (0.23)

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended	
	March 31,	
	2012	2011
Net income (loss)	\$ 545,530	\$ (8,982,598)
Other comprehensive income (loss):		
Unrealized holding gains on securities:		
Unrealized holding gains arising during the period	67,385	3,225
Less reclassification adjustment for losses included in net income	(4,986)	
Total	62,399	3,225
Comprehensive income (loss)	\$ 607,929	\$ (8,979,373)

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**PATRIOT NATIONAL BANCORP, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY****(Unaudited)**

	sep 30,	sep 30,	sep 30,	sep 30,	sep 30,	sep 30,	sep 30,
	Number of	Common	Additional	Accumulated	Treasury	Accumulated	Total
	Shares	Stock	Paid-In	Deficit	Stock	Other	
			Capital			Comprehensive	
						Income	
Three months ended March 31, 2011							
Balance at December 31, 2010	38,362,727	\$ 383,744	\$ 105,050,433	\$ (39,399,345)	\$ (160,025)	\$ 1,297,381	\$ 67,172,188
Comprehensive loss							
Net loss				(8,982,598)			(8,982,598)
Unrealized holding gain on available for sale securities, net of taxes						3,225	3,225
Total comprehensive loss							(8,979,373)
Balance, March 31, 2011	38,362,727	\$ 383,744	\$ 105,050,433	\$ (48,381,943)	\$ (160,025)	\$ 1,300,606	\$ 58,192,815
Three months ended March 31, 2012							
Balance at December 31, 2011	38,362,727	\$ 383,744	\$ 105,050,433	\$ (54,858,831)	\$ (160,025)	\$ 134,339	\$ 50,549,660
Comprehensive income							
Net income				545,530			545,530
Unrealized holding gain on available for sale securities, net of taxes						62,399	62,399
Total comprehensive income							607,929
Share-based compensation expense			79,631				79,631
Issuance of restricted stock	104,346	1,043	(1,043)				
Balance, March 31, 2012	38,467,073	\$ 384,787	\$ 105,129,021	\$ (54,313,301)	\$ (160,025)	\$ 196,738	\$ 51,237,220

See Accompanying Notes to Consolidated Financial Statements.

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	Three Months Ended	
	2012	March 31, 2011
Cash Flows from Operating Activities:		
Net income (loss)	\$ 545,530	\$ (8,982,598)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Restructuring charges	311,616	
Amortization and accretion of investment premiums and discounts, net	114,285	54,861
Amortization and accretion of purchase loan premiums and discounts, net	2,333	2,514
Provision for loan losses	(845,402)	6,981,629
Gain on sale of loans	(263,646)	
Loss on sale of investment securities	8,042	
Amortization of core deposit intangible	3,531	3,753
Earnings on cash surrender value of life insurance	(142,669)	(168,260)
Depreciation and amortization	300,970	347,700
(Gain) loss on sale of other real estate owned	(201,355)	58,215
Impairment writedown on other real estate owned		165,764
Share-based compensation	79,631	
Changes in assets and liabilities:		
Decrease in deferred loan costs	314,763	149,244
Decrease in accrued interest and dividends receivable	210,388	186,483
(Increase) decrease in other assets	(630,224)	342,597
Decrease in accrued expenses and other liabilities	(406,919)	(107,350)
Net cash used in operating activities	(599,126)	(965,448)
Cash Flows from Investing Activities:		
Principal repayments on available for sale securities	2,690,810	1,975,898
Proceeds from the sale of available for sale securities	5,165,626	
Proceeds from repurchase of excess stock by the Federal Reserve Bank	14,850	190,200
Purchases of Federal Reserve Bank Stock		(1,174,100)
Proceeds from repurchase of excess Federal Home Loan Bank Stock	164,500	
Proceeds from sale of loans	67,126,928	46,440,794
Net (increase) decrease in loans	(32,361,045)	14,087,758
Purchase of other real estate owned		(481,165)
Proceeds from sale of other real estate owned	1,823,435	15,715,973
Capital improvements of other real estate owned	(32,943)	
(Purchase) refund of bank premises and equipment	(125,141)	7,025
Net cash provided by investing activities	44,467,020	76,762,383
Cash Flows from Financing Activities:		
Net decrease in demand, savings and money market deposits	(4,345,839)	(7,445,003)
Net decrease in time certificates of deposits	(973,234)	(58,080,795)
Increase in FHLB borrowings	10,000,000	
Net cash provided by (used in) financing activities	4,680,927	(65,525,798)

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Net increase in cash and cash equivalents	48,548,821	10,271,137
Cash and Cash Equivalents:		
Beginning	55,425,376	146,777,658
Ending	\$ 103,974,197	\$ 157,048,795

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PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

(Unaudited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31,	
	2012	2011
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ 1,950,296	\$ 2,355,998
Income taxes paid	\$	\$ 8,534
Supplemental disclosures of noncash operating, investing and financing activities:		
Unrealized holding gain on available for sale securities arising during the period	\$ 100,645	\$ 5,202
Transfer of loans to other real estate owned	\$ 1,238,144	\$
Transfer of other real estate owned to premises and equipment	\$ 950,000	\$

See Accompanying Notes to Consolidated Financial Statements.

Table of Contents**PATRIOT NATIONAL BANCORP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)****Note 1: Basis of Financial Statement Presentation**

The Consolidated Balance Sheet at December 31, 2011 has been derived from the audited financial statements of Patriot National Bancorp, Inc. (Bancorp or the Company) at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

The accompanying unaudited financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and related notes should be read in conjunction with the audited financial statements of Bancorp and notes thereto for the year ended December 31, 2011.

The information furnished reflects, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results of operations that may be expected for the remainder of 2012.

Note 2: Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and approximate fair values of available-for-sale securities at March 31, 2012 and December 31, 2011 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2012:				
U. S. Government agency bonds	\$ 5,000,000	\$ 25,780	\$	\$ 5,025,780
U. S. Government agency mortgage-backed securities	41,048,592	966,105	(2,976)	42,011,721
Corporate bonds	12,225,941	38,098	(709,686)	11,554,353
	\$ 58,274,533	\$ 1,029,983	\$ (712,662)	\$ 58,591,854
December 31, 2011:				
U. S. Government agency bonds	\$ 5,000,000	\$ 37,085	\$	\$ 5,037,085
U. S. Government agency mortgage-backed securities	49,004,232	1,051,097	(5,900)	50,049,429
Corporate bonds	12,249,064	25,338	(890,944)	11,383,458
	\$ 66,253,296	\$ 1,113,520	\$ (896,844)	\$ 66,469,972

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The following table presents the gross unrealized loss and fair value of Bancorp's available-for-sale securities, aggregated by the length of time the individual securities have been in a continuous loss position, at March 31, 2012 and December 31, 2011:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
<u>March 31, 2012:</u>						
U. S. Government mortgage-backed securities	\$ 53,609	\$ (152)	\$ 247,777	\$ (2,824)	\$ 301,386	\$ (2,976)
Corporate bonds	5,290,314	(709,686)			5,290,314	(709,686)
Totals	\$ 5,343,923	\$ (709,838)	\$ 247,777	\$ (2,824)	\$ 5,591,700	\$ (712,662)
<u>December 31, 2011:</u>						
U. S. Government mortgage-backed securities	\$ 4,941,662	\$ (5,492)	\$ 68,309	\$ (408)	\$ 5,009,971	\$ (5,900)