

PATRIOT NATIONAL BANCORP INC

Form 10-Q

August 12, 2013

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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 June 30, 2013

Commission file number 000-29599

**PATRIOT NATIONAL BANCORP, INC.**

(Exact name of registrant as specified in its charter)

Connecticut  
(State of incorporation)

06-1559137  
(I.R.S. Employer Identification Number)  
900 Bedford Street, Stamford, Connecticut 06901

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(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, 38,445,326 shares outstanding as of the close of business July 31, 2013.

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	June 30, 2013 (Unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$ 3,866,156	\$ 2,736,486
Interest bearing deposits	20,509,127	67,567,155
Short-term investments	711,213	710,766
Total cash and cash equivalents	25,086,496	71,014,407
Securities:		
Available for sale securities, at fair value (Note 2)	39,543,075	41,719,320
Other Investments	3,500,000	3,500,000
Federal Reserve Bank stock, at cost	1,634,100	1,730,200
Federal Home Loan Bank stock, at cost	4,142,600	4,343,800
Total securities	48,819,775	51,293,320
Loans receivable (net of allowance for loan losses: 2013: \$5,322,070 2012: \$6,015,636) (Note 3)	447,813,433	458,793,536
Loans held for sale	11,551,869	1,527,299
Accrued interest and dividends receivable	1,710,690	1,894,292
Premises and equipment, net	6,420,178	4,288,372
Cash surrender value of life insurance	21,770,880	21,501,703
Other real estate owned	3,845,041	4,873,844
Deferred tax asset (Note 6)		
Other assets	1,785,598	2,580,118
Other branch related assets held for sale		88,244
<b>Total assets</b>	<b>\$ 568,803,960</b>	<b>\$ 617,855,135</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>Liabilities</b>		
Deposits (Note 4):		
Noninterest bearing deposits	\$ 63,869,164	\$ 61,459,959
Interest bearing deposits	413,773,710	411,117,558
Deposits held for sale		24,705,381
Total deposits	477,642,874	497,282,898
Borrowings:		
Repurchase agreements		7,000,000
Federal Home Loan Bank borrowings	35,000,000	50,000,000
Total borrowings	35,000,000	57,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	4,773,320	5,756,439
<b>Total liabilities</b>	<b>525,664,194</b>	<b>568,287,337</b>

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Commitments and Contingencies (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; 2013 & 2012: 38,491,819 shares issued; 38,445,326 shares outstanding	<b>384,570</b>	384,918
Additional paid-in capital	<b>105,371,239</b>	105,355,680
Accumulated deficit	<b>(61,263,793)</b>	(55,394,995)
Less: Treasury stock, at cost: 2013 and 2012 11,705 shares	<b>(160,025)</b>	(160,025)
Accumulated other comprehensive loss	<b>(1,192,225)</b>	(617,780)
<b>Total shareholders equity</b>	<b>43,139,766</b>	49,567,798
<b>Total liabilities and shareholders equity</b>	<b>\$ 568,803,960</b>	\$ 617,855,135

See Accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 5,045,335	\$ 5,811,733	\$ 10,241,227	\$ 12,477,525
Interest on investment securities	225,829	426,658	473,565	903,688
Dividends on investment securities	29,205	31,879	58,063	65,160
Other interest income	9,252	40,160	37,612	50,638
<b>Total interest and dividend income</b>	<b>5,309,621</b>	<b>6,310,430</b>	<b>10,810,467</b>	<b>13,497,011</b>
<b>Interest Expense</b>				
Interest on deposits	1,032,813	1,421,170	2,161,527	2,938,014
Interest on Federal Home Loan Bank borrowings	167,183	354,591	518,203	711,428
Interest on subordinated debt	70,926	74,677	141,555	151,244
Interest on other borrowings	5,918	76,927	81,999	153,853
<b>Total interest expense</b>	<b>1,276,840</b>	<b>1,927,365</b>	<b>2,903,284</b>	<b>3,954,539</b>
<b>Net interest income</b>	<b>4,032,781</b>	<b>4,383,065</b>	<b>7,907,183</b>	<b>9,542,472</b>
Provision for Loan Losses		(1,713,425)	(29,786)	(2,558,827)
<b>Net interest income after provision for loan losses</b>	<b>4,032,781</b>	<b>6,096,490</b>	<b>7,936,969</b>	<b>12,101,299</b>
<b>Non-interest Income</b>				
Mortgage banking activity	118,738	22,117	164,972	34,537
Loan application, inspection & processing fees	115,890	15,986	153,920	30,713
Fees and service charges	211,100	227,064	382,611	455,732
Gain on sale of loans	28,310		28,310	263,646
Loss on sale of investment securities				(8,042)
Gain on sale of branch assets and deposits	50,643		50,643	
Earnings on cash surrender value of life insurance	142,068	120,294	269,177	262,963
Other income	101,753	69,639	206,350	165,548
<b>Total non-interest income</b>	<b>768,502</b>	<b>455,100</b>	<b>1,255,983</b>	<b>1,205,097</b>
<b>Non-interest Expense</b>				
Salaries and benefits	2,576,453	2,725,721	5,581,767	5,616,445
Occupancy and equipment expense	935,947	1,135,113	1,974,755	2,258,697
Data processing	288,170	345,704	659,616	691,725
Advertising and promotional expense	75,541	8,234	118,022	25,963
Professional and other outside services	770,296	854,268	1,658,886	1,469,350
Loan administration and processing expense	73,590	45,624	151,076	53,904
Regulatory assessments	304,803	462,153	678,305	872,154
Insurance expense	83,161	108,775	161,919	278,020
Other real estate operations	55,089	16,351	56,935	(133,896)
Material and communications	102,351	132,734	208,430	263,912
Restructuring charges and asset disposals (Note 12)	394,458	126,730	394,458	495,207

Prepayment penalty on borrowings