

PATRIOT NATIONAL BANCORP INC
Form 10-Q
August 10, 2015
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, 2015

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut 06-1559137
(State of incorporation) (I.R.S. Employer 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, 3,953,949 shares outstanding as of the close of business July 31, 2015.

TABLE OF CONTENTS

PART I- FINANCIAL INFORMATION	
Item 1: Consolidated Financial Statements	1
Consolidated Balance Sheets (unaudited)	1
Consolidated Statements of Operations (unaudited)	2
Consolidated Statements of Comprehensive Income (unaudited)	3
Consolidated Statements of Shareholders' Equity (unaudited)	4
Consolidated Statements of Cash Flows (unaudited)	5
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Item 3: Quantitative and Qualitative Disclosures about Market Risk	53
Item 4: Controls and Procedures	55
PART II - OTHER INFORMATION	
Item 1: Legal Proceedings	56
Item 1A: Risk Factors	56
Item 6: Exhibits	56
SIGNATURES	58

PART I- FINANCIAL INFORMATION**Item 1: Consolidated Financial Statements****PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY****CONSOLIDATED BALANCE SHEETS (Unaudited)**

	June 30, 2015	December 31, 2014
	<i>(in thousands, except shares and per share amounts)</i>	
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$ 2,892	\$ 2,095
Interest bearing deposits	50,201	71,163
Total cash and cash equivalents	53,093	73,258
Securities:		
Available for sale securities, at fair value (Note 2)	31,640	33,682
Other investments	4,450	4,450
Federal Reserve Bank stock, at cost	2,020	2,058
Federal Home Loan Bank stock, at cost	6,628	6,628
Total securities	44,738	46,818
Loans receivable (net of allowance for loan losses: 2015: \$5,208 2014: \$4,924) (Note 3)	488,705	471,984
Accrued interest and dividends receivable	2,034	1,918
Premises and equipment, net	24,703	22,357
Deferred tax asset (Note 6)	14,221	14,926
Other assets	1,407	1,363
Total assets	\$ 628,901	\$ 632,624
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits (Note 4):		
Noninterest bearing deposits	\$ 79,774	\$ 63,398
Interest bearing deposits	377,681	379,635
Total deposits	457,455	443,033
Federal Home Loan Bank borrowings	100,000	120,000
Junior subordinated debt owed to unconsolidated trust	8,248	8,248
Accrued expenses and other liabilities	3,121	2,608
Total liabilities	568,824	573,889
Commitments and Contingencies (Note 9)		

Shareholders' equity (1) (Note 7)

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; 2015: 3,955,119 shares issued; 3,953,949 shares outstanding. 2014 : 3,952,179 shares issued; 3,951,009 shares outstanding	396		395	
Additional paid-in capital (Note 5)	105,979		105,752	
Accumulated deficit	(45,997)	(46,975)
Less: Treasury stock, at cost: 2015 and 2014, 1,170 shares	(160)	(160)
Accumulated other comprehensive loss (Note 8)	(141)	(277)
Total shareholders' equity	60,077		58,735	
Total liabilities and shareholders' equity	\$ 628,901		\$ 632,624	

See Accompanying Notes to Consolidated Financial Statements.

(1) All common stock data has been restated for a 1-for-10 reverse stock split which took effect on March 4, 2015.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2015	2014	2015	2014
	<i>(in thousands, except per share amounts)</i>			
Interest and Dividend Income				
Interest and fees on loans	\$5,924	\$4,667	\$11,470	\$9,358
Interest on investment securities	119	133	235	268
Dividends on investment securities	60	42	117	83
Other interest income	17	14	46	26
Total interest and dividend income	6,120	4,856	11,868	9,735
Interest Expense				
Interest on deposits	513	607	1,042	1,244
Interest on Federal Home Loan Bank borrowings	85	33	156	66
Interest on subordinated debt	73	82	144	282
Total interest expense	671	722	1,342	1,592
Net interest income	5,449	4,134	10,526	8,143
Provision for Loan Losses	-	-	250	-
Net interest income after provision for loan losses	5,449	4,134	10,276	8,143
Non-Interest Income				
Loan application, inspection & processing fees	105	100	155	166
Deposit fees and service charges	147	233	321	452
Earnings on cash surrender value of life insurance	-	116	-	237
Other income	199	174	369	361
Total non-interest income	451	623	845	1,216
Non-Interest Expense				
Salaries and benefits	2,395	1,976	4,739	3,947
Occupancy and equipment expense	909	865	1,864	1,787
Data processing expense	255	279	505	529
Professional and other outside services	391	457	960	928
Advertising and promotional expenses	137	73	187	124
Loan administration and processing expenses	7	19	29	36
Regulatory assessments	157	237	311	467
Insurance expense	83	78	164	175
Other real estate operations, net	-	(4)	-	12
Material and communications	106	84	187	177
Other operating expenses	319	168	544	333
Total non-interest expense	4,759	4,232	9,490	8,515

Income before income taxes	1,141	525	1,631	844
Provision for income taxes	452	-	653	-
Net income	\$689	\$525	\$978	\$844
Basic and diluted income per share (1)	\$0.18	\$0.14	\$0.25	\$0.22

See Accompanying Notes to Consolidated Financial Statements.

(1) All common stock data has been restated for a 1-for-10 reverse stock split which took effect on March 4, 2015.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	2015	2014	2015	2014
	<i>(in thousands)</i>			
Net income	\$689	\$525	\$978	\$844
Other comprehensive (loss) income:				
Unrealized holding (losses) gains on available for sale securities arising during the period, net of taxes	(27)	108	136	501
Total comprehensive income	\$662	\$633	\$1,114	\$1,345

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)**

<i>(in thousands)</i>	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Six months ended June 30, 2015						
Balance at December 31, 2014	\$ 395	\$ 105,752	\$ (46,975)	\$ (160)	\$ (277)	\$ 58,735
Net income	-	-	978	-	-	978
Other comprehensive income	-	-	-	-	136	136
Share-based compensation expense	-	228	-	-	-	228
Issuance of restricted stock	1	(1)	-	-	-	-
Balance, at June 30, 2015	\$ 396	\$ 105,979	\$ (45,997)	\$ (160)	\$ (141)	\$ 60,077
Six months ended June 30, 2014						
Balance at December 31, 2013	\$ 388	\$ 105,484	\$ (62,684)	\$ (160)	\$ (1,187)	\$ 41,841
Net Income	-	-	844	-	-	844
Other comprehensive income	-	-	-	-	501	501
Share-based compensation expense	-	130	-	-	-	130
Issuance of restricted stock	4	(4)	-	-	-	-
Balance, at June 30, 2014	\$ 392	\$ 105,610	\$ (61,840)	\$ (160)	\$ (686)	\$ 43,316

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 30, 2015 2014 <i>(in thousands)</i>	
Cash Flows from Operating Activities:		
Net income	\$978	\$844
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of investment premiums	107	128
Amortization and accretion of purchase loan premiums and discounts, net	158	40
Provision for loan losses	250	-
Earnings on cash surrender value of life insurance	-	(237)
Depreciation and amortization	499	573
Loss on sale of other real estate owned	-	4
Share-based compensation	228	130
Deferred income taxes		