PATRIOT NATIONAL BANCORP INC
Form 10-Q
November 14, 2016

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 September 30, 2016

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 _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 (§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 _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 in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer ____ Accelerated Filer ____ Non-Accelerated Filer _ Smaller Reporting Company _X_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes __ No _X_

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, 3,959,903 shares outstanding as of the close of business November 11, 2016.

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PART I- FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (Unaudited)

	September 30, 2016	**December 31, 2015**
	(in thousands, except shares and per share amounts)	
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	$2,454	2,588
Interest bearing deposits	43,060	82,812
Total cash and cash equivalents	45,514	85,400
Securities:		
Available for sale securities, at fair value (Note 2)	23,374	29,377
Other Investments	4,450	4,450
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	7,818	8,645
Total securities	35,642	42,472
Loans receivable (net of allowance for loan losses: 2016: $7,328; 2015: $5,242) (Note 3)	552,822	479,127
Premises and equipment, net	30,850	29,421
Cash surrender value of life insurance	-	-
Other real estate owned	851	-
Accrued interest and dividends receivable	2,308	2,010
Deferred tax asset (Note 7)	13,340	13,763
Other assets	1,759	1,338
Total assets	$683,086	653,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits (Note 5):		
Noninterest bearing deposits	$77,304	85,812
Interest bearing deposits	393,881	358,868
Total deposits	471,185	444,680
Borrowings:		
Federal Home Loan Bank borrowings (Note 9)	135,000	132,000
Junior subordinated debt owed to unconsolidated trust (Note 9)	8,248	8,248

Note Payable (Note 9)	1,800	1,939
Advances from borrowers for taxes and insurance	1,478	2,367
Accrued expenses and other liabilities	2,793	2,833
Total liabilities	620,504	592,067
Commitments and Contingencies (Note 10)		
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; 3,961,591 and 3,957,377 shares issued; 3,959,903 and 3,956,207 shares outstanding; at September 30, 2016 and December 31, 2015, respectively	40	40
Additional paid-in capital	106,694	106,568
Accumulated deficit	(43,947)	(44,832)
Less: Treasury stock, at cost: 1,688 and 1,170 shares held at September 30, 2016 and December 31, 2015, respectively	(167)	(160)
Accumulated other comprehensive loss	(38)	(152)
Total shareholders' equity	62,582	61,464
Total liabilities and shareholders' equity	$683,086	653,531

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended		**Nine Months Ended**	
	September 30,		**September 30,**	
	2016	**2015**	**2016**	**2015**
	(in thousands, except per share amounts)			
Interest and Dividend Income				
Interest and fees on loans	$6,188	5,879	17,811	17,349
Interest on investment securities	131	115	405	350
Dividends on investment securities	88	85	264	202
Other interest income	25	30	94	76
Total interest and dividend income	**6,432**	**6,109**	**18,574**	**17,977**
Interest Expense				
Interest on deposits	549	498	1,518	1,540
Interest on Federal Home Loan Bank borrowings	73	90	258	246
Interest on subordinated debt	85	74	250	218
Interest on other borrowings	9	3	25	3
Total interest expense	**716**	**665**	**2,051**	**2,007**
Net interest income	**5,716**	**5,444**	**16,523**	**15,970**
Provision for Loan Losses	355	-	2,314	250
Net interest income after provision for loan losses	**5,361**	**5,444**	**14,209**	**15,720**
Non-Interest Income				
Loan application, inspection & processing fees	64	16	152	171
Fees and service charges	150	148	451	469
Rental Income	104	107	311	305
Other income	94	91	273	262
Total non-interest income	**412**	**362**	**1,187**	**1,207**
Non-Interest Expense				
Salaries and benefits	2,169	2,245	7,334	6,984
Occupancy and equipment expense	783	814	2,313	2,678
Data processing expense	288	298	814	803
Advertising and promotional expenses	128	329	341	516
Professional and other outside services	409	322	1,182	1,282
Loan administration and processing expenses	14	8	30	37
Regulatory assessments	159	140	453	451
Insurance expense	57	79	168	243

Material and communications	106	95	314	282
Other operating expenses	328	423	992	967
Total non-interest expense	**4,441**	**4,753**	**13,941**	**14,243**
Income before income taxes	**1,332**	**1,053**	**1,455**	**2,684**
Expense for income taxes	518	420	570	1,073
Net income	**$814**	**633**	**885**	**1,611**
Basic income per share (1)	$0.21	0.16	0.22	0.42
Diluted income per share (1)	$0.21	0.16	0.22	0.41

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

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2016	**2015**	**2016**	**2015**
	(in thousands)			
Net income	$814	633	885	1,611
Other comprehensive income :				
Unrealized holding gains on securities	71	123	186	349
Income tax effect	(28)	(49)	(72)	(139)
Total other comprehensive income	43	74	114	210
Total comprehensive income	**$857**	**707**	**999**	**1,821**

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(in thousands, except shares)

	Number of Shares	**Common Stock**	**Additional Paid-In Capital**	**Accumulated Deficit**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total**
Balance at December 31, 2014	3,924,192	$ 39	106,108	(46,975)	(160)	(277)	58,735
Net Income	-	-	-	1,611	-	-	1,611
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	210	210
Total comprehensive income	-	-	-	-	-	-	1,821
Share-based compensation expense	-	-	340	-	-	-	340
Issuance of restricted stock	675	1	(1)	-	-	-	-
Balance at Septmber 30, 2015	3,924,867	$ 40	106,447	(45,364)	(160)	(67)	60,896
Balance December 31, 2015	3,956,207	$ 40	106,568	(44,832)	(160)	(152)	61,464
Net income	-	-	-	885	-	-	885
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	114	114
Total comprehensive income	-	-	-	-	-	-	999
Repurchase of Common shares	(518)	-	-	-	(7)	-	(7)
Share-based compensation expense, net of forfeitures	-	-	126	-	-	-	126
Issuance of restricted stock	4,214	-	-	-	-	-	-
Balance at September 30, 2016	3,959,903	$ 40	106,694	(43,947)	(167)	(38)	62,582

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Nine Months Ended September 30, 2016	**2015**
	(in thousands)	
Cash Flows from Operating Activities:		
Net income	$885	1,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization (accretion) of investment premiums and discounts, net	97	155
Amortization and accretion of purchase loan premiums and discounts, net	118	190
Provision for loan losses, net of recoveries	2,314	250
Depreciation and amortization	920	776
Share-based compensation	126	340
Deferred income taxes	351	888
Loss on disposal of fixed assets	-	133
Gain on acquisition of OREO	(11)	-
Changes in assets and liabilities:		
Decrease in net deferred loan costs	115	216
Increase in accrued interest and dividends receivable	(298)	(189)
(Increase)/Decrease in other assets	(421)	100
(Decrease)/Increase in accrued expenses and other liabilities	(40)	548
Net cash provided by operating activities	**4,156**	**5,018**
Cash Flows from Investing Activities:		
Principal repayments on available for sale securities	2,092	3,151
Purchase of available for sale securities	(1,000)	-
Proceeds from call of available for sale securities	5,000	-
Redemptions of Federal Home Loan Bank and Federal Reserve Bank, net	827	10
Increase in loans, net	(77,082)	(19,746)
Purchase of bank premises and equipment, net	(2,349)	(7,745)
Net cash used in investing activities	**(72,512)**	**(24,330)**
Cash Flows from Financing Activities:		
Net increase in deposits	26,505	4,227
Increase in FHLB borrowings	3,000	-
Repurchase of common stock	(7)	-
Repayment of Note Payable	(139)	(15)
Proceeds from Note Payable	-	2,000
Decrease in advances from borrowers for taxes and insurance	(889)	(820)
Net cash used in financing activities	**28,470**	**5,392**
Net decrease in cash and cash equivalents	**(39,886)**	**(13,920)**

Cash and Cash Equivalents:		
Beginning	85,400	73,258
Ending	$45,514	59,338
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$2,398	1,717
Income taxes paid	$253	3
Transfer of loans to other real estate owned	$840	-

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

Note 1: Basis of Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements of Patriot National Bancorp, Inc. (the “Company”) and its wholly-owned subsidiaries including Patriot Bank N.A. (the “Bank”), 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 unaudited condensed consolidated financial statements presented herein should be read in conjunction with the previously filed audited financial statements of the Company and notes thereto for the year ended December 31, 2015.

The Consolidated Balance Sheet at December 31, 2015 presented herein has been derived from the audited financial statements of 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.

Certain prior period amounts have been reclassified to conform to current year presentation.

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 and nine months ended September 30, 2016 are not necessarily indicative of the results of operations that may be expected for the remainder of 2016.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

Note 2: Investment Securities

The amortized cost, gross unrealized gains and losses and approximate fair values of available-for-sale securities at September 30, 2016 and December 31, 2015 are as follows:

(in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
September 30, 2016:				
U. S. Government agency mortgage-backed securities	$ 11,436	26	(50)	11,412
Corporate bonds	9,000	-	(63)	8,937
Subordinated Notes	3,000	25	-	3,025
	$ 23,436	51	(113)	23,374
December 31, 2015:				
U. S. Government agency bonds	$ 5,000	-	(46)	4,954
U. S. Government agency mortgage-backed securities	13,625	-	(212)	13,413
Corporate bonds	9,000	71	(61)	9,010
Subordinated Notes	$ 2,000	-	-	2,000
	29,625	71	(319)	29,377

The following table presents the gross unrealized loss and fair value of the Company's available-for-sale securities, aggregated by the length of time the individual securities have been in a continuous loss position, at September 30, 2016 and December 31, 2015:

	Less Than 12 Months		**12 Months or More**		**Total**	
(in thousands)	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**	**Fair Value**	**Unrealized Loss**
September 30, 2016:						
U. S. Government agency mortgage - backed securities	-	-	3,683	(50)	3,683	(50)
Corporate bonds	2,992	(8)	5,945	(55)	8,937	(63)
Totals	$2,992	(8)	9,628	(105)	12,620	(113)

December 31, 2015:						
U. S. Government agency bonds	$4,954	(46)	-	-	4,954	(46)
U. S. Government agency mortgage - backed securities	2,863	(42)	10,550	(170)	13,413	(212)
Corporate bonds	-	-	5,939	(61)	5,939	(61)
Totals	$7,817	(88)	16,489	(231)	24,306	(319)

At September 30, 2016, five of eleven available-for-sale securities had unrealized losses with an average depreciation of 0.9% from the total amortized cost. At December 31, 2015, nine out of eleven available-for-sale securities had unrealized losses with an aggregate depreciation of 1.3% from the total amortized cost.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

The Company performs a quarterly analysis of those securities that are in an unrealized loss position to determine if those losses qualify as other-than-temporary impairments. This analysis considers the following criteria in its determination: the ability of the issuer to meet its obligations, management’s plans and ability to maintain its investment in the security, the length of time and the amount by which the security has been in a loss position, the interest rate environment, the general economic environment and prospects or projections for improvement or deterioration.

Management believes that none of the unrealized losses on available-for-sale securities noted above are other than temporary due to the fact that they relate to market interest rate changes on U.S. Government agency debt, investment grade corporate debt and mortgage-backed securities issued by U.S. Government agencies. Management considers the issuers of the securities to be financially sound and the amount by which the securities are in a loss position small. Additionally, the Company has both the intent and the ability to hold these securities until its amortized cost basis can be recovered, which may be at maturity. Accordingly, the Company expects to receive all contractual principal and interest related to these investments and the Company does not consider them to be other-than-temporarily impaired at September 30, 2016.

The amortized cost and fair value of available-for-sale debt securities at September 30, 2016, by contractual maturity, are presented below. Actual maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be prepaid without any penalties. The actual maturities will also differ from contractual maturities because issuers of certain securities retain early call or prepayment rights.

	Amortized Cost	**Fair Value**
Maturity:		
Due from one to five years	$ 9,000	8,937
Due after five years	3,000	3,025
U.S. Government agency mortgage-backed securities	11,436	11,412
Total	$ 23,436	23,374

At September 30, 2016 and December 31, 2015, securities of $4.6 and $5.5 million, respectively, were pledged to the Federal Reserve Bank of New York, primarily to secure municipal deposits.

There were no sales of available-for-sale securities during the nine-month periods ended September 30, 2016 or September 30, 2015.

Note 3: Loans Receivable and Allowance for Loan Losses

Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity, are generally reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for loan losses, and any unamortized deferred fees or costs.

Interest income is accrued based on the unpaid principal balance. Loan application fees are non interest income while other certain direct origination costs are deferred, and amortized as a level yield adjustment over the respective term of the loan and reported in interest income.

The accrual of interest on loans is discontinued at the time the loan is ninety days past due for payment unless the loan is well-secured and in process of collection. Consumer installment loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

All interest accrued, but not collected, on loans that are placed on nonaccrual status, or are charged off, is reversed against interest income. The interest on these loans is accounted for on the cash-basis method until qualifying for return to accrual status. Upon receipt of cash, the cash received is first applied to satisfy principal and then applied to interest, unless the loan is in a cure period and Management believes there will be a loss. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

On September 30, 2016, the Company purchased $23.0 million face amount ($23.7 million fair value) of non-credit impaired student loans receivable, together with accrued interest of $107,822, from another Bank. The purchase price aggregated $23.8 million. By the terms of the agreement, the seller Bank will continue to service these loans in return for a fee. In accordance with the Company's accounting policies, the premium paid will be amortized to interest income, in order to achieve a consistent effective yield.

A summary of the Company's loan portfolio at September 30, 2016 and December 31, 2015 is as follows:

(in thousands)	**September 30, 2016**	**December 31, 2015**
Commercial and Industrial	$ 69,723	59,752
Commercial Real Estate	258,920	245,828
Construction	48,048	15,551
Construction to permanent- CRE	5,587	4,880
Residential	103,969	110,837
Consumer/Other	73,903	47,521
Total Loans	560,150	484,369
Allowance for loan losses	(7,328)	(5,242)
Loans receivable, net	$ 552,822	479,127

Amounts presented at December 31, 2015 include $28.2 million of loans secured by 1-4 Family Non-owner Occupied real estate in the Residential category, reclassified from Commercial Real Estate for consistency with the September 30, 2016 presentation. Net unamortized purchase loan premiums aggregated $1.4 million and $0.9 million as of September 30, 2016 and December 31, 2015, respectively. Net deferred loan costs aggregated $0.2 million as of September 30, 2016 and $0.3 million as of December 31, 2015.

The Company's lending activities are conducted principally in Fairfield and New Haven Counties in Connecticut and Westchester County in New York, and the five Boroughs of New York City. The Company originates commercial real estate loans, commercial business loans, and a variety of consumer loans. In addition, the Company previously had originated loans on residential real estate. All residential and commercial mortgage loans are collateralized primarily by first or second mortgages on real estate. The ability and willingness of borrowers to satisfy their loan obligations is dependent to some degree on the status of the regional economy as well as upon the regional real estate market. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio and the recovery of a substantial portion of any resulting real estate acquired is susceptible to changes in market conditions.

The Company has established credit policies applicable to each type of lending activity in which it engages, by which it evaluates the creditworthiness of each customer and, in most cases, extends credit of up to 75% of the market value of the collateral for commercial real estate at the date of the credit extension depending on the Company's evaluation of the borrowers' creditworthiness and type of collateral and up to 80% for multi–family real estate. In the case of construction loans, the maximum loan-to-value is 75% of the “as completed” appraised value. The appraised value of collateral is monitored on an ongoing basis and additional collateral is requested when warranted. Real estate is the primary form of collateral. Other important forms of collateral are accounts receivable, inventory, other business assets, marketable securities and time deposits.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

Risk characteristics of the Company’s portfolio classes include the following:

Commercial and Industrial Loans – The Company’s commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are usually made to finance accounts receivable, the purchase of inventory or new or used equipment and for other short or long-term working capital purposes. These loans are generally secured by business assets, but are also occasionally offered on an unsecured basis. In granting this type of loan, the Company primarily looks to the borrower’s cash flow as the source of repayment with collateral and personal guarantees, where obtained, as a secondary source of repayment. Payments on such loans are often dependent upon the successful operation of the underlying business involved. Repayment of such loans may therefore be negatively impacted by adverse changes in economic conditions, management’s inability to effectively manage the business, claims of others against the borrower’s assets which may take priority over the Company’s claims against assets, death or disability of the borrower, or loss of markets for the borrower’s products or services.

Commercial Real Estate Loans – In underwriting commercial real estate loans, the Company evaluates both the prospective borrower’s ability to make timely payments on the loan and the value of the property securing the loans. Repayment of such loans may be negatively impacted should the borrower default or should there be a substantial decline in the value of the property securing the loan or decline in general economic conditions. Where the owner occupies the property, the Company also evaluates the business ability to repay the loan on a timely basis. In addition, the Company may require personal guarantees, lease assignments and/or the guarantee of the operating company when the property is owner occupied.

Construction Loans – Construction loans are short-term loans (generally up to eighteen months) secured by land for both residential and commercial development. The loans are generally made for acquisition and improvements. Funds are disbursed as phases of construction are completed. Included in this category are loans to construct single family homes where no contract of sale exists. These loans are based upon the experience and the financial strength of the builder, the type and location of the property and other factors. Construction loans are generally personally guaranteed by the principal(s). Repayment of such loans may be negatively impacted by the builders’ inability to complete construction, a downturn in the new construction market, a significant increase in interest rates, or decline in general economic conditions.

Construction to Permanent-CRE – One time close of a construction facility converting to an amortizing mortgage loan typically upon an event which would include a certificate of occupancy as well as stabilization, defined as cash flow sufficient to support a pre-defined minimum debt coverage ratio, as well as other conditions and covenants particular to the loan type. The construction facility would typically carry a floating rate, then upon conversion to amortization would reset at a predetermined spread over FHLB with a minimum interest rate.

Residential Real Estate Loans – Home equity loans secured by real estate properties are offered by the Company. The Company no longer offers residential mortgages, having exited this business in 2013. Repayment of residential real estate loans may be negatively impacted should the borrower have financial difficulties, should there be a significant decline in the value of the property securing the loan, or should there be decline in general economic conditions.

Consumer/ Other Loans – The Company also offers installment loans, credit cards, and consumer overdraft and reserve lines of credit to individuals. Repayments of such loans are often dependent on the personal income of the borrower, which may be negatively impacted by adverse changes in economic conditions. The Company does not place a high emphasis on originating these types of loans.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

Notes to consolidated financial statements (Unaudited)

The Company does not have any lending programs commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios.

The following table sets forth activity in our allowance for loan losses, by loan type, for the three and nine months ended September 30, 2016. The following table also details the amount of loans receivable that are evaluated individually and collectively for impairment, and the related portion of the allowance for loan losses that is allocated to each loan portfolio segment, as of September 30, 2016.

ALLOWANCE FOR LOANS LOSSES

(in thousands)								
Three months ended September 30, 2016:	**Commercial and Industrial**	**Commercial Real Estate**	**Construction**	**Construction to Permanent**	**Residential**	**Consumer/ Other**	**Unallocated**	**Total**
Allowance for loan losses:								
Beginning Balance	$3,400	2,295	169	145	647	531	22	7,209
Charge-offs	(50)	-	-	-	(186)	(2)	-	(238)
Recoveries	-	-	-	-	2	-	-	2
Provision	352	(491)	(108)	(18)	949	(329)	-	355
Ending Balance	$3,702	1,804	61	127	1,412	200	22	7,328
Nine months ended September 30, 2016:								
Allowance for loan losses:								
Beginning Balance	$1,027	1,970	486	123	740	677	219	5,242
Charge-offs	(50)	-	-	-	(190)	(4)	-	(244)
Recoveries	12	-	-	-	3	1	-	16
Provision	2,713	(166)	(425)	4	859	(474)	(197)	2,314
Ending Balance	$3,702	1,804	61	127	1,412	200	22	7,328
As of September 30, 2016:								
	3,158	-	-	-	-	3	-	3,161

Ending balance: individually evaluated for impairment								
Ending balance: collectively evaluated for impairment	544	1,804	61	127	1,412	197	22	4,167
Total allowance for loan losses	$3,702	1,804	61	127	1,412	200	22	7,328
Total loans ending balance	$69,723	258,920	48,048	5,587	103,969	73,903		