

PATRIOT NATIONAL BANCORP INC  
Form 10-Q  
November 09, 2009

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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 September 30, 2009

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  
(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 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, \$2.00 par value per share, 4,762,727 shares outstanding as of the close of business October 31, 2009.

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## PART I - FINANCIAL INFORMATION

## Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$ 2,469,273	\$ 3,045,708
Interest bearing deposits	150,522,285	1,240,525
Federal funds sold	-	20,000,000
Short term investments	203,376	316,518
Cash and cash equivalents	153,194,934	24,602,751
Available for sale securities (at fair value)	31,917,772	51,979,677
Federal Reserve Bank stock	1,914,700	1,913,200
Federal Home Loan Bank stock	4,508,300	4,508,300
Loans receivable (net of allowance for loan losses: 2009 \$17,651,755; 2008 \$16,247,070)	702,307,916	788,568,687
Accrued interest and dividends receivable	3,486,111	4,556,755
Premises and equipment, net	6,999,528	7,948,501
Deferred tax asset, net	-	8,680,075
Intangible assets	73,305	85,896
Cash surrender value of life insurance	19,694,365	19,135,105
Other real estate owned	7,715,600	-
Other assets	5,625,248	1,380,031
Total assets	\$ 937,437,779	\$ 913,358,978
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest bearing deposits	\$ 48,053,616	\$ 50,194,400
Interest bearing deposits	780,999,316	734,626,951
Total deposits	829,052,932	784,821,351
Repurchase agreements	7,000,000	7,000,000
Federal Home Loan Bank borrowings	50,000,000	50,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	3,482,453	4,515,483
Total liabilities	897,783,385	854,584,834
<b>Shareholders' equity</b>		
Preferred stock: 1,000,000 shares authorized; no shares issued	-	-
Common stock, \$2 par value: 60,000,000 shares authorized; shares issued 2009 4,774,432; outstanding 4,762,727; shares issued 2008		

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4,755,114; outstanding 4,743,409	9,548,864	9,510,228
Additional paid in capital	49,651,534	49,634,337
Accumulated deficit	(19,790,260)	(119,886)
Less Treasury stock at cost: 11,705 shares	(160,025)	(160,025)
Accumulated other comprehensive income(loss) - net unrealized		
gain (loss) on available for sale securities, net of taxes	404,281	(90,510)
Total shareholders' equity	39,654,394	58,774,144
Total liabilities and shareholders' equity	\$ 937,437,779	\$ 913,358,978

See accompanying notes to consolidated financial statements.

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PATRIOT NATIONAL BANCORP, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$ 9,558,338	\$ 12,685,086	\$ 31,948,530	\$ 39,782,456
Interest and dividends on investment securities	339,927	758,192	1,261,099	2,379,517
Interest on interest bearing deposits in banks	78,862	1,584	98,254	7,855
Interest on federal funds sold	6,805	28,303	34,246	125,550
Total interest and dividend income	9,983,932	13,473,165	33,342,129	42,295,378
<b>Interest Expense</b>				
Interest on deposits	5,400,341	5,585,521	17,649,135	20,020,142
Interest on Federal Home Loan Bank borrowings	428,183	583,203	1,270,527	1,265,176
Interest on subordinated debt	77,645	123,767	259,904	401,664
Interest on other borrowings	77,772	77,772	230,780	231,625
Total interest expense	5,983,941	6,370,263	19,410,346	21,918,607
Net interest income	3,999,991	7,102,902	13,931,783	20,376,771
Provision for Loan Losses	1,453,000	3,000,000	9,009,000	4,545,000
Net interest income after provision for loan losses	2,546,991	4,102,902	4,922,783	15,831,771
<b>Noninterest Income</b>				
Mortgage brokerage referral fees	34,070	56,110	116,252	206,670
Loan origination & processing fees	48,772	75,881	172,676	247,004
Fees and service charges	257,306	245,766	751,704	750,664
Loss on impaired investment security	-	(1,050,000)	-	(1,050,000)
Gain on sale of investment securities	-	-	434,333	-
Earnings on cash surrender value of life insurance	179,240	237,235	559,260	726,968
Other income	98,319	131,444	272,734	329,882
Total noninterest income (loss)	617,707	(303,564)	2,306,959	1,211,188
<b>Noninterest Expenses</b>				

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Salaries and benefits	2,946,743	3,006,518	8,863,928	9,670,358
Occupancy and equipment expense, net	1,374,719	1,356,155	4,088,569	3,841,503
Data processing and other outside services	721,175	250,344	2,050,215	1,338,257
Professional services	637,629	247,493	1,787,534	700,638
Advertising and promotional expenses	91,157	189,669	161,914	618,839
Loan administration and processing expenses	138,991	77,217	408,210	197,533
Regulatory assessments	663,365	191,103	1,865,092	554,909
Other real estate operations	134,646	-	134,646	-
Other noninterest expenses	826,921	677,921	1,928,100	1,666,807
Total noninterest expenses	7,535,346	5,996,420	21,288,208	18,588,844
Loss before income taxes	(4,370,648)	(2,197,082)	(14,058,466)	(1,545,885)
Provision (Benefit) for Income Taxes	9,565,000	(288,000)	5,611,000	(183,000)
Net loss	\$ (13,935,648)	\$ (1,909,082)	\$ (19,669,466)	\$ (1,362,885)
Basic (loss) per share	\$ (2.93)	\$ (0.40)	\$ (4.14)	\$ (0.29)
Diluted (loss) per share	\$ (2.93)	\$ (0.40)	\$ (4.14)	\$ (0.29)
Dividends per share	\$ -	\$ 0.045	\$ -	\$ 0.135

See accompanying notes to consolidated financial statements.

PATRIOT NATIONAL BANCORP, INC  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net loss	\$ (13,935,648)	\$ (1,909,082)	\$ (19,669,466)	\$ (1,362,885)
Unrealized holding gains on securities:				
Unrealized holding gains arising				
during				
the period, net of taxes	94,558	69,425	494,791	152,240
Comprehensive loss	\$ (13,841,090)	\$ (1,839,657)	\$ (19,174,675)	\$ (1,210,645)

See accompanying notes to consolidated financial statements.

PATRIOT NATIONAL BANCORP, INC  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
(Unaudited)

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Nine months ended September 30, 2008							
Balance at December 31, 2007	4,746,844	\$ 9,493,688	\$ 49,549,119	\$ 7,846,060	\$ -	\$ (53,500)	\$ 66,835,367
Comprehensive income							
Net loss	-	-	-	(1,362,885)	-	-	(1,362,885)
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-		152,240	152,240
Total comprehensive loss							(1,210,645)
Issuance of common stock							
Stock options exercised	5,000	10,000	40,550				50,550
Stock issued to directors	3,270	6,540	43,392				49,932
							100,482
Treasury Stock							
Stock purchased under buyback					(138,235)		(138,235)
Dividends	-	-	-	(640,887)		-	(640,887)
Balance, September 30, 2008	4,755,114	\$ 9,510,228	\$ 49,633,061	\$ 5,842,288	\$ (138,235)	\$ 98,740	\$ 64,946,082
Nine months ended September 30, 2009							
Balance at December 31,	4,743,409	\$ 9,510,228	\$ 49,634,337	\$ (119,886)	\$ (160,025)	\$ (90,510)	\$ 58,774,144



2008

Comprehensive  
loss

Net loss	-	-	-	(19,669,466)	-	-	(19,669,466)
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	494,791	494,791
Total comprehensive loss							(19,174,675)

Issuance of  
common stock

Stock issued to directors	19,318	38,636	17,197	-	-	-	55,833
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Dividends	-	-	-	(908)	-	-	(908)
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Balance, September 30, 2009	4,762,727 \$	9,548,864 \$	49,651,534 \$	(19,790,260) \$	(160,025) \$	404,281 \$	39,654,394
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See accompanying notes to consolidated financial statements.

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PATRIOT NATIONAL BANCORP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (19,669,466)	\$ (1,362,885)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Amortization and accretion of investment premiums and discounts, net	101,743	114,453
Provision for loan losses	9,009,000	4,545,000
Loss on impaired investment security	-	1,050,000
Gain on sale of investment securities	(434,333)	-
Amortization of core deposit intangible	12,591	13,266
Earnings on cash surrender value of life insurance	(559,260)	(726,968)
Depreciation and amortization	1,242,948	1,197,200
Loss on disposal of bank premises and equipment	156	46
Payment of fees to directors in common stock	55,833	49,932
Deferred income taxes	8,624,602	(1,474,368)
Changes in assets and liabilities:		
Decrease in deferred loan fees	(679,708)	(553,329)
Decrease (increase) in accrued interest and dividends receivable	1,070,644	(115,410)
Increase in other assets	(4,245,217)	(427,277)
Decrease in accrued expenses and other liabilities	(1,067,361)	(1,923,735)
Net cash (used in) provided by operating activities	(6,537,828)	385,925
<b>Cash Flows from Investing Activities:</b>		
Purchases of available for sale securities	(14,524,178)	(18,366,036)
Proceeds from sales of available for sale securities	19,852,541	-
Principal repayments on available for sale securities	4,864,181	19,688,086
Proceeds from calls and redemptions of available for sale securities	11,000,000	9,000,000
Purchases of Federal Reserve Bank Stock	(1,500)	(1,500)
Purchases of Federal Home Loan Bank Stock	-	(1,852,200)
Net decrease (increase) in loans	70,215,878	(108,699,558)
Purchase of bank premises and equipment	(294,131)	(994,195)
Net cash provided by (used in) investing activities	91,112,791	(101,225,403)
<b>Cash Flows from Financing Activities:</b>		
Net increase in demand, savings and money market deposits	55,477,476	36,398,254
Net (decrease) increase in time certificates of deposits	(11,245,895)	23,145,738
Net proceeds from FHLB borrowings	-	41,500,000
Proceeds from issuance of common stock	-	50,550

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Payments under stock buyback program	-	(138,235)
Dividends paid on common stock	(214,361)	(641,422)
Net cash provided by financing activities	44,017,220	100,314,885
Net increase (decrease) in cash and cash equivalents	128,592,183	(524,593)

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PATRIOT NATIONAL BANCORP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued  
(Unaudited)

	Nine Months Ended September 30,	
	2009	2008
Cash and Cash Equivalents:		
Beginning	24,602,751	14,011,914
Ending	\$ 153,194,934	\$ 13,487,321
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Interest		