

PATRIOT NATIONAL BANCORP INC  
Form 10-Q  
May 15, 2007

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, 2007

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, or a non-accelerated filer:

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

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, 4,739,494 shares issued and outstanding as of the close of business April 30, 2007.

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**PART I - FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****PATRIOT NATIONAL BANCORP, INC.  
CONSOLIDATED BALANCE SHEETS**

	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
Cash and due from banks	\$ 11,022,505	\$ 3,868,670
Federal funds sold	44,200,000	27,000,000
Short term investments	34,390,909	24,605,869
<b>Cash and cash equivalents</b>	<b>89,613,414</b>	<b>55,474,539</b>
Available for sale securities (at fair value)	66,739,799	67,093,135
Federal Reserve Bank stock	1,911,700	1,911,700
Federal Home Loan Bank stock	1,217,200	1,217,200
Loans receivable (net of allowance for loan losses: 2007 \$5,630,432; 2006 \$5,630,432)	548,737,862	506,884,155
Accrued interest receivable	3,773,375	3,542,173
Premises and equipment	5,969,234	3,690,861
Deferred tax asset, net	2,778,431	2,914,562
Goodwill and other intangible assets	1,483,007	1,487,651
Other assets	1,925,269	1,766,819
<b>Total assets</b>	<b>\$ 724,149,291</b>	<b>\$ 645,982,795</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Deposits:		
Noninterest bearing deposits	\$ 53,750,109	\$ 56,679,836
Interest bearing deposits	586,530,050	504,771,828
<b>Total deposits</b>	<b>640,280,159</b>	<b>561,451,664</b>
Federal Home Loan Bank borrowings	8,000,000	8,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	2,812,536	3,999,786
<b>Total liabilities</b>	<b>659,340,695</b>	<b>581,699,450</b>
<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 and outstanding: 2007 - 4,739,494; 2006 - 4,739,494	9,478,988	9,478,988
Additional paid in capital	49,463,307	49,463,307
Retained earnings	6,325,153	6,022,012
Accumulated other comprehensive income - net unrealized loss on available for sale securities, net of taxes	(458,852)	(680,962)
<b>Total shareholders' equity</b>	<b>64,808,596</b>	<b>64,283,345</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 724,149,291</b>	<b>\$ 645,982,795</b>

See accompanying notes to consolidated financial statements.



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

	Three Months Ended	
	March 31,	
	2007	2006
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$ 10,336,121	\$ 7,198,489
<b>Interest and dividends</b>		
on investment securities	1,015,259	778,827
Interest on federal funds sold	213,228	62,776
<b>Total interest and dividend income</b>	<b>11,564,608</b>	<b>8,040,092</b>
<b>Interest Expense</b>		
Interest on deposits	5,693,242	3,086,045
Interest on Federal Home Loan Bank borrowings	98,450	185,398
Interest on subordinated debt	171,398	155,036
Interest on other borrowings	-	2,306
<b>Total interest expense</b>	<b>5,963,090</b>	<b>3,428,785</b>
<b>Net interest income</b>	<b>5,601,518</b>	<b>4,611,307</b>
Provision for Loan Losses	-	572,800
<b>Net interest income after provision for loan losses</b>	<b>5,601,518</b>	<b>4,038,507</b>
<b>Noninterest Income</b>		
Mortgage brokerage referral fees	288,334	366,806
Loan processing fees	48,602	67,217
Fees and service charges	181,342	145,199
Other income	66,736	51,043
<b>Total noninterest income</b>	<b>585,014</b>	<b>630,265</b>
<b>Noninterest Expenses</b>		
Salaries and benefits	3,091,955	2,313,572
Occupancy and equipment expense, net	947,064	646,104
Data processing and other outside services	412,329	423,289
Professional services	136,335	128,573
Advertising and promotional expenses	199,302	145,040
Loan administration and processing expenses	38,819	30,477
Other real estate operations	(6,962)	-
Other noninterest expenses	524,271	351,774
<b>Total noninterest expenses</b>	<b>5,343,113</b>	<b>4,038,829</b>
<b>Income before income taxes</b>	<b>843,419</b>	<b>629,943</b>
Provision for Income Taxes	327,000	231,000
<b>Net income</b>	<b>\$ 516,419</b>	<b>\$ 398,943</b>

<b>Basic income Per Share</b>	\$	<b>0.11</b>	\$	<b>0.12</b>
<b>Diluted income Per Share</b>	\$	<b>0.11</b>	\$	<b>0.12</b>
<b>Dividends per share</b>	\$	<b>0.045</b>	\$	<b>0.040</b>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2007	2006
Net income	\$ 516,419	\$ 398,943
Unrealized holding gains (losses) on securities:		
Unrealized holding gains (losses) arising during the period, net of taxes	222,110	(104,025)
<b>Comprehensive income</b>	<b>\$ 738,529</b>	<b>\$ 294,918</b>

See accompanying notes to consolidated financial statements.

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

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
<b>Three months ended</b>						
<b>March 31, 2006</b>						
Balance at December 31, 2005	3,230,649	\$ 6,461,298	\$ 21,709,224	\$ 4,308,242	\$ (1,104,149)	\$ 31,374,615
Comprehensive income						
Net income				398,943		398,943
Unrealized holding loss on available for sale securities, net of taxes					(104,025)	(104,025)
Total comprehensive income						294,918
Dividends				(129,226)		(129,226)
Balance, March 31, 2006	3,230,649	\$ 6,461,298	\$ 21,709,224	\$ 4,577,959	\$ (1,208,174)	\$ 31,540,307
<b>Three months ended</b>						
<b>March 31, 2007</b>						
Balance at December 31, 2006	4,739,494	\$ 9,478,988	\$ 49,463,307	\$ 6,022,012	\$ (680,962)	\$ 64,283,345
Comprehensive income						
Net income				516,419		516,419
Unrealized holding gain on available for sale securities, net of taxes					222,110	222,110
Total comprehensive income						738,529
Dividends				(213,278)		(213,278)
Balance, March 31, 2007	4,739,494	\$ 9,478,988	\$ 49,463,307	\$ 6,325,153	\$ (458,852)	\$ 64,808,596

See accompanying notes to consolidated financial statements.





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

	Three Months Ended March 31,	
	2007	2006
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 516,419	\$ 398,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization and accretion of investment premiums and discounts, net	48,349	55,187
Provision for loan losses	-	572,800
Amortization of core deposit intangible	4,644	-
Depreciation and amortization	236,919	153,185
Loss on disposal of bank premises and equipment	137	-
Changes in assets and liabilities:		
Increase in deferred loan fees	22,793	210,838
Increase in accrued interest receivable	(231,202)	(225,515)
Increase in other assets	(158,450)	(160,304)
Decrease in accrued expenses and other liabilities	(1,187,250)	(628,870)
<b>Net cash (used in) provided by operating activities</b>	<b>(747,641)</b>	<b>376,264</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of available for sale securities	(3,000,125)	-
Principal repayments on available for sale securities	3,663,353	3,278,530
Purchase of Federal Reserve Bank Stock	-	(650)
Purchase of Federal Home Loan Bank Stock	-	(152,000)
Net increase in loans	(41,876,500)	(44,602,214)
Purchases of bank premises and equipment	(2,515,429)	(199,284)
<b>Net cash used in investing activities</b>	<b>(43,728,701)</b>	<b>(41,675,618)</b>
<b>Cash Flows from Financing Activities</b>		
Net decrease in demand, savings and money market deposits	10,987,458	2,538,946
Net increase in time certificates of deposits	67,841,037	21,941,068
Proceeds from FHLB borrowings	-	19,718,000
Principal repayments of FHLB borrowings	-	(6,718,000)
Dividends paid on common stock	(213,278)	(129,226)
<b>Net cash provided by financing activities</b>	<b>78,615,217</b>	<b>37,350,788</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>34,138,875</b>	<b>(3,948,566)</b>
<b>Cash and cash equivalents</b>		
Beginning	55,474,539	15,967,605
Ending	\$ 89,613,414	\$ 12,019,039

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

	Three Months Ended March 31,	
	2007	2006
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for:		
Interest	\$ 5,953,409	\$ 3,378,376
Income taxes	\$ 195,000	\$ 115,000
<b>Supplemental disclosures of noncash investing and financing activities:</b>		
Unrealized holding gain (loss) on available for sale securities arising during the period		
	\$ 358,241	\$ (167,780)
Dividends declared on common stock	\$ 213,278	\$ 129,226

See accompanying notes to consolidated financial statements.

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**PATRIOT NATIONAL BANCORP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Note 1. Basis of Financial Statement Presentation**

The Consolidated Balance Sheet at December 31, 2006 has been derived from the audited financial statements of Patriot National Bancorp, Inc. ("Bancorp") 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.