

PATRIOT NATIONAL BANCORP INC  
Form 10-Q  
August 11, 2017  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut  
(State or other jurisdiction of

06-1559137  
(I.R.S. Employer

**incorporation or organization) Identification No.)**

**900 Bedford Street, Stamford, Connecticut 06901**  
**(Address of principal executive offices) (Zip Code)**  
**(203) 324-7500**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer Accelerated filer  
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company  
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes      No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of August 10, 2017, there were 3,894,128 shares of the registrant's common stock outstanding.

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

<i>(In thousands, except share data)</i>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS</b>		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$3,210	2,596
Interest bearing deposits	7,633	89,693
Total cash and cash equivalents	10,843	92,289
Investment securities:		
Available-for-sale securities, at fair value	24,981	24,428
Other investments, at cost	4,450	4,450
Total investment securities	29,431	28,878
Federal Reserve Bank stock, at cost	2,424	2,109
Federal Home Loan Bank stock, at cost	5,833	5,609
Loans receivable (net of allowance for loan losses: 2017: \$5,944, 2016: \$4,675)	673,144	576,982
Accrued interest and dividends receivable	3,208	2,726
Premises and equipment, net	34,471	32,759
Other real estate owned	851	851
Deferred tax asset	11,212	12,632
Other assets	2,003	1,819
<b>Total assets</b>	<b>\$773,420</b>	<b>756,654</b>
<b>Liabilities</b>		
Deposits:		
Noninterest bearing deposits	\$77,778	76,772
Interest bearing deposits	484,261	452,552
Total deposits	562,039	529,324
Federal Home Loan Bank and correspondent bank borrowings	120,000	138,000
Senior notes, net	11,666	11,628
Junior subordinated debt owed to unconsolidated trust	8,082	8,079
Note payable	1,675	1,769
Advances from borrowers for taxes and insurance	3,111	2,676
Accrued expenses and other liabilities	1,547	2,608
<b>Total liabilities</b>	<b>708,120</b>	<b>694,084</b>

Commitments and Contingencies

**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; 2017: 3,967,769 shares issued; 3,894,128 shares outstanding. 2016: 3,965,538 shares issued; 3,891,897 shares outstanding	40	40
Additional paid-in capital	106,797	106,729
Accumulated deficit	(40,368 )	(42,902 )
Less: Treasury stock, at cost: 2017 and 2016, 73,641 and 73,641 shares, respectively	(1,177 )	(1,177 )
Accumulated other comprehensive gain (loss)	8	(120 )
<b>Total shareholders' equity</b>	<b>65,300</b>	<b>62,570</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$773,420</b>	<b>756,654</b>

See Accompanying Notes to Consolidated Financial Statements.

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2017</b>	<b>2016</b>	<b>June 30, 2017</b>	<b>2016</b>
<i>(In thousands, except per share amounts)</i>				
<b>Interest and Dividend Income</b>				
Interest and fees on loans	\$7,591	5,783	14,198	11,623
Interest on investment securities	242	132	413	274
Dividends on investment securities	93	90	175	176
Other interest income	19	28	83	69
<b>Total interest and dividend income</b>	<b>7,945</b>	<b>6,033</b>	<b>14,869</b>	<b>12,142</b>
<b>Interest Expense</b>				
Interest on deposits	1,129	496	2,118	969
Interest on Federal Home Loan Bank borrowings	183	64	261	185
Interest on senior debt	228	-	457	-
Interest on subordinated debt	89	83	174	165
Interest on note payable	8	8	17	16
<b>Total interest expense</b>	<b>1,637</b>	<b>651</b>	<b>3,027</b>	<b>1,335</b>
<b>Net interest income</b>	<b>6,308</b>	<b>5,382</b>	<b>11,842</b>	<b>10,807</b>
<b>Provision (Credit) for Loan Losses</b>	<b>260</b>	<b>1,959</b>	<b>(1,489 )</b>	<b>1,959</b>
<b>Net interest income after provision (credit) for loan losses</b>	<b>6,048</b>	<b>3,423</b>	<b>13,331</b>	<b>8,848</b>
<b>Non-interest Income</b>				
Loan application, inspection and processing fees	15	21	36	88
Deposit fees and service charges	146	150	295	301
Rental Income	91	104	185	207
Loss on sale of investment securities	-	-	(78 )	-
Other income	97	90	188	179
<b>Total non-interest income</b>	<b>349</b>	<b>365</b>	<b>626</b>	<b>775</b>
<b>Non-interest Expense</b>				
Salaries and benefits	2,497	2,615	4,927	5,165
Occupancy and equipment expense	807	750	1,582	1,530
Data processing expense	326	241	446	526
Professional and other outside services	550	364	1,202	773
Advertising and promotional expense	111	96	185	213
Loan administration and processing expense	14	8	23	16
Regulatory assessments	163	147	342	294

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Insurance expense	56	56	115	111
Material and communications	103	115	190	208
Other operating expense	387	344	696	664
<b>Total non-interest expense</b>	5,014	4,736	9,708	9,500
<b>Income (loss) before income taxes</b>	1,383	(948 )	4,249	123
<b>Expense (benefit) for Income Taxes</b>	579	(366 )	1,715	52
<b>Net income (loss)</b>	\$804	(582 )	2,534	71
<b>Basic earnings per share</b>	\$0.21	(0.15 )	0.65	0.02
<b>Diluted earnings per share</b>	\$0.21	(0.15 )	0.65	0.02

See Accompanying Notes to Consolidated Financial Statements.



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

<i>(In thousands)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30, 2017</b>	<b>2016</b>	<b>June 30, 2017</b>	<b>2016</b>
Net income (loss)	\$804	(582)	2,534	71
Other comprehensive income				
Unrealized holding gains on securities	48	59	287	115
Income tax effect	(18)	(23)	(111)	(44)
Reclassification for realized losses on sale of investment securities	-	-	(78)	-
Income tax effect	-	-	30	-
Total other comprehensive income	30	36	128	71
<b>Comprehensive income (loss)</b>	<b>\$834</b>	<b>(546)</b>	<b>2,662</b>	<b>142</b>

See Accompanying Notes to Consolidated Financial Statements.

## PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

<i>(In thousands, except shares)</i>	Number of Shares	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated		Total
						Other Comprehensive Loss		
<b>Balance at December 31, 2016</b>	3,891,897	\$ 40	106,729	(42,902 )	(1,177 )	(120 )		62,570
<b>Comprehensive income:</b>								
Net income	-	-	-	2,534	-	-		2,534
Other comprehensive income	-	-	-	-	-	128		128
<b>Total comprehensive income</b>	-	-	-	2,534	-	128		2,662
Share-based compensation expense	-	-	68	-	-	-		68
Vesting of restricted stock	2,231	-	-	-	-	-		-
<b>Balance at June 30, 2017</b>	3,894,128	\$ 40	106,797	(40,368 )	(1,177 )	8		65,300
<b>Balance at December 31, 2015</b>	3,956,207	40	106,568	(44,832 )	(160 )	(152 )		61,464
<b>Comprehensive income:</b>								