

PATRIOT NATIONAL BANCORP INC  
Form 10-Q  
May 15, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

---

**FORM 10-Q**

---

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

**For the quarterly period ended March 31, 2018**

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)**

<b>Connecticut</b>	<b>06-1559137</b>
<b>(State or other jurisdiction of</b>	<b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Identification No.)</b>

**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 May 7, 2018, there were 3,903,878 shares of the registrant's common stock outstanding.

---

**Table of Contents**

Table of Contents	2
PART I- FINANCIAL INFORMATION	3
Item 1: Consolidated Financial Statements	3
Consolidated Balance Sheets (Unaudited)	3
Consolidated Statements of Income (Unaudited)	4
Consolidated Statements of Comprehensive (Loss) Income (Unaudited)	5
Consolidated Statements of Shareholder's Equity (Unaudited)	6
Consolidated Statements of Cash Flows (Unaudited)	7
Note to Consolidated Financial Statements (Unaudited)	8
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	40
Item 3: Quantitative and Qualitative Disclosures about Market Risk	55
Item 4: Disclosure Controls and Procedures	57
PART II - OTHER INFORMATION	58
Item 1: Legal Proceedings	58
Item 1A: Risk Factors	58
Item 6: Exhibits	59
SIGNATURES	60

**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>March 31, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$3,865	3,582
Interest bearing deposits	58,127	45,659
Total cash and cash equivalents	61,992	49,241
Investment securities:		
Available-for-sale securities, at fair value	24,793	25,576
Other investments, at cost	4,450	4,450
Total investment securities	29,243	30,026
Federal Reserve Bank stock, at cost	2,526	2,502
Federal Home Loan Bank stock, at cost	5,889	5,889
Loans receivable (net of allowance for loan losses: 2018: \$6,485, 2017: \$6,297)	718,070	713,350
Accrued interest and dividends receivable	3,505	3,496
Premises and equipment, net	35,638	35,358
Deferred tax asset	11,335	10,397
Other assets	2,219	1,821
<b>Total assets</b>	<b>\$870,417</b>	<b>852,080</b>
<b>Liabilities</b>		
Deposits:		
Noninterest bearing deposits	\$71,736	81,197
Interest bearing deposits	583,562	556,242
Total deposits	655,298	637,439
Federal Home Loan Bank and correspondent bank borrowings	120,000	120,000
Senior notes, net	11,722	11,703
Junior subordinated debt owed to unconsolidated trust	8,088	8,086
Note payable	1,532	1,580
Advances from borrowers for taxes and insurance	1,904	2,829
Accrued expenses and other liabilities	4,268	3,694
<b>Total liabilities</b>	<b>802,812</b>	<b>785,331</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; 2018: 3,976,351 shares issued; 3,902,610 shares outstanding. 2017: 3,973,416 shares issued; 3,899,675 shares outstanding	40	40
Additional paid-in capital	106,928	106,875
Accumulated deficit	(37,805 )	(38,832 )
Less: Treasury stock, at cost: 2018 and 2017, 73,741 and 73,741 shares, respectively	(1,179 )	(1,179 )
Accumulated other comprehensive loss	(379 )	(155 )
<b>Total shareholders' equity</b>	<b>67,605</b>	<b>66,749</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$870,417</b>	<b>852,080</b>

See Accompanying Notes to Consolidated Financial Statements.

## PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	<b>Three Months Ended March 31,</b>	
<i>(In thousands, except per share amounts)</i>	<b>2018</b>	<b>2017</b>
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$8,774	6,607
Interest on investment securities	266	171
Dividends on investment securities	121	82
Other interest income	151	64
<b>Total interest and dividend income</b>	<b>9,312</b>	<b>6,924</b>
<b>Interest Expense</b>		
Interest on deposits	1,657	989
Interest on Federal Home Loan Bank borrowings	257	78
Interest on senior debt	229	229
Interest on subordinated debt	99	85
Interest on note payable	7	9
<b>Total interest expense</b>	<b>2,249</b>	<b>1,390</b>
<b>Net interest income</b>	<b>7,063</b>	<b>5,534</b>
<b>Provision (Credit) for Loan Losses</b>	<b>185</b>	<b>(1,749)</b>
<b>Net interest income after provision (credit) for loan losses</b>	<b>6,878</b>	<b>7,283</b>
<b>Non-interest Income</b>		
Loan application, inspection and processing fees	8	21
Deposit fees and service charges	134	149
Rental Income	84	94
Loss on sale of investment securities	-	(78 )
Other income	96	91
<b>Total non-interest income</b>	<b>322</b>	<b>277</b>
<b>Non-interest Expense</b>		
Salaries and benefits	2,769	2,430
Occupancy and equipment expense	741	775
Data processing expense	317	120
Professional and other outside services	572	652
Merger and acquisition related expenses	523	-
Advertising and promotional expense	78	74
Loan administration and processing expense	13	9

Edgar Filing: PATRIOT NATIONAL BANCORP INC - Form 10-Q

Regulatory assessments	252	179
Insurance expense	55	59
Material and communications	113	87
Other operating expense	358	309
<b>Total non-interest expense</b>	<b>5,791</b>	<b>4,694</b>
<b>Income before income taxes</b>	<b>1,409</b>	<b>2,866</b>
<b>Provision for Income Taxes</b>	<b>344</b>	<b>1,136</b>
<b>Net income</b>	<b>\$1,065</b>	<b>1,730</b>
<b>Basic earnings per share</b>	<b>\$0.27</b>	<b>0.44</b>
<b>Diluted earnings per share</b>	<b>\$0.27</b>	<b>0.44</b>

See Accompanying Notes to Consolidated Financial Statements.



**PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)**

<i>(In thousands)</i>	<b>Three Months Ended March 31, 2018    2017</b>	
Net income	\$1,065	1,730
Other comprehensive income		
Unrealized holding (loss) gain on securities	(307 )	239
Income tax effect	83	(93 )
Reclassification for realized losses on sale of investment securities	-	(78 )
Income tax effect	-	30
Total other comprehensive (loss) income	(224 )	98
<b>Comprehensive income</b>	<b>\$841</b>	<b>1,828</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 Other Comprehensive Loss	Total
<b>Balance at December 31, 2017</b>	3,899,675	\$ 40	106,875	(38,832 )	(1,179 )	(155 )	66,749
<b>Comprehensive income:</b>							
Net income	-	-	-	1,065	-	-	1,065
Unrealized holding loss on available-for-sale securities, net of tax	-	-	-	-	-	(224 )	(224 )
<b>Total comprehensive income</b>	-	-	-	1,065	-	(224 )	841
Common stock dividends				(38 )			(38 )
Share-based compensation expense	-	-	53	-	-	-	53
Vesting of restricted stock	2,935	-	-	-	-	-	-
<b>Balance at March 31, 2018</b>	3,902,610	\$ 40	106,928	(37,805 )	(1,179 )	(379 )	67,605
<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	-	-	-	1,730	-	-	1,730
Unrealized holding gain on available-for-sale securities, net of tax	-	-	-	-	-	98	98
<b>Total comprehensive income</b>	-	-	-	1,730	-	98	1,828
Share-based compensation expense	-	-	43	-	-	-	43
Vesting of restricted stock	2,231	-	-	-	-	-	-
<b>Balance at March 31, 2017</b>	3,894,128	\$ 40	106,772	(41,172 )	(1,177 )		