

PATRIOT NATIONAL BANCORP INC
Form 10-Q
August 08, 2008

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 June 30, 2008

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, 4,752,370 shares issued and outstanding as of the close of business July 31, 2008.

Table of Contents

		Page
Part I	FINANCIAL INFORMATION	
Item 1.	Consolidated Financial Statements	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	34
Item 4.	Controls and Procedures	37
Part II	OTHER INFORMATION	
Item 1A.	Risk Factors	37
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 4.	Submission of Matters to a Vote of Security Holders	38
Item 6.	Exhibits	39

PART I - FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Cash and due from banks	\$ 2,417,604	\$ 2,760,246
Federal funds sold	29,700,000	11,000,000
Short term investments	1,307,933	251,668
Cash and cash equivalents	33,425,537	14,011,914
Available for sale securities (at fair value)	51,224,294	67,290,040
Federal Reserve Bank stock	1,913,200	1,911,700
Federal Home Loan Bank stock	4,199,300	2,656,100
Loans receivable (net of allowance for loan losses: 2008 \$7,217,620; 2007 \$5,672,620)	776,298,982	685,885,990
Accrued interest receivable	5,167,816	4,576,018
Premises and equipment	7,883,531	7,805,565
Deferred tax asset, net	2,737,267	2,788,024
Goodwill and other intangible assets	1,460,231	1,469,075
Cash surrender value of life insurance	18,683,417	18,193,684
Other assets	1,433,438	942,144
Total assets	\$ 904,427,013	\$ 807,530,254
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing deposits	\$ 66,295,842	\$ 51,925,991
Interest bearing deposits	661,051,725	620,473,418
Total deposits	727,347,567	672,399,409
Repurchase agreements	7,000,000	7,000,000
Federal Home Loan Bank borrowings	88,446,000	47,500,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	6,288,150	5,547,478
Total liabilities	837,329,717	740,694,887
Shareholders' equity		
Preferred stock: 1,000,000 shares authorized; no shares issued	-	-
Common stock, \$2 par value: 60,000,000 shares authorized; shares issued 2008 - 4,755,114; outstanding 4,752,530; 2007 issued and outstanding: 2007 - 4,746,844	9,510,228	9,493,688
Additional paid in capital	49,633,062	49,549,119
Retained earnings	7,965,383	7,846,060
Less Treasury stock at cost: 2008 - 2,744 shares	(40,692)	-

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

Accumulated other comprehensive income - net
unrealized gain

(loss) on available for sale securities, net of taxes	29,315	(53,500)
Total shareholders' equity	67,097,296	66,835,367
Total liabilities and shareholders' equity	\$ 904,427,013	\$ 807,530,254

See accompanying notes to consolidated financial statements.

3

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Interest and Dividend Income				
Interest and fees on loans	\$ 13,775,210	\$ 11,270,743	\$ 27,097,371	\$ 21,606,864
Interest and dividends on investment securities	706,199	1,155,542	1,628,304	2,170,801
Interest on federal funds sold	42,836	567,730	97,247	780,958
Total interest and dividend income	14,524,245	12,994,015	28,822,922	24,558,623
Interest Expense				
Interest on deposits	6,824,965	6,897,473	14,434,621	12,590,716
Interest on Federal Home Loan Bank borrowings	380,516	22,598	681,786	121,047
Interest on subordinated debt	117,806	172,953	277,897	344,351
Interest on other borrowings	74,391	-	154,040	-
Total interest expense	7,397,678	7,093,024	15,548,344	13,056,114
Net interest income	7,126,567	5,900,991	13,274,578	11,502,509
Provision for Loan Losses	1,068,000	-	1,545,000	-
Net interest income after provision for loan losses	6,058,567	5,900,991	11,729,578	11,502,509
Noninterest Income				
Mortgage brokerage referral fees	96,445	216,377	150,559	504,711
Loan origination & processing fees	65,099	57,642	171,123	106,244
Fees and service charges	254,042	194,038	504,898	375,381
Gain on redemption of investment securities	-	5,000	-	5,000
Earnings on cash surrender value of life insurance	258,491	-	489,733	-
Other income	86,937	53,321	198,439	120,056
Total noninterest income	761,014	526,378	1,514,752	1,111,392
Noninterest Expenses				
Salaries and benefits	3,352,789	3,083,862	6,663,840	6,175,817
Occupancy and equipment expense, net	1,306,448	1,013,192	2,603,367	1,960,256
Data processing and other outside services	457,878	486,788	924,227	898,004
Professional services	229,769	89,870	453,145	226,205
Advertising and promotional expenses	242,175	208,376	429,170	407,678

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

Loan administration and processing expenses	60,798	52,155	120,317	90,974
Regulatory assessments	194,395	179,212	363,805	243,667
Other real estate operations	-	(10,594)	-	(17,556)
Other noninterest expenses	526,090	450,159	1,034,553	911,088
Total noninterest expenses	6,370,342	5,553,020	12,592,424	10,896,133
Income before income taxes	449,239	874,349	651,906	1,717,768
Provision for Income Taxes	53,000	340,000	105,000	667,000
Net income	\$ 396,239	\$ 534,349	\$ 546,906	\$ 1,050,768
Basic income Per Share	\$ 0.08	\$ 0.11	\$ 0.12	\$ 0.22
Diluted income Per Share	\$ 0.08	\$ 0.11	\$ 0.11	\$ 0.22
Dividends per share	\$ 0.045	\$ 0.045	\$ 0.090	\$ 0.090

See accompanying notes to consolidated financial statements.

4

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 396,239	\$ 534,349	\$ 546,906	\$ 1,050,768
Unrealized holding gains (losses) on securities:				
Unrealized holding gains (losses) arising				
during the period, net of taxes	(180,723)	(59,738)	82,815	162,372
Comprehensive income	\$ 215,516	\$ 474,611	\$ 629,721	\$ 1,213,140

See accompanying notes to consolidated financial statements.

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

	Number of Shares	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Gain (Loss)	Total
Six months ended June 30, 2007							
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				1,050,768			1,050,768
Unrealized holding gain on available for sale securities, net of taxes						162,372	162,372
Total comprehensive income							1,213,140
Issuance of common stock							
Stock issued to directors	2,350	4,700	45,261				49,961
Dividends				(426,661)			(426,661)
Balance, June 30, 2007	4,741,844	\$ 9,483,688	\$ 49,508,568	\$ 6,646,119	\$ -	\$ (518,590)	\$ 65,119,785
Six months ended June 30, 2008							