

PATRIOT NATIONAL BANCORP INC
Form 10-Q/A
November 14, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the Quarter Ended June 30, 2016

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut 06-1559137
(State of incorporation) (I.R.S. Employer Identification Number)

900 Bedford Street, Stamford, Connecticut 06901

(Address of principal executive offices)

(203) 324-7500

(Registrant's telephone number)

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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 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, 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, \$0.01 par value per share, 3,958,486 shares outstanding as of the close of business August 12, 2016.

EXPLANATORY NOTE:

The Company is filing this Amendment No. 1 on Form 10-Q/A (this “Amended Filing”) to its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2016 (“Original Filing”) to: (i) restate management's conclusions regarding the effectiveness of its disclosure controls and procedures as of June 30, 2016; (ii) reissue the consolidated financial statements for the three month and six month periods ended June 30, 2016 to reflect changes in the provision for loan losses resulting from the material weaknesses in internal controls over financial reporting. Accordingly, the Company hereby amends and replaces in their entirety Items 1, 2, and 4 in Part I. For the convenience of the reader, this Amended Filing sets forth the Original Filing, as modified where necessary to reflect the restatement and revisions. All other statements and provisions in the Form 10-Q have not been updated and remain unchanged.

Subsequent to filing the June 30, 2016 Form 10-Q, management became aware of the results of a bankruptcy court ordered auction which took place in June 2016, involving the collateral of one of the impaired loans at June 30, 2016. Management also became aware that the court later approved the bid received at the auction and the sale of said collateral occurred in August 2016. Management made the determination that some of this information was publicly available by the time of the filing of the June 30, 2016 Form 10-Q and should have been included in the valuation of the impaired loan in the June 30, 2016 Form 10-Q. The resulting \$2.0 million adjustment to the provision for loan losses (\$1.2 adjustment to net income) for the three and six month periods ended June 30, 2016 was determined to be material to earnings. The restatement has no impact on the audit report for the year ended December 31, 2015 or the quarter ended March 31, 2016.

The Company has concluded that there is a material weakness in internal control over financial reporting, related the allowance for loan losses, as the Company did not maintain effective controls over (i) the recording, monitoring and valuation of eligible collateral when calculating specific reserves on impaired loans; and (ii) controls over the development and monitoring of qualitative factors used in calculating the general component of the loan loss reserve in accordance with the approved allowance for loan losses policy. Specifically the Company’s management has determined that the Company’s financial reporting controls and procedures with respect to the allowance for loan losses were not operating effectively for the quarter ended June 30, 2016. Accordingly, management has determined that the Company's disclosure controls and procedures were not effective as of June 30, 2016.

As required by Rule 12b-15, the Company's principal executive officer and principal financial officer are providing new currently dated certifications. Accordingly, the Company hereby amends Item 6 in Part II in the Original Filing to reflect the filing of the new certifications.

Except as described above, this Amended Filing does not amend, update or change any other items or disclosures in the Original Filing and does not purport to reflect any information or events subsequent to the filing thereof. As such, this Amended Filing speaks only as of the date the Original Filing was filed, and the Company has not undertaken herein to amend, supplement or update any information contained in the Original Filing to give effect to any

subsequent events. Accordingly, this Amended Filing should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Filing, including any amendment to those filings.

Except as described above, this Amendment Number 1 to the Form 10-Q continues to speak as of the original filing date, and does not reflect the events that may have occurred subsequent to the original filing date and does not modify or update in any way disclosures made in the original Form 10-Q other than the changes described above. For additional information about this restatement refer to Note 1. Basis of Presentation and Restatement of Consolidated Financial Statements, of the Notes to consolidated financial statements.

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

	Restated June 30, 2016	December 31, 2015
	<i>(in thousands, except shares and per share amounts)</i>	
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$2,893	\$2,588
Interest bearing deposits	43,594	82,812
Total cash and cash equivalents	46,487	85,400
Securities:		
Available for sale securities, at fair value (Note 2)	23,037	29,377
Other Investments	4,450	4,450
Restricted stock, at cost	7,982	8,645
Total securities	35,469	42,472
Loans receivable (net of allowance for loan losses: 2016: \$7,209; 2015: \$5,242) (Note 3)	521,445	479,127
Premises and equipment, net	29,972	29,421
Other real estate owned	851	-
Accrued interest and dividends receivable	2,120	2,010
Deferred tax asset (Note 7)	13,836	13,763
Other assets	1,679	1,338
Total assets	\$651,859	\$653,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits (Note 5):		
Noninterest bearing deposits	\$75,244	\$85,065
Interest bearing deposits	371,092	359,615
Total deposits	446,336	444,680
Federal Home Loan Bank borrowings (Note 9)	128,000	132,000
Junior subordinated debt owed to unconsolidated trust (Note 9)	8,248	8,248
Note Payable (Note 9)	1,846	1,939
Advances from borrowers for taxes and insurance	2,451	2,367

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Accrued expenses and other liabilities	3,064	2,833
Total liabilities	589,945	592,067
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; 3,959,903 and 3,957,377 shares issued; 3,958,733 and 3,956,207 shares outstanding; at June 30, 2016 and December 31, 2015, respectively	40	40
Additional paid-in capital	106,876	106,568
Accumulated deficit	(44,761)	(44,832)
Less: Treasury stock, at cost: 2016 and 2015, 1,170 shares	(160)	(160)
Accumulated other comprehensive loss	(81)	(152)
Total shareholders' equity	61,914	61,464
Total liabilities and shareholders' equity	\$ 651,859	\$ 653,531

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30, Restated 2016		Six Months Ended June 30, Restated 2015	
	<i>(in thousands, except per share amounts)</i>			
Interest and Dividend Income				
Interest and fees on loans	\$5,783	\$5,924	\$11,623	\$11,470
Interest on investment securities	132	119	274	235
Dividends on investment securities	90	60	176	117
Other interest income	28	17	69	46
Total interest and dividend income	6,033	6,120	12,142	11,868
Interest Expense				
Interest on deposits	496	513	969	1,042
Interest on Federal Home Loan Bank borrowings	64	85	185	156
Interest on subordinated debt	83	73	165	144
Interest on other borrowings	8	-	16	-
Total interest expense	651	671	1,335	1,342
Net interest income	5,382	5,449	10,807	10,526
Provision for Loan Losses	1,959	-	1,959	250
Net interest income after provision for loan losses	3,423	5,449	8,848	10,276
Non-Interest Income				
Loan application, inspection & processing fees	21	105	88	155
Fees and service charges	150	147	301	321
Rental Income	104	177	207	110
Other income	90	22	179	259
Total non-interest income	365	451	775	845
Non-Interest Expense				
Salaries and benefits	2,615	2,395	5,165	4,739
Occupancy and equipment expense	750	909	1,530	1,864
Data processing expense	241	255	526	505
Advertising and promotional expenses	96	137	213	187
Professional and other outside services	364	391	773	960
Loan administration and processing expenses	8	7	16	29
Regulatory assessments	147	157	294	311
Insurance expense	56	83	111	164
Material and communications	115	106	208	187
Other operating expenses	344	319	664	544
Total non-interest expense	4,736	4,759	9,500	9,490
Income (loss) before income taxes	(948)	1,141	123	1,631
Expense (Benefit) for income taxes	(366)	452	52	653

Net income (loss)	\$(582)	\$689	\$71	\$978
Basic and diluted income (loss) per share (1)	\$(0.15)	\$0.18	\$0.02	\$0.25

(1) All common stock data has been restated for a 1-for-10 reverse stock split which took effect on March 4, 2015.

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

	Three Months Ended June 30, Restated 2015	Six Months Ended June 30, Restated 2015
<i>in thousands</i>	2015	2015
	(<i>in thousands</i>)	(<i>in thousands</i>)