

PATRIOT NATIONAL BANCORP INC
Form 10-Q
May 11, 2009

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, 2009

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, 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, \$2.00 par value per share, 4,743,409 shares outstanding as of the close of business April 30, 2009.

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 20
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 35
Item 4.	Controls and Procedures 38
Part II	OTHER INFORMATION
Item 1A.	Risk Factors 38
Item 6.	Exhibits 39

PART I - FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (Unaudited)	December 31, 2008
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	\$ 66,603,104	\$ 3,045,708
Interest bearing deposits	70,848	1,240,525
Federal funds sold	25,000,000	20,000,000
Short term investments	85,033	316,518
Cash and cash equivalents	91,758,985	24,602,751
Available for sale securities (at fair value)	25,344,658	51,979,677
Federal Reserve Bank stock	1,913,200	1,913,200
Federal Home Loan Bank stock	4,508,300	4,508,300
Loans receivable (net of allowance for loan losses: 2009 \$16,630,905; 2008 \$16,247,070)	785,103,179	788,568,687
Accrued interest and dividends receivable	4,172,372	4,556,755
Premises and equipment, net	7,646,145	7,948,501
Deferred tax asset, net	9,543,358	8,680,075
Intangible assets	81,699	85,896
Cash surrender value of life insurance	19,324,118	19,135,105
Other assets	21,063,293	1,380,031
Total assets	\$ 970,459,307	\$ 913,358,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing deposits	\$ 47,259,798	\$ 50,194,400
Interest bearing deposits	796,685,335	734,626,951
Total deposits	843,945,133	784,821,351
Repurchase agreements	7,000,000	7,000,000
Federal Home Loan Bank borrowings	50,000,000	50,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	3,654,473	4,515,483
Total liabilities	912,847,606	854,584,834
Shareholders' equity		
Preferred stock: 1,000,000 shares authorized; no shares issued	-	-
Common stock, \$2 par value: 60,000,000 shares authorized; shares issued 4,755,114; shares outstanding 4,743,409.	9,510,228	9,510,228
Additional paid in capital	49,634,337	49,634,337
Accumulated deficit	(1,216,847)	(119,886)
Less Treasury stock at cost: 11,705 shares	(160,025)	(160,025)
Accumulated other comprehensive loss - net unrealized loss on available-for-sale securities, net of taxes	(155,992)	(90,510)

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

Total shareholders' equity	57,611,701	58,774,144
Total liabilities and shareholders' equity	\$ 970,459,307	\$ 913,358,978

See accompanying notes to consolidated financial statements.

3

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

	Three Months Ended March 31,	
	2009	2008
Interest and Dividend Income		
Interest and fees on loans	\$ 11,774,941	\$ 13,322,161
Interest and dividends on investment securities	571,371	922,104
Interest on federal funds sold	12,922	54,411
Total interest and dividend income	12,359,234	14,298,676
Interest Expense		
Interest on deposits	6,242,773	7,609,656
Interest on Federal Home Loan Bank borrowings	418,876	301,270
Interest on subordinated debt	93,220	160,091
Interest on other borrowings	76,081	79,649
Total interest expense	6,830,950	8,150,666
Net interest income	5,528,284	6,148,010
Provision for Loan Losses	1,600,000	477,000
Net interest income after provision for loan losses	3,928,284	5,671,010
Noninterest Income		
Mortgage brokerage referral fees	2,495	54,114
Loan origination & processing fees	69,202	106,024
Fees and service charges	245,605	250,856
Gain on sale of investment securities	434,333	-
Earnings on cash surrender value of life insurance	189,013	231,242
Other income	82,006	111,503
Total noninterest income	1,022,654	753,739
Noninterest Expenses		
Salaries and benefits	2,991,181	3,311,051
Occupancy and equipment expense, net	1,405,223	1,296,919
Data processing and other outside services	476,472	466,349
Professional services	562,336	223,376
Advertising and promotional expenses	57,773	186,995
Loan administration and processing expenses	97,729	59,519
Regulatory assessments	279,374	169,410
Other noninterest expenses	435,811	508,463
Total noninterest expenses	6,305,899	6,222,082
(Loss) income before income taxes	(1,354,961)	202,667
Benefit (Provision) for Income Taxes	258,000	(52,000)
Net (loss) income	\$ (1,096,961)	\$ 150,667

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

Basic (loss) income per share	\$	(0.23)	\$	0.030
Diluted (loss) income per share	\$	(0.23)	\$	0.030
Dividends per share	\$	-	\$	0.045

See accompanying notes to consolidated financial statements.

4

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

	Three Months Ended	
	March 31,	
	2009	2008
Net (loss) income	\$ (1,096,961)	\$ 150,667
Unrealized holding (losses) gains on securities:		
Unrealized holding (losses) gains arising		
during the period, net of taxes	(65,482)	263,538
Comprehensive (loss) income	\$ (1,162,443)	\$ 414,205

See accompanying notes to consolidated financial statements.

5

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

	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Three months ended March 31, 2008							
Balance at December 31, 2007	4,746,844	\$ 9,493,688	\$ 49,549,119	\$ 7,846,060	\$ -	\$ (53,500)	\$ 66,835,367
Comprehensive income							
Net income	-	-	-	150,667	-	-	150,667
Unrealized holding gain on available for sale securities, net of taxes	-	-	-	-	-	263,538	263,538
Total comprehensive income							414,205
Issuance of common stock	5,000	10,000	40,550	-	-	-	50,550
Dividends	-	-	-	(213,608)	-	-	(213,608)
Balance, March 31, 2008	4,751,844	\$ 9,503,688	\$ 49,589,669	\$ 7,783,119	\$ -	\$ 210,038	\$ 67,086,514
Three months ended March 31, 2009							
Balance at December 31, 2008	4,743,409	\$ 9,510,228	\$ 49,634,337	\$ (119,886)	\$ (160,025)	\$ (90,510)	\$ 58,774,144
Comprehensive loss							
Net loss	-	-	-	(1,096,961)	-	-	(1,096,961)
Unrealized holding loss on available for sale securities,	-	-	-	-	-	(65,482)	(65,482)

net of
taxes

Total	(1,162,443)
-------	-------------

comprehensive loss

Balance, March 31, 2009	4,743,409 \$	9,510,228 \$	49,634,337 \$	(1,216,847) \$	(160,025) \$	(155,992) \$	57,611,701
-------------------------	--------------	--------------	---------------	----------------	--------------	--------------	------------

See accompanying notes to consolidated financial statements.

6

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

	Three Months Ended March 31,	
	2009	2008
Cash Flows from Operating Activities:		
Net (loss) income	\$ (1,096,961)	\$ 150,667
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Amortization and accretion of investment premiums and discounts, net	15,258	43,444
Provision for loan losses	1,600,000	477,000
Gain on sale of investment securities	(434,333)	-
Amortization of core deposit intangible	4,197	4,422
Earnings on cash surrender value of life insurance	(189,013)	(231,242)
Depreciation and amortization	424,555	386,311
Loss on disposal of bank premises and equipment	-	46
Deferred Income Taxes	(823,142)	-
Changes in assets and liabilities:		
(Decrease) increase in deferred loan fees	(237,713)	19,208
Decrease (increase) in accrued interest receivable	384,383	(453,521)
Decrease (increase) in other assets	169,280	(211,723)
Decrease in accrued expenses and other liabilities	(647,556)	(2,818,301)
Net cash used in operating activities	(831,045)	(2,633,689)
Cash Flows from Investing Activities:		
Purchases of available for sale securities	-	(8,366,036)
Principal repayments on available for sale securities	1,095,929	3,206,305
Proceeds from redemptions of available for sale securities	6,000,000	12,000,000
Purchases of Federal Reserve Bank Stock	-	(1,500)
Purchases of Federal Home Loan Bank Stock	-	(200,000)
Net decrease (increase) in loans	2,103,221	(69,259,453)
Purchase of bank premises and equipment	(122,199)	(557,264)
Net cash used in investing activities	9,076,951	(63,177,948)
Cash Flows from Financing Activities:		
Net increase in demand, savings and money market deposits	45,868,465	12,857,202
Net increase in time certificates of deposits	13,255,317	80,332,529
Net repayments of FHLB borrowings	-	(12,500,000)
Proceeds from issuance of common stock	-	50,550
Dividends paid on common stock	(213,454)	(213,608)
Net cash provided by financing activities	58,910,328	80,526,673
Net increase in cash and cash equivalents	67,156,234	14,715,036
Cash and Cash Equivalents:		

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

Beginning	24,602,751	14,011,914
Ending	\$ 91,758,985	\$ 28,726,950

7

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

	Three Months Ended March 31,	
	2009	2008
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Interest	\$ 6,950,959	\$ 8,102,629
Income taxes	\$ 1,234,080	\$ 352,599
Supplemental disclosures of noncash investing and financing activities:		
Unrealized holding (loss) gain on available for sale securities arising during the period	\$ (105,624)	\$ 425,061
Dividends declared on common stock	\$ -	\$ 213,608
Proceeds receivable from investment sales transactions	\$ 19,852,542	\$ -

See accompanying notes to consolidated financial statements.

PATRIOT NATIONAL BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1: Basis of Financial Statement Presentation

The Consolidated Balance Sheet at December 31, 2008 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.

The accompanying unaudited financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and related notes should be read in conjunction with the audited financial statements of Bancorp and notes thereto for the year ended December 31, 2008.

The information furnished reflects, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results of operations that may be expected for the remainder of 2009.

Note 2: Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and fair values of available-for-sale securities at March 31, 2009 and December 31, 2008 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2009:				
U. S. Government sponsored				
agency obligations	\$ 5,000,000	\$ 60,938	\$ -	\$ 5,060,938
U. S. Government Agency and sponsored				
agency mortgage-backed securities	17,716,227	43,643	(169,494)	17,590,376
Money market preferred equity securities	2,880,037	39,807	(226,500)	2,693,344
Total Available-for-Sale Securities	\$ 25,596,264	\$ 144,388	\$ (395,994)	\$ 25,344,658
December 31, 2008:				
U. S. Government sponsored				
agency obligations	\$ 10,000,000	\$ 102,248	\$ -	\$ 10,102,248
U. S. Government Agency and sponsored				
agency mortgage-backed securities	38,246,799	231,766	(479,996)	37,998,569
Money market preferred equity securities	3,878,860	-	-	3,878,860
Total Available-for-Sale Securities	\$ 52,125,659	\$ 334,014	\$ (479,996)	\$ 51,979,677

At March 31, 2009, gross unrealized holding gains and gross unrealized holding losses on available-for-sale securities totaled \$144,388 and \$395,994, respectively. Of the securities with unrealized losses, there are eight U. S. Government Agency and sponsored agency mortgage-backed securities that have unrealized losses for a period in excess of twelve months, with a combined current unrealized loss of \$67,990. Management does not believe that any of the unrealized losses related to mortgage-backed securities issued by U.S. Government Agencies and sponsored agencies are other-than-temporary since they are the result of changes in the interest rate environment. Bancorp has the ability to hold these securities to maturity, if necessary, and intends to hold these securities until fair value recovery. The unrealized losses related to the three auction rate preferred securities are not other-than-temporary as they are the result of fluctuations in the general market rather than a decline in the financial condition of the issuers. Bancorp expects to receive all contractual principal and interest related to these investments. As a result, management believes that these unrealized losses will not have a negative impact on future earnings or a permanent negative effect on capital.

Note 3: Allowance for Loan Losses and Impaired Loans

The changes in the allowance for loan losses for the three months ended March 31, 2009 and 2008 are as follows:

(Thousands of dollars)	Three months ended	
	2009	2008
Balance at beginning of period	\$ 16,247,070	\$ 5,672,620
Provision for loan losses	1,600,000	477,000
Charge-offs	(1,216,165)	-
Recoveries	-	-
Balance at end of period	\$ 16,630,905	\$ 6,149,620

At March 31, 2009 and December 31, 2008, the unpaid balances of loans delinquent 90 days or more and still accruing were \$1,551,000 and \$337,000, respectively, and the unpaid principal balances of loans placed on nonaccrual status and considered impaired were \$85,780,013 and \$80,155,913, respectively. If nonaccrual loans had been performing in accordance with their original terms, the Company would have recorded approximately \$1,216,000 of additional income during the period ended March 31, 2009 and \$133,221 during the quarter ended March 31, 2008.

The following information relates to impaired loans at March 31, 2009 and December 31, 2008:

	March 31, 2009	December 31, 2008
Impaired loans receiveable for which there is a related allowance for credit losses	\$ 37,212,777	\$ 42,535,777
Impaired loans receiveable for which there is no related allowance for credit losses	\$ 48,567,236	\$ 37,620,136
Allowance for credit losses related to impaired loans	\$ 4,186,585	\$ 4,211,954

For the three months ended March 31, 2009 and 2008, the interest income collected and recognized on impaired loans was \$184,192 and \$44,498, respectively.

At March 31, 2009, there were 11 loans totaling \$16.9 million that were considered as “troubled debt restructurings” of which \$12.4 million are included in non-accrual loans, as compared to 11 loans totaling \$16.7 million, of which \$12.4 million were included in non accrual loans at December 31, 2008.

Note 4: Income (loss) per share

Bancorp is required to present basic income (loss) per share and diluted income (loss) per share in its consolidated statements of operations. Basic income per share amounts are computed by dividing net income (loss) by the weighted average number of common shares outstanding. Diluted income (loss) per share reflects additional common shares that would have been outstanding if potentially dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by Bancorp relate to outstanding stock options and are determined using the treasury stock method. Bancorp is also required to provide a reconciliation of the numerator and denominator used in the computation of both basic and diluted income (loss) per share.

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

The following is information about the computation of income (loss) per share for the three months ended March 31, 2009 and 2008:

Three months ended March 31, 2009

	Net Loss	Shares	Amount
Basic and Diluted Loss Per Share			
Loss attributable to common shareholders	\$ (1,096,961)	4,743,409	\$ (0.23)

For the three months ended March 31, 2009, there were no dilutive common shares.

Three months ended March 31, 2008

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	\$ 150,667	4,751,020	\$ 0.03
Effect of Dilutive Securities			
Stock Options outstanding	-	19,455	
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	\$ 150,667	4,770,475	\$ 0.03

Note 5: Other Comprehensive (Loss) Income

Other comprehensive (loss) income, which is comprised solely of the change in unrealized gains and losses on available for sale securities, is as follows:

	Three Months Ended March 31, 2009			Three Months Ended March 31, 2008		
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount	Tax Effect	Net of Tax Amount
Unrealized holding gains arising during the period	\$ 328,709	\$ (124,905)	\$ 203,804	\$ 425,061	\$ (161,523)	\$ 263,538
Reclassification adjustment for gains recognized in income	(434,333)	165,047	(269,286)	-	-	-
Unrealized holding (losses) gains on available for sale securities, net of taxes	\$ (105,624)	\$ 40,142	\$ (65,482)	\$ 425,061	\$ (161,523)	\$ 263,538

Note 6: Financial Instruments with Off-Balance Sheet Risk

In order to meet the financing needs of its customers, Bancorp, in the normal course of business, is a party to financial instruments with off-balance-sheet risk. These financial instruments include commitments to extend credit and standby letters of credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheets. The contractual amounts of these instruments reflect the extent of involvement Bancorp has in particular classes of financial instruments.

The contractual amounts of commitments to extend credit and standby letters of credit represent the amounts of potential accounting loss should the contracts be fully drawn upon, the customers default and the values of any existing collateral become worthless. Bancorp uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments and evaluates each customer's creditworthiness on a case-by-case basis. Management believes that Bancorp controls the credit risk of these financial instruments through credit approvals, credit limits, monitoring procedures and the receipt of collateral as deemed necessary.

Financial instruments whose contractual amounts represent credit risk are as follows at March 31, 2009:

Commitments to extend credit:	
Future loan commitments	\$ 4,482,000
Unused lines of credit	51,748,942
Undisbursed construction loans	58,888,123
Financial standby letters of credit	1,481,600
	\$ 116,600,665

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to extend credit generally have fixed expiration dates, or other termination clauses, and may require payment of a fee by the borrower. Since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by Bancorp upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential and commercial property, deposits and securities.

Standby letters of credit are written commitments issued by Bancorp to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Newly issued or modified guarantees that are not derivative contracts are recorded on Bancorp's consolidated balance sheet at the fair value at inception. No liability related to guarantees was required to be recorded at March 31, 2009.

Note 7: Income Taxes

Bancorp recorded an income tax benefit of \$258,000 for the quarter ended March 31, 2009 as compared to income tax expense of \$52,000 for the quarter ended March 31, 2008. The effective tax rates for the three months ended March 31, 2009 and March 31, 2008 were 19% and 26%, respectively, and are based on Bancorp's annual projections for the year. The variance in effective tax rates is due primarily to projected changes in net income and permanent differences for 2009 as compared to 2008.

Note 8: Fair Value Measurements

Effective January 1, 2008, Bancorp adopted the provisions of SFAS No. 157, "Fair Value Measurements," for financial assets and financial liabilities. Effective January 1, 2009, Bancorp adopted Financial Accounting Standards Board Staff Position (FSP) No. 157-2, "Effective Date of FASB Statement No. 157," for non-financial assets and non-financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a

forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

SFAS 157 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, SFAS 157 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- o Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- o Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- o Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of Bancorp's financial assets and financial liabilities carried at fair value effective January 1, 2008, and all of Bancorp's non financial assets and non-financial liabilities carried at fair value effective January 1, 2009.

In general, fair value is based upon quoted market prices, where available. If such quoted

15

market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counter party credit quality, Bancorp creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. Bancorp's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes Bancorp's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available-for-Sale: Securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, Bancorp obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Impaired Loans: Certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2009
Securities available for sale	\$ -	\$ 25,344,658	\$ -	\$ 25,344,658

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

The following table reflects financial assets measured at fair value on a non-recurring basis as of March 31, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2009	Total Gains (Losses)
Impaired Loans (1)	\$ -	\$ -	\$ 67,439,735	\$ 67,439,735	\$ (1,281,750)

(1) Represents carrying value for which adjustments are based on the appraised value of the collateral.

Bancorp classified \$5.6 million in impaired loans as collateral dependent during the three months ended March 31, 2009 and recorded additional reserves of \$1.3 million.

Bancorp has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis and there were no non-financial assets or non-financial liabilities measured at fair value on a non-recurring basis as of March 31, 2009.

Note 9: Recent Accounting Pronouncements

Effective January 1, 2008, Bancorp adopted the provisions of SFAS No. 157, Fair Value Measurements, for financial assets and financial liabilities. Effective January 1, 2009, Bancorp adopted Financial Accounting Standards Board Staff Position (“FSP”) No. 157-2, Effective Date of FASB Statement No. 157, for non-financial assets and non-financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

In December 2007, the FASB issued revised SFAS No. 141, Business Combinations, (SFAS No. 141(R)). SFAS No. 141(R) retains the fundamental requirements of SFAS No. 141 that the acquisition method of accounting (formerly the purchase method) be used for all business combinations; that an acquirer be identified for each business combination; and that intangible assets be identified and recognized separately from goodwill. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. Additionally, SFAS No. 141(R) changes the requirements for recognizing assets acquired and liabilities assumed arising from contingencies and recognizing and measuring contingent consideration. SFAS No. 141(R) also enhances the disclosure requirements for business combinations. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and may not be applied before that date. The adoption of SFAS No. 141 (R) would apply prospectively to any future business combinations and is expected to have a significant effect on the Company’s consolidated financial statements, if a business combination occurs.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statement — an amendment of ARB No. 51. SFAS No. 160 amends Accounting Research Bulletin No. 51, Consolidated Financial Statements to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Among other things, SFAS No. 160 clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. SFAS No. 160 also amends SFAS No. 128, Earnings per Share, so that earnings per share calculations in consolidated financial statements will continue to be based on amounts attributable to the parent. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and is applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. The Company adopted SFAS No. 160 on January 1, 2009. The adoption of this standard did not have an impact on Bancorp's financial condition or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related items are accounted for under SFAS No. 133 and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. Bancorp adopted this standard January 1, 2009. SFAS No. 161 did not have an impact on Bancorp's financial condition or results of operations.

In April 2008, the FASB issued FSP No. 142-3, Determination of the Useful Life of Intangible Assets ("FSP No. 142-3"). FSP No. 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets ("SFAS No. 142"). The intent of FSP No. 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007), Business Combinations and other applicable accounting literature. FSP No. 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company adopted this standard on January 1, 2009. The adoption of FSP No. 142-3 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly, (FSP 157-4). This FSP addresses concerns that FASB Statement No. 157, Fair Value Measurements, emphasized the use of an observable market transaction even when that transaction may not have been orderly or the

market for that transaction may not have been active. FSP 157-4 provides additional guidance on: (a) determining when the volume and level of activity for the asset or liability has significantly decreased; (b) identifying circumstances in which a transaction is not orderly; and (c) understanding the fair value measurement implications of both (a) and (b). The effective date of disclosures for this new standard is for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, only if this FSP is adopted at the same time as FSP No. FAS 115-2 and FAS 124-2 and FSP No. FAS 107-1 and APB 28-1. The Company will adopt this new standard for the three months ended June 30, 2009.

In April 2009, the FASB issued Staff Position No. FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, (FSP 115-2 and 124-2). This FSP amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments in the financial statements. The most significant change the FSP brings is a revision to the amount of other-than-temporary loss of a debt security recorded in earnings. The effective date of disclosures for this new standard is for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, only if this FSP is adopted at the same time as FSP No. FAS 157-4 and FSP No. FAS 107-1 and APB 28-1. The Company will adopt this new standard for the three months ended June 30, 2009.

In April 2009, the FASB issued Staff Position No. 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, (FSP 107-1 and APB 28-1). This FSP amends FASB Statement No. 107, Disclosures about Fair Value of Financial Instruments, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. The effective date of disclosures for this new standard is for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, only if this FSP is adopted at the same time as FSP No. FAS 115-2 and FAS 124-2 and FSP No. FAS 157-4. The Company will adopt this new standard for the three months ended June 30, 2009.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in Bancorp's public reports, including this report, and in particular in "Management's Discussion and Analysis of Financial Condition and Results of Operations," may be forward looking and subject to a variety of risks and uncertainties. These factors include, but are not limited to, (1) changes in prevailing interest rates which would affect the interest earned on Bancorp's interest earning assets and the interest paid on its interest bearing liabilities, (2) the timing of repricing of Bancorp's interest earning assets and interest bearing liabilities, (3) the effect of changes in governmental monetary policy, (4) the effect of changes in regulations applicable to Bancorp and the conduct of its business, (5) changes in competition among financial services companies, including possible further encroachment of non-banks on services traditionally provided by banks, (6) the ability of competitors that are larger than Bancorp to provide products and services which it is impracticable for Bancorp to provide, (7) the effects of Bancorp's opening of branches, (8) the effect of any decision by Bancorp to engage in any business not historically operated by it, (9) the ability of Bancorp to raise additional capital in the future and successfully deploy the funds raised, (10) the state of the economy and real estate values in Bancorp's market areas, and the consequent affect on the quality of Bancorp's loans and (11) the recently enacted Emergency Economic Stabilization Act of 2008 is expected to have a profound effect on the financial services industry and could dramatically change the competitive environment of Bancorp. Other such factors may be described in Bancorp's other filings with the SEC.

Although Bancorp believes that it offers the loan and deposit products and has the resources needed for continued success, future revenues and interest spreads and yields cannot be reliably predicted. These trends may cause Bancorp to adjust its operations in the future. Because of the foregoing and other factors, recent trends should not be considered reliable indicators of future financial results or stock prices.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates. Management has identified accounting for the allowance for credit losses, the analysis of other-than-temporary-impairment for its investment securities and valuation of deferred income tax assets and liabilities, as Bancorp's most critical accounting policies and estimates in that they are important to the portrayal of Bancorp's financial condition and results. They require management's most subjective and complex judgment as a result of the need to make an estimate about the effect of matters that are inherently uncertain. These accounting policies, including the nature of the estimates and types of assumptions used, are described throughout this Management's Discussion and Analysis.

Summary

Bancorp incurred a net loss of \$1.1 million (\$0.23 basic and diluted loss per share) for the quarter ended March 31, 2009, as compared to net income of \$151,000 (\$0.03 basic and diluted income per share) for the quarter ended March 31, 2008. Significant declines in interest rates, which include the Federal Reserve Bank lowering rates, resulted in a 58 basis point decline in Bancorp's net interest margin for the quarter ended March 31, 2009 of 2.45% as compared to 3.03% for the quarter ended March 31, 2008. In addition, interest income on loans decreased by 12% due to the level of non-accrual loans for the quarter ended March 31, 2009 as compared to the quarter ended March 31, 2008. These two factors, combined with a provision for loan losses of \$1.6 million during the quarter resulted in the net loss of \$1.1 million for the quarter ended March 31, 2009.

Total assets increased \$57.0 million from \$913.4 million at December 31, 2008 to \$970.4 million at March 31, 2009. Cash and cash equivalents increased \$67.1 million to \$91.7 million at March 31, 2009 as compared to \$24.6 million at December 31, 2008. The available-for-sale securities portfolio decreased \$26.6 million to \$25.3 million at March 31, 2009 from \$51.9 million at December 31, 2008. The net loan portfolio decreased \$3.5 million from \$788.6 million at December 31, 2008 to \$785.1 million at March 31, 2009. Deposits increased \$59.1 million to \$843.9 million at March 31, 2009 from \$784.8 million at December 31, 2008. The Bank built up its core deposits as customers placed funds in FDIC-insured products during these uncertain economic times. Borrowings remained constant during the same period. Total shareholders' equity decreased \$1.2 million from \$58.8 million at December 31, 2008 to \$57.6 million at March 31, 2009.

Financial Condition

Bancorp's total assets increased \$57.0 million, from \$913.4 million at December 31, 2008 to \$970.4 million at March 31, 2009. The growth in total assets was funded primarily by deposit growth of \$59.1 million. Cash and cash equivalents increased \$67.1 million to \$91.7 million at March 31, 2009 as compared to \$24.6 million at December 31, 2008 as a result of a higher level of short-term deposits at quarter end resulting from increased customer deposits. Federal funds sold increased \$5.0 million.

Investments

Management evaluates the Company's investment securities portfolio for other-than-temporary impairment on a periodic basis. Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The following table is a summary of Bancorp's available for sale securities portfolio, at fair value, at the dates shown:

	March 31, 2009	December 31, 2008
U. S. Government sponsored agency obligations	\$ 5,060,938	\$ 10,102,248
U. S. Government Agency and sponsored agency mortgage-backed securities	17,590,376	37,998,569
Money market preferred equity securities	2,693,344	3,878,860
Total Available for Sale Securities	\$ 25,344,658	\$ 51,979,677

Available-for-sale securities decreased \$26.7 million, or 51%, from \$52.0 million at December 31, 2008 to \$25.3 million at March 31, 2009. The decrease is primarily due to the sale of six government sponsored agency mortgage-backed securities for \$20 million, the call of one government sponsored agency obligation for \$5.0 million and the redemption of one auction rate preferred security for \$1.0 million during the period ended March 31, 2009. Bancorp realized a gain of \$434,000 in connection with the sale of the government sponsored agency mortgage-backed securities during the period ended March 31, 2009.

Loans

The following table is a summary of Bancorp's loan portfolio at the dates shown:

	March 31, 2009	December 31, 2008
Real Estate		
Commercial	\$ 259,304,592	\$ 262,570,339
Residential	186,919,664	170,449,780
Construction	256,716,364	257,117,081
Construction to permanent	17,923,042	35,625,992
Commercial	34,668,561	33,860,527
Consumer home equity	45,746,007	45,022,128
Consumer installment	1,046,503	993,707
Total Loans	802,324,733	805,639,554
Premiums on purchased loans	153,507	158,072
Net deferred loan fees	(744,156)	(981,869)
Allowance for loan losses	(16,630,905)	(16,247,070)
Loans receivable, net	\$ 785,103,179	\$ 788,568,687

Bancorp's net loan portfolio decreased \$3.5 million from \$788.6 million at December 31, 2008 to \$785.1 million at March 31, 2009. The decrease is primarily as a result of declines in the construction-to-permanent loans of \$17.7 million and commercial real estate portfolio of \$3.3 million, offset by an increase of \$16.5 million in residential real estate loans.

The Bank offers a competitively priced and expanded product line, but due to changing economic and market conditions, loan growth has slowed.

At March 31, 2009, the net loan to deposit ratio was 93% and the net loan to total assets ratio was 81%. At December 31, 2008, these ratios were 100% and 86%, respectively.

Non-Accrual, Past Due and Restructured Loans

The following table presents non-accruing loans and loans past due 90 days or more and still accruing:

(Thousands of dollars)	March 31, 2009	December 31, 2008
Loans past due over 90 days still accruing	\$ 1,551	\$ 337
Non accruing loans	85,780	80,156
Total	\$ 87,331	\$ 80,493
% of Total Loans	10.89%	10.21%
% of Total Assets	9.00%	8.81%

Increases in non-accrual loans and troubled debt restructurings are attributable to the state of the economy, which has severely impacted the real estate market and placed unprecedented stress on credit markets. Residents of Fairfield County, many of whom are associated with the financial services industry, have been affected by the impact of the poor economy on employment and real estate values.

The \$85.8 million of non-accrual loans at March 31, 2009 is comprised of exposure to thirty-six borrowers. Loans totaling \$67.4 million are collateral dependent and are secured by residential or commercial real estate located within the Bank's market area. In all cases, the Bank has obtained current appraisal reports from independent licensed appraisal firms and discounted those values for estimated liquidation expenses to determine estimated impairment. Based on the Bank's analysis for loan impairment, specific reserves totaling \$4.1 million have been established, of which \$3.7 million are related to collateral dependent loans. Impairment related to loans totaling \$18.4 million to eight borrowers has been measured based on discounted cash flow resulted in specific reserves of \$371,000. Such loans are also secured by real estate. Of the \$85.8 million of non-accrual loans at March 31, 2009, eight borrowers with aggregate balances of \$13.6 million continue to make loan payments and these loans are under 30 days past due as to payments.

Loans delinquent over 90 days and still accruing aggregating \$1.6 million is comprised of two loans which matured and are in the process of being renewed.

Potential Problem Loans

In addition to the above, there are \$26.8 million of substandard loans for which management has a concern as to the ability of the borrower to comply with the present repayment terms. Borrowers continue to make payments and these loans are less than 30 days past due at quarter end. This exposure is comprised of eleven borrowers.

At March 31, 2009, Bancorp had no loans other than those described above as to which management had significant doubts as to the ability of the borrowers to comply with the present repayment terms.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and the Board and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are considered impaired and are measured accordingly, i.e. collateral dependent impairments are determined by recent appraisal reports and income properties are determined using a discounted cash flow method. The Company obtains current appraisals on all real estate and construction loans maturing in the coming four months, as well as for loans added to special mention. When a loan is placed on non-accrual status the loan is considered impaired. For collateral dependent impaired loans, the appraised value is reduced by estimated liquidation expenses and the result is compared to the principal loan balance to determine the impairment amount, if any. For loans that are not collateral dependent, the impairment is determined by using the discounted cash flow method which takes into account the current expected cash flows discounted at the original interest rate in accordance with Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan.

The general component is arrived at by considering previous loss experience, current economic conditions and their effect on borrowers and other pertinent factors. In arriving at previous loss experience, the Bank, given its lack of actual loss experience and the rapid turnover ratio of its portfolio, looks to the charge off history and qualitative factors of other institutions adjusted based on Bank management's own experience and judgment. The qualitative factors considered in the analysis include: the size and types of loan relationships, depth of lenders and credit administration staff and external reviews and examinations. A risk rating system is also utilized to measure the adequacy of the general component of the allowance for loan losses. Under this system, each loan is assigned a risk rating between one and nine, which has a corresponding loan loss factor assigned, with a rating of "one" being the least risk and a rating of "nine" reflecting the most risk or a complete loss. Risk ratings are assigned based upon the recommendations of the credit analyst and originating loan

officer and confirmed by the Loan Committee at the initiation of the transactions, and are reviewed and changed, when necessary, during the life of the loan. Loan loss reserve factors, which are based on historical loss experience adjusted for qualitative factors are multiplied against the balances in each risk rating category to arrive at the appropriate level for the allowance for loan losses. Loans assigned a risk rating of “six” or above are monitored more closely by the credit administration officers.

The unallocated portion of the allowance reflects management’s estimate of probable but undetected losses inherent in the portfolio; such estimates are influenced by uncertainties in economic conditions, unfavorable information about a borrower’s financial condition, delays in obtaining information, difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. Loan quality control is continually monitored by management, subject to oversight by the board of directors through its members who serve on the Loan Committee. Loan quality control is also reviewed by the full board of directors on a monthly basis. In the fourth quarter of 2008, the Bank created an internal loan review position in addition to the loan reviews performed by an external independent firm.

The methodology for determining the adequacy of the allowance for loan losses is consistently applied; however, revisions may be made to the methodology and assumptions based on historical information related to charge-off and recovery experience and management’s evaluation of the current loan portfolio, and prevailing internal and external factors including but not limited to current economic conditions and local real estate markets.

The accrual of interest income on loans is discontinued whenever reasonable doubt exists as to its collectibility and generally is discontinued when loans are past due 90 days, based on contractual terms, as to either principal or interest. When the accrual of interest income is discontinued, all previously accrued and uncollected interest is reversed against interest income. The accrual of interest on loans past due 90 days or more, including impaired loans, may be continued if the loan is well secured, and it is believed all principal and accrued interest income due on the loan will be realized, and the loan is in the process of collection; however, this is not the Bank’s practice. A non-accrual loan is restored to accrual status when it is no longer delinquent and collectibility of interest and principal is no longer in doubt, and at least six months of satisfactory performance has taken place.

Management considers all non-accrual loans and certain restructured loans to be impaired. In most cases, loan payments that are past due less than 90 days, based on contractual terms, are considered minor collection delays and the related loans are not considered to be impaired. The Bank considers consumer installment loans to be pools of smaller balance homogeneous loans, which are collectively evaluated for impairment.

The changes in the allowance for loan losses for the three months ended March 31, 2009 and March 31, 2008 are as follows:

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

(Thousands of dollars)	Three months ended	
	March 31,	
	2009	2008
Balance at beginning of period	\$ 16,247	\$ 5,673
Charge-offs	(1,216)	-
Provision charged to operations	1,600	477
Balance at end of period	\$ 16,631	\$ 6,150
Ratio of net charge-offs during the period to average loans outstanding during the period	0.15%	0.00%

Based on management's most recent evaluation of the allowance for loan losses, management believes that the allowance of \$16.6 million at March 31, 2009 is adequate under the current economic conditions to absorb losses on existing loans.

Deposits

The following table is a summary of Bancorp's deposits at the dates shown:

	March 31, 2009	December 31, 2008
Non-interest bearing	\$ 47,259,798	\$ 50,194,400
Interest bearing		
NOW	24,890,349	19,544,552
Savings	50,125,992	46,040,086
Money market	107,613,153	68,241,790
Time certificates, less than \$100,000	366,221,368	405,298,436
Time certificates, \$100,000 or more	247,834,473	195,502,087
Total interest bearing	796,685,335	734,626,951
Total Deposits	\$ 843,945,133	\$ 784,821,351

Total deposits increased \$59.1 million, or 8%, from \$784.8 million at December 31, 2008 to \$843.9 million at March 31, 2009. Demand deposits decreased \$2.9 million, or 5%, which is reflective of decreases in commercial checking of \$5.4 million offset by increases in personal accounts and cashier's checks of \$900,000 and \$1.7 million, respectively. Interest bearing accounts increased \$62.0 million, or 8%; money market accounts, certificates of

deposits and savings deposits increased \$39.4 million, or 58%, \$13.3 million, or 2%, and \$4.1 million, or 9%, respectively. NOW accounts increased \$5.3 million, or 27%, primarily due to growth in IOLTA accounts. The Bank has been decreasing rates on deposit products; although this action would normally reduce or stem deposit growth, the increase in deposits experienced is attributable to depositors placing funds in insured FDIC products during these uncertain economic times.

Borrowings

At March 31, 2009, total borrowings were \$65.2 million, which remains at a constant level with December 31, 2008.

In addition to the outstanding borrowings disclosed in the consolidated balance sheet, the Bank has the ability to borrow approximately \$164.6 million in additional advances from the Federal Home Loan Bank of Boston, which includes a \$2.0 million overnight line of credit. The Bank also has arranged a \$3.0 million overnight line of credit from a correspondent bank and \$10.0 million under a repurchase agreement; no amounts were outstanding under these two arrangements at March 31, 2009.

Capital

Capital decreased \$1.2 million as a result of a net loss for the three months ended March 31, 2009. The net loss was primarily attributable to a loan loss provision of \$1.6 million recorded during the first quarter due to the impact of current economic conditions on the local real estate market and the impact on interest income of the higher levels of non-accrual loans.

Off-Balance Sheet Arrangements

Bancorp's off-balance sheet arrangements, which primarily consist of commitments to lend, decreased by \$23.5 million from \$140.1 million on December 31, 2008 to \$116.6 million on March 31, 2009 due to decreases in approved loan commitments, unused lines of credit and undisbursed construction loans.

Results of Operations

Interest and dividend income and expense

The following tables present average balance sheets (daily averages), interest income, interest expense and the corresponding yields earned and rates paid for major balance sheet components:

	Three months ended March 31,					
	2009			2008		
	Average Balance	Interest Income/Expense	Average Rate	Average Balance	Interest Income/Expense	Average Rate
(dollars in thousands)						
Interest earning assets:						
Loans	\$ 809,331	\$ 11,775	5.82%	\$ 722,748	\$ 13,322	7.37%
Federal funds sold and other cash equivalents	36,600	15	0.16%	23,269	211	3.63%
Investments	54,797	569	4.15%	65,904	766	4.65%
Total interest earning assets	900,728	12,359	5.49%	811,921	14,299	7.04%
Cash and due from banks	17,375			5,963		
Premises and equipment, net	7,629			7,647		
Allowance for loan losses	(16,651)			(5,837)		
Other assets	30,567			28,794		
Total Assets	\$ 939,648			\$ 848,488		
Interest bearing liabilities:						
Deposits	\$ 763,619	\$ 6,243	3.27%	\$ 674,273	\$ 7,610	4.51%
FHLB advances	50,000	419	3.35%	34,670	301	3.47%
Subordinated debt	8,248	93	4.51%	8,248	160	7.76%
Other borrowings	7,000	76	4.34%	7,017	80	4.56%
Total interest bearing liabilities	828,867	6,831	3.30%	724,208	8,151	4.50%
Demand deposits	46,842			50,959		
Accrued expenses and other liabilities	4,972			5,814		
Shareholders' equity	58,967			67,507		
Total liabilities and equity	\$ 939,648			\$ 848,488		
Net interest income		\$ 5,528			\$ 6,148	
Interest margin			2.45%			3.03%
Interest spread			2.19%			2.54%

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

The following rate volume analysis reflects the impact that changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities had on net interest income during the periods indicated. Information is provided in each category with respect to changes attributable to changes in volume (changes in volume multiplied by prior rate), changes attributable to changes in rates (changes in rates multiplied by prior volume) and the total net change. The change resulting from the combined impact of volume and rate is allocated proportionately to the change due to volume and the change due to rate.

	Three months ended March 31, 2009 vs 2008		
	Increase (decrease) in Interest Income/Expense		
	Due to change in:		
	Volume	Rate	Total
	(dollars in thousands)		
Interest earning assets:			
Loans	\$ 1,471	\$ (3,018)	\$ (1,547)
Federal funds sold and other cash equivalents	78	(274)	(196)
Investments	(120)	(77)	(197)
Total interest earning assets	1,429	(3,369)	(1,940)
Interest bearing liabilities:			
Deposits	\$ 915	\$ (2,282)	\$ (1,367)
FHLB advances	129	(11)	118
Subordinated debt	-	(67)	(67)
Other borrowings	-	(4)	(4)
Total interest bearing liabilities	1,044	(2,364)	(1,320)
Net interest income	\$ 385	\$ (1,005)	\$ (620)

An increase in average interest earning assets of \$88.8 million, or 11%, was more than offset by a decrease in interest rates, resulting in interest income for Bancorp of \$12.4 million for the quarter ended March 31, 2009 as compared to \$14.3 million for the same period in 2008. Interest and fees on loans decreased \$1.5 million, or 12%, from \$13.3 million for the quarter ended March 31, 2008 to \$11.8 million for the quarter ended March 31, 2009. This decrease was primarily the result of a decrease in interest rates along with an increased level of non-accrual loans, which was partially offset by an increase in the average outstanding balance of the loan portfolio. When compared to the same period last year, interest income on investments decreased by 26% due to an \$11.1 million decrease in the average balance of investments and a decline in the interest rates. Interest income on federal funds sold and other cash equivalents decreased by \$196,000, or 93%, as a result of a significant decrease in short-term interest rates partially offset by an increase in average balances.

Total interest expense for the quarter ended March 31, 2009 of \$6.8 million represents a decrease of \$1.3 million, or 16%, as compared to interest expense of \$8.1 million for the same period last year. This decrease in interest expense is the result of a decrease in interest rates, which was partially offset by higher average balances of interest-bearing liabilities of \$104.7 million or 14%. Average balances of deposit accounts increased \$89.3 million, or 13%, however, significantly lower interest rates resulted in a decrease in interest expense of \$1.4 million. Average FHLB advances increased \$15.3 million, resulting in a corresponding increase of \$118,000 in FHLB interest expense; and the decrease in the index to which the junior subordinated debt interest rate is tied resulted in a decline in interest expense of \$67,000, or 42%.

As a result of the above, Bancorp's net interest income decreased \$620,000, or 10%, to \$5.5 million for the three months ended March 31, 2009 as compared to \$6.1 million for the same period last year. The net interest margin for the three months ended March 31, 2009 was 2.45% as compared to 3.03% for the three months ended March 31, 2008. If the net interest margin were to be normalized for the impact in non-accrual loans, the net interest margin for the three months ended March 31, 2009 would have been 3.21% as compared to the actual margin of 2.45%.

For the three months ended March 31, 2009, Bancorp achieved an annualized loss on average equity ("ROE") of 7.44% and an annualized loss on average assets ("ROA") of 0.47%. The comparable ratios for the three months ended March 31, 2008 were an annualized ROE of 0.89% and an annualized ROA of 0.07%. Performance ratios for the first quarter of 2009 are not necessarily indicative of the results to be achieved for the remainder of the year.

Provision for Loan Losses

Based on management's most recent evaluation of the adequacy of the allowance for loan losses, the provision for loan losses charged to operations for the three months ended March 31, 2009 was \$1.6 million as compared to \$477,000 for the three months ended March 31, 2008. The increased provision for this quarter was based upon management's assessment of the impact changes in the national, regional and local economic and business conditions have had on the Bank's loan portfolio. There continues to be major displacement in the national and global credit markets. The secondary mortgage market continues to be impacted by economic events. These macro issues have also impacted local real estate markets. While the marketing time of local real estate has also expanded and prices have declined, in general the Bank continues to maintain conservative loan to value ratio guidelines within its construction loan portfolio.

An analysis of the changes in the allowance for loan losses is presented under "Allowance for Loan Losses."

Noninterest income

Noninterest income increased \$269,000 from \$754,000 for the quarter ended March 31, 2008 to \$1.0 million for the quarter ended March 31, 2009. This increase is primarily due to the gain of \$434,000 on the sale of six government sponsored agency mortgage-backed securities. A decrease in the volume of loans placed with outside investors resulted in a decline in mortgage brokerage and referral fee income of \$52,000. Loan origination and processing fees for the three months ended March 31, 2009 decreased \$37,000, or 35%, as compared to the same period last year. This decrease was primarily due to a decline in loan application fees and loan documentation preparation fees. Declining interest rates also resulted in a decrease in earnings on the Bank-owned life insurance, which generated income of \$189,000 for the quarter ended March 31, 2009 as compared to \$231,000 for the quarter ended March 31, 2008. The assets of the Bank-owned life insurance are invested in a separate account arrangement with a single insurance company, which consists primarily of government sponsored agency mortgage-backed securities. This insurance company is currently rated AA by Standard & Poor's and Aa3 by Moody's.

Noninterest expenses

Noninterest expenses increased \$84,000, or 1%, to \$6.3 million for the quarter ended March 31, 2009 from \$6.2 million for the quarter ended March 31, 2008. Salaries and benefits expense decreased \$320,000 for the quarter ended March 31, 2009 from the same period last year due primarily to a decline in lending commissions and accruals for performance related sales and incentive compensation and bonus programs. Occupancy and equipment expense, net, increased \$108,000, or 8%, to \$1.4 million for the quarter ended March 31, 2009 from \$1.3 million for the quarter ended March 31, 2008, mainly due to the leasing of additional administrative and operational office space. Data processing and other outside services increased \$10,000, or 2%, from \$466,000 for the quarter ended March 31, 2008, to \$476,000 for the quarter ended March 31, 2009. This was due to increases in consulting fees, which were partially offset by decreases in data processing costs, personnel placement fees and office temporaries. Fees for professional services, which are comprised primarily of audit and accounting and legal services, increased \$339,000 to \$562,000 for the quarter ended March 31, 2009 from \$223,000 for the quarter ended March 31, 2008.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced by a valuation

32

allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Bancorp recorded an income tax benefit of \$258,000 for the quarter ended March 31, 2009 as compared to income tax expense of \$52,000 for the quarter ended March 31, 2008. The effective tax rates for the three months ended March 31, 2009 and March 31, 2008 were 19% and 26%, respectively, and are based on Bancorp's annual projections for the year. The variance in effective tax rates is due primarily to projected changes in net income and permanent differences for 2009 as compared to 2008.

Liquidity

Bancorp's liquidity ratio was 12% and 10% at March 31, 2009 and March 31, 2008, respectively. The liquidity ratio is defined as the percentage of liquid assets to total assets. The following categories of assets, as described in the accompanying consolidated balance sheets, are considered liquid assets: cash and due from banks, federal funds sold, short term investments and available-for-sale securities. Liquidity is a measure of Bancorp's ability to generate adequate cash to meet financial obligations. The principal cash requirements of a financial institution are to cover downward fluctuations in deposit accounts and increases in its loan portfolio. Management believes Bancorp's short-term assets provide sufficient liquidity to cover loan demand, potential fluctuations in deposit accounts and to meet other anticipated cash operating requirements.

Capital

The following table illustrates Bancorp's regulatory capital ratios at March 31, 2009 and December 31, 2008 respectively:

	March 31, 2009	December 31, 2008
Total Risk-based Capital	10.11%	10.27%
Tier 1 Risk-based Capital	8.84%	9.01%
Leverage Capital	6.76%	7.23%

The following table illustrates the Bank's regulatory capital ratios at March 31, 2009 and December 31, 2008 respectively:

	March 31, 2009	December 31, 2008
Total Risk-based Capital	10.07%	10.22%
Tier 1 Risk-based Capital	8.80%	8.96%
Leverage Capital	6.74%	7.19%

Capital adequacy is one of the most important factors used to determine the safety and soundness of individual banks and the banking system. Based on the above ratios, the Bank

is considered to be “well capitalized” at March 31, 2009 under applicable regulations. To be considered “well-capitalized,” an institution must generally have a leverage capital ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%.

Management continuously assesses the adequacy of the Bank’s capital with the goal to maintain its “well-capitalized” classification. Management’s strategic and capital plans contemplate various alternatives to raise additional capital to support the Bank’s current capital levels.

IMPACT OF INFLATION AND CHANGING PRICES

Bancorp’s consolidated financial statements have been prepared in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution’s performance than the general levels of inflation. Interest rates do not necessarily move in the same direction or with the same magnitude as the prices of goods and services. Notwithstanding this, inflation can directly affect the value of loan collateral, in particular, real estate. Inflation, or disinflation, could significantly affect Bancorp’s earnings in future periods.

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Market risk is defined as the sensitivity of income to fluctuations in interest rates, foreign exchange rates, equity prices, commodity prices and other market-driven rates or prices. Based upon the nature of Bancorp's business, the primary source of market risk is interest rate risk, which is the impact that changing interest rates have on current and future earnings. In addition, Bancorp's loan portfolio is primarily secured by real estate in the company's market area. As a result, the changes in valuation of real estate could also impact Bancorp's earnings.

Qualitative Aspects of Market Risk

Bancorp's goal is to maximize long term profitability while minimizing its exposure to interest rate fluctuations. The first priority is to structure and price Bancorp's assets and liabilities to maintain an acceptable interest rate spread while reducing the net effect of changes in interest rates. In order to accomplish this, the focus is on maintaining a proper balance between the timing and volume of assets and liabilities re-pricing within the balance sheet. One method of achieving this balance is to originate variable rate loans for the portfolio and purchase short-term investments to offset the increasing short term re-pricing of the liability side of the balance sheet. In fact, a number of the interest-bearing deposit products have no contractual maturity. Therefore, deposit balances may run off unexpectedly due to changing market conditions. Additionally, loans and investments with longer term rate adjustment frequencies are matched against longer term deposits and borrowings to lock in a desirable spread.

The exposure to interest rate risk is monitored by the Management Asset and Liability Committee consisting of senior management personnel. The committee meets on a monthly basis, but may convene more frequently as conditions dictate. The committee reviews the interrelationships within the balance sheet to maximize net interest income within acceptable levels of risk. This committee reports to the Board of Directors on a monthly basis regarding its activities. In addition to the Management Asset and Liability Committee, there is a Board Asset and Liability Committee ("ALCO"), which meet quarterly. ALCO monitors the interest rate risk analyses, reviews investment transactions during the period and determines compliance with Bank policies.

Quantitative Aspects of Market Risk

In order to manage the risk associated with interest rate movements, management analyzes Bancorp's interest rate sensitivity position through the use of interest income simulation and GAP analysis. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest sensitive." An asset or liability is said to be interest sensitive within a specific time period if it will mature or reprice within that time period.

Management's goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income. Interest income simulations are completed quarterly and presented to ALCO. The simulations provide an estimate of the impact of changes in interest rates on net interest income under a range of assumptions. Changes to these assumptions can significantly affect the results of the simulations. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates.

Simulation analysis is only an estimate of Bancorp's interest rate risk exposure at a particular point in time. Management regularly reviews the potential effect changes in interest rates could have on the repayment of rate sensitive assets and funding requirements of rate sensitive liabilities.

Management has established interest rate risk guidelines measured by behavioral GAP analysis calculated at the one year cumulative GAP level and a net interest income and economic value of portfolio equity simulation model measured by a 200 basis point interest rate shock.

The table below sets forth an approximation of Bancorp's exposure to changing interest rates using management's behavioral GAP analysis and as a percentage of estimated net interest income and estimated net portfolio value using interest income simulation. The calculations use projected repricings of assets and liabilities at March 31, 2009 and December 31, 2008 on the basis of contractual maturities, anticipated repayments and scheduled rate adjustments.

	Basis Points	Interest Rate Risk Guidelines	March 31, 2009	December 31, 2008
GAP percentage total		+/- 10%	-0.58%	2.51%
Net interest income	200	+/- 10%	-1.63%	-1.32%
	-200	+/- 10%	-0.63%	-0.54%
Net portfolio value	200	+/- 20%	-11.08%	-12.48%
	-200	+/- 20%	3.83%	5.40%

When comparing March 31, 2009 to December 31, 2008, Bancorp experienced an 11% growth in average interest-earning assets, driven by an increase in core deposit products as a result of customers desiring safe vehicles for their funds. Net interest income declined by 10%, which is primarily reflective of the increase in nonaccrual loans during the period ended March 31, 2009. The reduction in the interest margin of 58 basis points between these two reporting periods is a result of the rise in nonaccrual loans which negatively impacted interest income by \$1.2 million. Bancorp's interest rate risk position was within all of its interest rate risk guidelines at March 31, 2009. The interest rate risk position is monitored on an ongoing basis and management reviews strategies designed to maintain all categories within guidelines.

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

The table below sets forth examples of changes in estimated net interest income and the estimated net portfolio value based on projected scenarios of interest rate increases and decreases. The analyses indicate the rate risk embedded in Bancorp's portfolio at the dates indicated should all interest rates instantaneously rise or fall. The results of these changes are added to or subtracted from the base case; however, there are certain limitations to these types of analyses. Rate changes are rarely instantaneous and these analyses may also overstate the impact of short-term repricings.

Net Interest Income and Economic Value
Summary Performance

March 31, 2009

Projected Interest	Net Interest Income			Net Portfolio Value		
	Estimated	\$ Change	% Change	Estimated	\$ Change	% Change
Rate Scenario	Value	from Base	from Base	Value	from Base	from Base
+ 200	24,608	(407)	-1.63%	48,314	(6,019)	-11.08%
+ 100	24,798	(217)	-0.87%	51,540	(2,793)	-5.14%
BASE	25,015			54,333		
- 100	25,046	31	0.12%	57,158	2,825	5.20%
- 200	24,856	(159)	-0.63%	56,413	2,080	3.83%

December 31, 2008

Projected Interest	Net Interest Income			Net Portfolio Value		
	Estimated	\$ Change	% Change	Estimated	\$ Change	% Change
Rate Scenario	Value	from Base	from Base	Value	from Base	from Base
+ 200	22,609	(302)	-1.32%	67,804	(9,668)	-12.48%
+ 100	22,745	(166)	-0.73%	72,462	(5,010)	-6.47%
BASE	22,911			77,472		
- 100	22,927	16	0.07%	80,422	2,950	3.81%
- 200	22,788	(123)	-0.54%	81,658	4,186	5.40%

37

Item 4: Controls and Procedures

Based on an evaluation of the effectiveness of Bancorp's disclosure controls and procedures performed by Bancorp's management, with the participation of Bancorp's Chief Executive Officer and its Chief Financial Officer as of the end of the period covered by this report, Bancorp's Chief Executive Officer and Chief Financial Officer concluded that Bancorp's disclosure controls and procedures have been effective.

As used herein, "disclosure controls and procedures" means controls and other procedures of Bancorp that are designed to ensure that information required to be disclosed by Bancorp in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Bancorp in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to Bancorp's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in Bancorp's internal control over financial reporting identified in connection with the evaluation described in the preceding paragraph that occurred during Bancorp's fiscal quarter ended March 31, 2009 that has materially affected, or is reasonably likely to materially affect, Bancorp's internal control over financial reporting.

PART II - OTHER INFORMATION.

Item 1A: Risk Factors

During the three months ended March 31, 2009, there were no material changes to the risk factors relevant to Bancorp's operations, which are described in the Annual Report on Form 10-K for the year ended December 31, 2008.

Item 6: Exhibits

No.	Description
2	Agreement and Plan of Reorganization dated as of June 28, 1999 between Bancorp and the Bank (incorporated by reference to Exhibit 2 to Bancorp's Current Report on Form 8-K dated December 1, 1999 (Commission File No. 000-29599)).
3(i)	Certificate of Incorporation of Bancorp, (incorporated by reference to Exhibit 3(i) to Bancorp's Current Report on Form 8-K dated December 1, 1999 (Commission File No. 000-29599)).
3(i)(A)	Certificate of Amendment of Certificate of Incorporation of Patriot National Bancorp, Inc. dated July 16, 2004 (incorporated by reference to Exhibit 3(i)(A) to Bancorp's Annual Report on Form 10-KSB for the year ended December 31, 2004 (Commission File No. 000-29599)).
3(i)(B)	Certificate of Amendment of Certificate of Incorporation of Patriot National Bancorp, Inc. dated June 15, 2006 (incorporated by reference to Exhibit 3(i)(B) to Bancorp's Quarterly Report of Form 10-Q for the quarter ended September 30, 2006 (commission File No. 000-29599)).
3(ii)	Amended and Restated By-laws of Bancorp (incorporated by reference to Exhibit 3.2 to Bancorp's Current Report on Form 8 - K dated December 26, 2007 (Commission File No. 1-32007))
4	Reference is made to the Rights Agreement dated April 19, 2004 by and between Patriot National Bancorp, Inc. and Registrar and Transfer Company filed as Exhibit 99.2 to Bancorp's Report on Form 8-K filed on April 19, 2004, and the First Amendment to the Rights Agreement dated January 23, 2008 filed as Exhibit 4.1 to Bancorp's Report on Form 8-K dated January 24, 2008 which are incorporated herein by reference.
10(a)(1)	2001 Stock Appreciation Rights Plan of Bancorp (incorporated by reference to Exhibit 10(a)(1) to Bancorp's Annual Report on Form 10-KSB for the year ended December 31, 2001 (Commission File No. 000-29599)).

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

No.	Description
10(a)(3)	Employment Agreement, dated as of October 23, 2000, as amended by a First Amendment, dated as of March 21, 2001, among the Bank, Bancorp and Charles F. Howell (incorporated by reference to Exhibit 10(a)(4) to Bancorp's Annual Report on Form 10-KSB for the year ended December 31, 2000 (Commission File No. 000-29599)).
10(a)(4)	Change of Control Agreement, dated as of January 1, 2007 among Angelo De Caro, and Patriot National Bank and Bancorp (incorporated by reference to Exhibit 10(a)(4) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-29599)).
10(a)(5)	Employment Agreement dated as of January 1, 2008 among Patriot National Bank, Bancorp and Robert F. O'Connell (incorporated by reference to Exhibit 10(a)(5) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2007 (Commission File No. 000-29599)).
10(a)(6)	Change of Control Agreement, dated as of January 1, 2007 among Robert F. O'Connell, Patriot National Bank and Bancorp (incorporated by reference to Exhibit 10(a)(6) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-29599)).
10(a)(9)	License agreement dated July 1, 2003 between Patriot National Bank and L. Morris Glucksman (incorporated by reference to Exhibit 10(a)(9) to Bancorp's Annual Report on Form 10-KSB for the year ended December 31, 2003 (Commission File No. 000-29599)).
10(a)(10)	Employment Agreement dated as of January 1, 2007 among Patriot National Bank, Bancorp and Charles F. Howell (incorporated by reference to Exhibit 10(a)(10) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-29599)).
10(a)(11)	Change of Control Agreement, dated as of January 1, 2007 among Charles F. Howell, Patriot National Bank and Bancorp (incorporated by reference to Exhibit 10(a)(11) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-29599)).

No.	Description
10(a)(12)	2005 Director Stock Award Plan (incorporated by reference to Exhibit 10(a)(12) to Bancorp's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 (Commission File No. 000 - 295999)).
10(a)(13)	Change of Control Agreement, dated as of January 1, 2007 between Martin G. Noble and Patriot National Bank (incorporated by reference to Exhibit 10(a)(13) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-295999)).
10(a)(14)	Change of Control Agreement, dated as of January 1, 2007 among Philip W. Wolford, Patriot National Bank and Bancorp (incorporated by reference to Exhibit 10(a)(14) to Bancorp's Annual Report on Form 10-K for the year ended December 31, 2006 (Commission File No. 000-295999)).
10(a)(15)	Formal Written Agreement between Patriot National Bank and the Office of the Comptroller of the Currency (incorporated by reference to Exhibit 10(a)(15) to Bancorp's Current Report on Form 8-K dated February 9, 2009 (Commission File No. 000-295999)).
10(c)	1999 Stock Option Plan of the Bank (incorporated by reference to Exhibit 10(c) to Bancorp's Current Report on Form 8-K dated December 1, 1999 (Commission File No. 000-295999)).
14	Code of Conduct for Senior Financial Officers (incorporated by reference to Exhibit 14 to Bancorp's Annual Report on Form 10 - KSB for the year ended December 31, 2004 (Commission File No. 000-295999)).
21	Subsidiaries of Bancorp (incorporated by reference to Exhibit 21 to Bancorp's Annual Report on Form 10-KSB for the year ended December 31, 1999 (Commission File No. 000-295999)).
31(1)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31(2)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certifications

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Patriot National Bancorp, inc.
(Registrant)

By: /s/ Robert F. O'Connell
Robert F. O'Connell,
Senior Executive Vice President
Chief Financial Officer

(On behalf of the registrant and as
chief financial officer)

May 11, 2009