PATRIOT NATIONAL BANCORP INC
Form 10-Q
May 15, 2012
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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, 2012

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut	**06-1559137**
(State of	**(I.R.S. Employer**

incorporation)	**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 x 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 x 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	x

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

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, 38,467,073 shares outstanding as of the close of business April 30, 2012.

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PART I FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (Unaudited)	December 31, 2011
ASSETS		
Cash and due from banks:		
Noninterest bearing deposits and cash	$ 4,052,483	$ 4,241,552
Interest bearing deposits	99,211,871	50,474,257
Short-term investments	709,843	709,567
Total cash and cash equivalents	103,974,197	55,425,376
Securities:		
Available for sale securities, at fair value (Note 2)	58,591,854	66,469,972
Other Investments	3,500,000	3,500,000
Federal Reserve Bank stock, at cost	1,692,150	1,707,000
Federal Home Loan Bank stock, at cost	4,343,800	4,508,300
Total securities	68,127,804	76,185,272
Loans receivable (net of allowance for loan losses: 2012: $8,460,943 2011: $9,384,672) (Note 3)	466,265,222	501,227,297
Loans held for sale		250,000
Accrued interest and dividends receivable	2,242,791	2,453,179
Premises and equipment, net	4,882,489	4,108,318
Cash surrender value of life insurance	21,127,273	20,984,604
Other real estate owned	1,461,647	2,762,640
Deferred tax asset (Note 6)		
Other assets	3,046,285	2,419,592
Total assets	$ 671,127,708	$ 665,816,278
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Deposits (Note 4):		
Noninterest bearing deposits	$ 59,049,656	$ 65,613,374
Interest bearing deposits	480,540,664	479,296,019
Total deposits	539,590,320	544,909,393
Borrowings:		
Repurchase agreements	7,000,000	7,000,000
Federal Home Loan Bank borrowings	60,000,000	50,000,000
Total borrowings	67,000,000	57,000,000
Junior subordinated debt owed to unconsolidated trust	8,248,000	8,248,000
Accrued expenses and other liabilities	5,052,168	5,109,225
Total liabilities	619,890,488	615,266,618

Commitments (Note 9)		
Shareholders equity		
Preferred stock, no par value; 1,000,000 shares authorized, no shares issued and outstanding		
Common stock, $.01 par value, 100,000,000 shares authorized; 2012: 38,478,778 shares issued; 38,467,073 shares outstanding. 2011: 38,374,432 shares issued; 38,362,727 shares outstanding	**384,787**	383,744
Additional paid-in capital	**105,129,021**	105,050,433
Accumulated deficit	**(54,313,301)**	(54,858,831)
Less: Treasury stock, at cost: 2012 and 2011 11,705 shares	**(160,025)**	(160,025)
Accumulated other comprehensive income	**196,738**	134,339
Total shareholders equity	**51,237,220**	50,549,660
Total liabilities and shareholders equity	**$ 671,127,708**	$ 665,816,278

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended March 31, 2012	2011
Interest and Dividend Income		
Interest and fees on loans	$ 6,665,792	$ 6,956,561
Interest on investment securities	477,030	274,183
Dividends on investment securities	33,281	69,901
Interest on federal funds sold		4,026
Other interest income	10,478	61,890
Total interest and dividend income	**7,186,581**	**7,366,561**
Interest Expense		
Interest on deposits	1,516,844	1,865,349
Interest on Federal Home Loan Bank borrowings	356,837	418,875
Interest on subordinated debt	76,567	70,398
Interest on other borrowings	76,926	76,082
Total interest expense	**2,027,174**	**2,430,704**
Net interest income	**5,159,407**	**4,935,857**
Provision for Loan Losses	(845,402)	6,981,629
Net interest income (loss) after provision for loan losses	**6,004,809**	**(2,045,772)**
Non-interest Income		
Mortgage brokerage referral fees	12,420	13,000
Loan application, inspection & processing fees	14,727	16,799
Fees and service charges	228,668	280,901
Gain on sale of loans	263,646	
Loss on sale of investment securities	(8,042)	
Earnings on cash surrender value of life insurance	142,669	168,260
Other income	95,909	103,890
Total non-interest income	**749,997**	**582,850**
Non-interest Expense		
Salaries and benefits	2,890,724	3,214,515
Occupancy and equipment expense	1,123,584	1,354,567
Data processing	346,021	327,804
Advertising and promotional expense	17,729	157,974
Professional and other outside services	615,082	881,707
Loan administration and processing expense	8,280	37,059
Regulatory assessments	410,001	611,268
Insurance expense	169,245	230,774
Other real estate operations	(150,247)	270,507

Material and communications	131,178	200,138
Restructuirng charges	368,477	
Other operating expense	279,202	233,363
Total non-interest expense	**6,209,276**	**7,519,676**
Income (loss) before income taxes	**545,530**	**(8,982,598)**
Provision for Income Taxes		
Net income (loss)	**$ 545,530**	**$ (8,982,598)**
Basic and diluted income (loss) per share	**$ 0.01**	**$ (0.23)**

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Net income (loss)	$ 545,530	$ (8,982,598)
Other comprehensive income (loss):		
Unrealized holding gains on securities:		
Unrealized holding gains arising during the period	67,385	3,225
Less reclassification adjustment for losses included in net income	(4,986)	
Total	62,399	3,225
Comprehensive income (loss)	**$ 607,929**	**$ (8,979,373)**

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(Unaudited)

	sep 30, Number of Shares	sep 30, Common Stock	sep 30, Additional Paid-In Capital	sep 30, Accumulated Deficit	sep 30, Treasury Stock	sep 30, Accumulated Other Comprehensive Income	sep 30, Total
Three months ended March 31, 2011							
Balance at December 31, 2010	38,362,727	$ 383,744	$ 105,050,433	$ (39,399,345)	$ (160,025)	$ 1,297,381	$ 67,172,188
Comprehensive loss							
Net loss				(8,982,598)			(8,982,598)
Unrealized holding gain on available for sale securities, net of taxes						3,225	3,225
Total comprehensive loss							(8,979,373)
Balance, March 31, 2011	38,362,727	$ 383,744	$ 105,050,433	$ (48,381,943)	$ (160,025)	$ 1,300,606	$ 58,192,815
Three months ended March 31, 2012							
Balance at December 31, 2011	38,362,727	$ 383,744	$ 105,050,433	$ (54,858,831)	$ (160,025)	$ 134,339	$ 50,549,660
Comprehensive income							
Net income				545,530			545,530
Unrealized holding gain on available for sale securities, net of taxes						62,399	62,399
Total comprehensive income							607,929
Share-based compensation expense			79,631				79,631
Issuance of restricted stock	104,346	1,043	(1,043)				
Balance, March 31, 2012	38,467,073	$ 384,787	$ 105,129,021	$ (54,313,301)	$ (160,025)	$ 196,738	$ 51,237,220

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended March 31, 2012	2011
Cash Flows from Operating Activities:		
Net income (loss)	$ 545,530	$ (8,982,598)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Restructuring charges	311,616	
Amortization and accretion of investment premiums and discounts, net	114,285	54,861
Amortization and accretion of purchase loan premiums and discounts, net	2,333	2,514
Provision for loan losses	(845,402)	6,981,629
Gain on sale of loans	(263,646)	
Loss on sale of investment securities	8,042	
Amortization of core deposit intangible	3,531	3,753
Earnings on cash surrender value of life insurance	(142,669)	(168,260)
Depreciation and amortization	300,970	347,700
(Gain) loss on sale of other real estate owned	(201,355)	58,215
Impairment writedown on other real estate owned		165,764
Share-based compensation	79,631	
Changes in assets and liabilities:		
Decrease in deferred loan costs	314,763	149,244
Decrease in accrued interest and dividends receivable	210,388	186,483
(Increase) decrease in other assets	(630,224)	342,597
Decrease in accrued expenses and other liabilities	(406,919)	(107,350)
Net cash used in operating activities	**(599,126)**	**(965,448)**
Cash Flows from Investing Activities:		
Principal repayments on available for sale securities	2,690,810	1,975,898
Proceeds from the sale of available for sale securities	5,165,626	
Proceeds from repurchase of excess stock by the Federal Reserve Bank	14,850	190,200
Purchases of Federal Reserve Bank Stock		(1,174,100)
Proceeds from repurchase of excess Federal Home Loan Bank Stock	164,500	
Proceeds from sale of loans	67,126,928	46,440,794
Net (increase) decrease in loans	(32,361,045)	14,087,758
Purchase of other real estate owned		(481,165)
Proceeds from sale of other real estate owned	1,823,435	15,715,973
Capital improvements of other real estate owned	(32,943)	
(Purchase) refund of bank premises and equipment	(125,141)	7,025
Net cash provided by investing activities	**44,467,020**	**76,762,383**
Cash Flows from Financing Activities:		
Net decrease in demand, savings and money market deposits	(4,345,839)	(7,445,003)
Net decrease in time certificates of deposits	(973,234)	(58,080,795)
Increase in FHLB borrowings	10,000,000	
Net cash provided by (used in) financing activities	**4,680,927**	**(65,525,798)**

Net increase in cash and cash equivalents	**48,548,821**	**10,271,137**
Cash and Cash Equivalents:		
Beginning	55,425,376	146,777,658
Ending	$ 103,974,197	$ 157,048,795

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PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued

(Unaudited)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2012	2011
Supplemental Disclosures of Cash Flow Information		
Interest paid	$ 1,950,296	$ 2,355,998
Income taxes paid	$	$ 8,534
Supplemental disclosures of noncash operating, investing and financing activities:		
Unrealized holding gain on available for sale securities arising during the period	$ 100,645	$ 5,202
Transfer of loans to other real estate owned	$ 1,238,144	$
Transfer of other real estate owned to premises and equipment	$ 950,000	$

See Accompanying Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1: Basis of Financial Statement Presentation

The Consolidated Balance Sheet at December 31, 2011 has been derived from the audited financial statements of Patriot National Bancorp, Inc. (Bancorp or the Company) 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, 2011.

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, 2012 are not necessarily indicative of the results of operations that may be expected for the remainder of 2012.

Note 2: Investment Securities

The amortized cost, gross unrealized gains, gross unrealized losses and approximate fair values of available-for-sale securities at March 31, 2012 and December 31, 2011 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2012:				
U. S. Government agency bonds	$ 5,000,000	$ 25,780	$	$ 5,025,780
U. S. Government agency mortgage-backed securities	41,048,592	966,105	(2,976)	42,011,721
Corporate bonds	12,225,941	38,098	(709,686)	11,554,353
	$ 58,274,533	$ 1,029,983	$ (712,662)	$ 58,591,854
December 31, 2011:				
U. S. Government agency bonds	$ 5,000,000	$ 37,085	$	$ 5,037,085
U. S. Government agency mortgage-backed securities	49,004,232	1,051,097	(5,900)	50,049,429
Corporate bonds	12,249,064	25,338	(890,944)	11,383,458
	$ 66,253,296	$ 1,113,520	$ (896,844)	$ 66,469,972

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The following table presents the gross unrealized loss and fair value of Bancorp s available-for-sale securities, aggregated by the length of time the individual securities have been in a continuous loss position, at March 31, 2012 and December 31, 2011:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
March 31, 2012:						
U. S. Government mortgage-backed securities	$ 53,609	$ (152)	$ 247,777	$ (2,824)	$ 301,386	$ (2,976)
Corporate bonds	5,290,314	(709,686)			5,290,314	(709,686)
Totals	$ 5,343,923	$ (709,838)	$ 247,777	$ (2,824)	$ 5,591,700	$ (712,662)
December 31, 2011:						
U. S. Government mortgage-backed securities	$ 4,941,662	$ (5,492)	$ 68,309	$ (408)	$ 5,009,971	$ (5,900)
Corporate bonds	8,358,120	(890,944)			8,358,120	(890,944)
Totals	$ 13,299,782	$ (896,436)	$ 68,309	$ (408)	$ 13,368,091	$ (896,844)

At March 31, 2012, six securities had unrealized holding losses with aggregate depreciation of 11.3% from the amortized cost. At December 31, 2011, nine securities had unrealized losses with aggregate depreciation of 6.3% from the amortized cost.

Bancorp performs a quarterly analysis of those securities that are in an unrealized loss position to determine if those losses qualify as other-than-temporary impairments. This analysis considers the following criteria in its determination: the ability of the issuer to meet its obligations, an impairment due to a deterioration in credit, management s plans and ability to maintain its investment in the security, the length of time and the amount by which the security has been in a loss position, the interest rate environment, the general economic environment and prospects or projections for improvement or deterioration.

Management believes that none of the unrealized losses on available-for-sale securities noted above are other than temporary due to the fact that they relate to market interest rate changes on corporate debt and mortgage-backed securities issued by U.S. Government agencies. Management considers the issuers of the securities to be financially sound, the corporate bonds are investment grade and the Company expects to receive all contractual principal and interest related to these investments. Because the Company does not intend to sell the investments, and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at March 31, 2012.

The amortized cost and fair value of available-for-sale debt securities at March 31, 2012 by contractual maturity are presented below. Actual maturities of mortgage-backed securities may differ from contractual maturities because the mortgages underlying the securities may be prepaid without any penalties. Because mortgage-backed securities are not due at a single maturity date, they are not included in the maturity categories in the following maturity summary:

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	Amortized Cost	Fair Value
Maturity:		
Over 10 years	$	$
Corporate bonds < 5 years	3,225,941	3,255,009
Corporate bonds 5 to 10 years	9,000,000	8,299,344
U.S. Government bonds 5 to 10 years	5,000,000	5,025,780
Mortgage-backed securities	41,048,592	42,011,721
Total	$ 58,274,533	$ 58,591,854

Note 3: Loans Receivable and Allowance for Loan Losses

A summary of the Company s loan portfolio at March 31, 2012 and December 31, 2011 is as follows:

	March 31, 2012	December 31, 2011
Real Estate		
Commercial	$ 230,629,333	$ 215,659,837
Residential	140,538,413	188,108,855
Construction	11,461,824	12,306,922
Construction to permanent	8,298,423	10,012,022
Commercial	32,252,224	31,810,735
Consumer home equity	48,945,029	49,694,546
Consumer installment	2,063,935	2,164,972
Total Loans	474,189,181	509,757,889
Premiums on purchased loans	228,792	231,125
Net deferred costs	308,192	622,955
Allowance for loan losses	(8,460,943)	(9,384,672)
Loans receivable, net	$ 466,265,222	$ 501,227,297

On March 29, 2012, the Bank completed the sale of $66.4 million of residential loans consummated for a cash purchase price of $66.7 million, which represented 101% of the Bank s net book value for these assets.

The changes in the allowance for loan losses for the periods shown are as follows:

	Three months ended March 31,	
	2012	2011
Balance, beginning of period	$ 9,384,672	$ 15,374,101
Provision for loan losses	(845,402)	6,981,629
Loans charged-off	(102,483)	(4,153,547)
Recoveries of loans previously charged-off	24,156	20,606
Transferred to loans held-for-sale		(6,014,313)
Balance, end of period	$ 8,460,943	$ 12,208,476

At March 31, 2012 and December 31, 2011, the unpaid balances of loans 90 days or more past maturity, and still accruing interest were $6,574,115 and $9,461,106, respectively. All of the borrowers of said loans at March 31, 2012 continue to make interest payments, but are past maturity where payoff is pending or are in the process of being renewed.

The unpaid principal balances of loans on nonaccrual status and considered impaired were $15.5 million at March 31, 2012 and $20.7 million at December 31, 2011.

If non-accrual loans had been performing in accordance with their contractual terms, the Company would have recorded approximately $280,000 of additional income during the quarter ended March 31, 2012 and $1.0 million during the quarter ended March 31, 2011.

For the three months ended March 31, 2012 and 2011, the interest collected and recognized as income on impaired loans, which includes non-accrual loans, TDRs and loans that were previously classified as TDRs that have been upgraded, was approximately $225,000 and $431,000, respectively. The average recorded investment in impaired loans for the three months ended March 31, 2012 was $34.2 million.

At March 31, 2012, there were nine loans totaling $18.3 million that were considered troubled debt restructurings, as compared to December 31, 2011 when there were twelve loans totaling $25.5 million, all of which were included in impaired loans. At March 31, 2012, five of the nine loans aggregating $11.4 million were accruing loans and four loans aggregating $6.9 million were non-accruing loans.

The Company s lending activities are conducted principally in Fairfield and New Haven Counties in Connecticut and Westchester County, New York City and Long Island, New York. The Company originates commercial real estate loans, commercial business loans and a variety of consumer loans. In addition, the Company had originated loans for the construction of residential homes, residential developments and for land development projects. A moratorium on all new speculative construction loans was instituted by management in July 2008. All residential and commercial mortgage loans are collateralized primarily by first or second mortgages on real estate. The ability and willingness of borrowers to satisfy their loan obligations is dependent in large part upon the status of the regional economy and regional real estate market. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio and the recovery of a substantial portion of any resulting real estate acquired is susceptible to changes in market conditions.

The Company has established credit policies applicable to each type of lending activity in which it engages, evaluates the creditworthiness of each customer and, in most cases, extends credit of up to 75% of the market value of the collateral at the date of the credit extension depending on the Company s evaluation of the borrowers creditworthiness and type of collateral. In the case of construction loans, the maximum loan-to-value was 65% of the as completed market value. The market value of collateral is monitored on an ongoing basis and additional collateral is obtained when warranted. Real estate is the primary form of collateral. Other important forms of collateral are accounts receivable, inventory, other business assets, marketable securities and time deposits. While collateral provides assurance as a secondary source of repayment, the Company ordinarily requires the primary source of repayment to be based on the borrower s ability to generate continuing cash flows on all loans not related to construction.

Risk characteristics of the Company s portfolio classes include the following:

Commercial Real Estate Loans In underwriting commercial real estate loans, the Company evaluates both the prospective borrower s ability to make timely payments on the loan and the value of the property securing the loans. Repayment of such loans may be negatively impacted should the borrower default or should there be a substantial decline in the value of the property securing the loan or a decline in the general economic conditions. Where the owner occupies the property, the Company also evaluates the business s ability to repay the loan on a timely basis. In addition, the Company may require personal guarantees, lease assignments and/or the guarantee of the operating company when the property is owner occupied. These types of loans may involve greater risks than other types of lending, because payments on such loans are often dependent upon the successful operation of the business involved, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions affecting the borrowers business.

Construction Loans Construction loans are short-term loans (generally up to 18 months) secured by land for both residential and commercial development. The loans are generally made for acquisition and improvements. Funds are disbursed as phases of construction are completed.

In the past, the Company funded construction of single family homes, when no contract of sale existed, based upon the experience of the builder, the financial strength of the owner, the type and location of the property and other factors. Construction loans are generally personally guaranteed by the principal(s). Repayment of such loans may be negatively impacted by the builders inability to complete construction, by a downturn in the new construction market, by a significant increase in interest rates or by a decline in general economic conditions. The Company has had a moratorium in place since mid-2008 on new speculative construction loans.

Residential Real Estate Loans Various loans secured by residential real estate properties are offered by the Company, including 1-4 family residential mortgages, multi-family residential loans and a variety of home equity line of credit products. Repayment of such loans may be negatively impacted should the borrower default, should there be a significant decline in the value of the property securing the loan or should there be a decline in general economic conditions.

Commercial and Industrial Loans The Company s commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are usually made to finance the purchase of inventory, new or used equipment or other short or long-term working capital purposes. These loans are generally secured by corporate assets, often with real estate as secondary collateral, but are also offered on an unsecured basis. In granting this type of loan, the Company primarily looks to the borrower s cash flow as the source of repayment with collateral and personal guarantees, where obtained, as a secondary source. Commercial loans are often larger and may involve greater risks than other type of loans offered by the Company. Payments on such loans are often dependent upon the successful operation of the underlying business involved and, therefore, repayment of such loans may be negatively impacted by adverse changes in economic conditions, management s inability to effectively manage the business, claims of others against the borrower s assets which may take priority over the Company s claims against assets, death or disability of the borrower or loss of market for the borrower s products or services.

Other Loans The Company also offers installment loans and reserve lines of credit to individuals. Repayments of such loans are often dependent on the personal income of the borrower which may be negatively impacted by adverse changes in economic conditions. The Company does not place an emphasis on originating these types of loans.

The Company does not have any lending programs commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burdened ratios.

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The following table sets forth activity in our allowance for loan losses, by loan type, for the period ended March 31, 2012. The following table also details the amount of loans receivable, net, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan portfolio segment.

	Commercial	Commercial Real Estate	Construction	Construction to Permanent	Residential	Consumer	Unallocated	Total
Three months ended March 31, 2012								
Allowance for loan losses:								
Beginning Balance	$ 882,062	$ 4,018,746	$ 867,159	$ 547,333	$ 2,550,588	$ 458,762	$ 60,022	$ 9,384,672
Charge-offs		(49,922)			(52,561)			(102,483)
Recoveries	1,000	21,988				1,168		24,156
Provision	211,674	654,436	(24,523)	(311,020)	(1,448,472)	(46,206)	118,709	(845,402)
Ending Balance	$ 1,094,736	$ 4,645,248	$ 842,636	$ 236,313	$ 1,049,555	$ 413,724	$ 178,731	$ 8,460,943
Ending balance: individually evaluated for impairment	$ 97,256	$ 137,441	$ 31,520	$ 125,522	$ 34,363	$ 151,500	$	$ 577,602
Ending balance: collectively evaluated for impairment	$ 997,480	$ 4,507,807	$ 811,116	$ 110,791	$ 1,015,192	$ 262,224	$ 178,731	$ 7,883,341
Total Allowance for Loan Losses	$ 1,094,736	$ 4,645,248	$ 842,636	$ 236,313	$ 1,049,555	$ 413,724	$ 178,731	$ 8,460,943
Total Loans ending balance	$ 32,252,224	$ 230,629,333	$ 11,461,824	$ 8,298,423	$ 140,538,413	$ 51,008,964	$	$ 474,189,181
Ending balance: individually evaluated for impairment	$ 269,950	$ 9,463,672	$ 1,366,554	$ 6,208,122	$ 14,094,198	$ 1,417,742	$	$ 32,820,238
Ending balance : collectively evaluated for impairment	$ 31,982,274	$ 221,165,661	$ 10,095,270	$ 2,090,301	$ 126,444,215	$ 49,591,222	$	$ 441,368,943

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The following table sets forth activity in our allowance for loan losses, by loan type, for the period ended December 31, 2011. The following table also details the amount of loans receivable, net, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan portfolio segment.

	Commercial	Commercial Real Estate	Construction	Construction to Permanent	Residential	Consumer	Unallocated	Total
2011								
Allowance for loan losses:								
Beginning Balance	$ 441,319	$ 7,632,355	$ 3,478,058	$ 491,446	$ 2,363,838	$ 578,612	$ 388,473	$ 15,374,101
Charge-offs	(374,506)	(2,940,901)	(3,305,318)		(1,458,198)	(173,851)		(8,252,774)
Transferred to loans held-for-sale		(963,461)	(1,409,701)		(3,681,498)			(6,054,660)
Recoveries	1,240	33,764	519,160			299,414		853,578
Provision	814,009	256,989	1,584,960	55,887	5,326,446	(245,413)	(328,451)	7,464,427
Ending Balance	$ 882,062	$ 4,018,746	$ 867,159	$ 547,333	$ 2,550,588	$ 458,762	$ 60,022	$ 9,384,672
Ending balance: individually evaluated for impairment	$ 61,145	$ 319,894	$ 31,520	$ 498,254	$ 197,478 &nbs			