



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

May 10, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Patriot National Bank
Charter Number 22545**

**900 Bedford St
Stamford, CT 06901**

**Comptroller of the Currency
New York Metro-New Jersey-West
830 Morris Turnpike Second Floor
Short Hills, NJ 07078**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

DEFINITIONS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Geography - A census tract or a block numbering area delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA) - The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to

use its authority when examining financial institutions subject to its supervision, to assess the institutions record of meeting the credit needs of its entire community, including low-and-moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institutions record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of *Patriot National Bank (PNB)* located in *Stamford, Connecticut* as prepared by *The Office of the Comptroller of the Currency (OCC)*, the institutions supervisory agency, as of *May 10, 2004*. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING

This institution is rated *Satisfactory*.

The primary factors supporting the overall rating are:

- Patriot National Bank's loan to deposit ratio is adequate at 73.3% compared to its peer group loan to deposit ratio of 76.1%.
- The bank has originated a majority of its residential and commercial loans within its Assessment Area (AA).
- Lending to borrowers of different incomes and to businesses of different sizes is reasonable.
- Overall, geographic distribution of loans is excellent.

DESCRIPTION OF INSTITUTION

Patriot National Bank (PNB) is an intrastate community bank headquartered in Stamford, Connecticut located within Fairfield County. The bank is wholly owned by Patriot National Bancorp Inc., also located in Stamford, CT. Additionally, PNB has no subsidiaries. PNB operates a total of 7 banking offices from which it provides a wide range of deposits and loans services, including 24-hour automatic teller machines located only at PNB branches. In addition to its main office, PNB has branches in Greenwich, Norwalk, Old Greenwich, Stamford and Wilton. A total of 4 new offices have opened since our last examination, 2 in Norwalk, 1 in Stamford, and 1 in Wilton. Additionally, the bank will be opening a new branch in Darien, Connecticut late July 2004. This branch remains within the bank's AA. During the weekdays, each office has an operating schedule that goes from 8:00am until 6:30pm, which is notably longer than traditional banking hours. Additionally, all branches open on Saturdays from 8:00am until 2:30pm.

As of March 31, 2004 total bank assets equaled \$346 million, of which total loans represented

\$224 million and total investments \$101 million. Total deposits totaled \$294 million. Loans are comprised of loans secured by real estate, about \$214 million, and commercial and industrial loans, about \$10 million. PNB has experienced a significant growth in assets since our prior CRA examination conducted in 1999. The bank's total assets went from \$177 million as of December 31, 1999 to \$341 million as of December 31, 2003. This is a 93% growth in assets. This growth can primarily be attributed to the number of branches the bank has opened since our last examination. Per management, PNB has an aggressive growth strategy.

The banking environment is very competitive within the AA due to numerous community banks, and offices of large and regional multinational financial institutions. Within Fairfield County there are 28 institutions. According to a June 30, 2003 FDIC Market Share Report of offices and deposits of all FDIC-Insured Institutions, Peoples Bank maintains 23.0% of the market share, Fleet National Bank 18.5%, and Wachovia Bank 12.4%. PNB only has 1.1% of the market share in this area.

PNB is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its assessment area. The most recent CRA examination of the bank was conducted by the OCC in February 1999. At that evaluation, the bank received a rating of "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

The AA consists of one hundred and forty-four geographies located within Fairfield County, Connecticut. Fairfield County is located in the southwestern corner of the state and is in close proximity to New York City. The county is located in two Metropolitan Statistical Areas (MSA's), Stamford-Norwalk MSA 8040 and a portion of the Bridgeport MSA 1160. Additionally, these two MSA's are located within the larger New York-Northern NJ-Long Island New York-Connecticut Consolidated metropolitan statistical area (CMSA). Of the one hundred and forty four census tracts, 57.0% represent the Stamford-Norwalk MSA and the remaining 43.0% represent the Bridgeport MSA. Within the geographies, upper income tracts represent 29.0%, middle-income tracts 34.0%, moderate-income tracts 22.0%, and low income tracts 15.0%. There is one geography that is not characterized for income. There is a total population of 531,342 persons within the AA according to 1990 U.S. Census data. The number of households below poverty level is 14,550 or 7.0% of total households. The Connecticut unemployment rate has increased from 3.2% as of December 31,1999 to 5.5% as of December 31, 2003. This emulates the increase in unemployment at the national level. Major employers in the area consist of large corporations such as General Electric and Xerox. The majority of businesses are in the services industry.

Stamford-Norwalk MSA 8040

The Stamford-Norwalk MSA has a total of 82 census tracks. According to the 1990 U.S. census data, the Stamford-Norwalk area had a total population of 329,942 persons. Data also demonstrates that the median family income is \$69,403, while the 2002-updated MSA median family income stood at \$115,500. The updated median family income is based on information provided by the Department of Housing and Urban Development (HUD). The weighted average

of median housing is \$325,638. Within this MSA, 18.8% are moderate-income families and 19.0% are low-income families.

Bridgeport MSA 1160

Within the Bridgeport MSA there are 62 census tracts. Total population within this area totaled 201,400 persons. The 1990 U.S. Census MSA median family income is \$48,221 and the 2002-updated MSA median family income is \$75,000. The weighted average of median housing within this MSA is \$175,038. Within the Bridgeport MSA there is a considerable level of low-income families. Low-income families represent 27.0% of total families.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Scope of Examination

The CRA examination of Patriot National Bank covers the period from March 1, 1999 to December 31, 2003. Small bank procedures were applied to this examination. The bank's primary lending products consist of home mortgages, commercial real estate loans, and commercial loans. Loan sampling consisted of a random sample of 30 loans, which included commercial real estate and commercial loans within the period of January 1, 2000 to December 31, 2002. The loan sample was used to analyze the bank's record of originating loans inside its AA and the bank's record of distributing loans among AA borrowers of different income levels, businesses of different sizes, and geographies.

Community Contact

During this examination, we held discussions with a local housing organization that assists low- and moderate-income individuals to obtain affordable housing. This organization was used to help us determine the community banking and development needs within the bank's AA. Our contact stated that during the last decade, the prevailing change in demographic conditions within the area is the large influx of immigrants. Our contact feels that fulfilling the needs of immigrants and other minorities are the major credit needs of the community. More specifically, major credit needs focus on mortgage lending, including affordable housing. Additionally, with the recent banking issues as they relate to predatory lending, our contact stated the organization will develop a well-coordinated effort to inform individuals on such practices.

Loan to Deposit Ratio

The loan to deposit ratio meets the standard for satisfactory performance given the bank's size, financial condition, and assessment area credit needs. From March 31, 1999 to December 31, 2003 the bank's average loan to deposit ratio was 73.3%. This figure is very close to the peer group average loan to deposit ratio of 76.1% within the same period.

Lending in Assessment Area

PNB originated the substantial majority of its loans within its AA and exceeds the standard for satisfactory performance. About 89.0% of the bank's HMDA reported loans from 2000, 2001, and 2002 were within its AA. Additionally, the bank originated most of its commercial loans

within its AA. Samples of 20 commercial loans were taken and 16 or 80.0% were found to be within the AA.

Lending In Assessment Area									
Loan Type	Number of Loans					Dollars of Loans			% in AA
	Inside		Outside		Total	Inside	Outside	Total	
	#	%	#	%		\$(000)	\$(000)		
HMDA	41	89.0%	5	11.0%	46	\$22,769	\$3,833	\$26,602	89.0%
Commercial	16	80.0%	4	20.0%	20	\$8,394	\$1,907	\$10,302	81.0%
Totals	57	86.0%	9	14.0%	66	\$31,163	\$5,740	\$36,904	84.0%

Source: Internal Bank Records

Lending to Borrowers of Different Incomes and to Businesses of Difference Sizes

Overall, lending to borrowers of different incomes and to businesses of different sizes meets the standard for satisfactory performance. More specifically, the distribution of mortgage loans is reasonable. Within the AA, PNB made 41 HMDA loans totaling about \$23 million. From this total, 5.0% of loans within the AA were made to families within the low-income level. This percentage is lower then the 22.0% of families within the low-income level. This percentage difference can be attributed to the weighted average of median housing in the AA of \$269,084 and the HUD updated MSA family income of \$98,063. According to the HUD updated MSA family income, a low-income person earns less than \$49,031. Based on these statistics, borrowers within the low-income level could find it difficult to afford current housing prices given their income. The loans originated within the moderate-income level, 17.0%, are close to the 19.0% of families within the moderate-income level.

Borrower Distribution of HMDA Reported Loans in Assessment Area					
Borrower Income Level	# Loans	%	\$ Amount (000)	%	families at Income Level in AA
Low	2	5.0%	\$532	2.3%	22.0%
Moderate	7	17.0%	\$1,027	5.0%	19.0%
Middle	2	5.0%	\$800	3.5%	21.0%
Upper	22	54.0%	\$18,490	81.2%	38.0%
Income NA	8	19.0%	\$1,920	8.0%	NA
Totals	41	100%	\$22,769	100%	100%

Source: Internal Bank Records and 1990 US Census Data

The distribution of commercial loans is reasonable. There are approximately 51,102 businesses within the AA, according to Dun and Bradstreet business demographic information. Of these businesses, 34,633 or 67.0% have revenues less than \$1 million and are considered to be small businesses. The majority of loans within our commercial loan sample were made to businesses less then \$1 million, about 75.0%. This is comparable to the 67.0% of businesses less then \$1 million reported within the bank's AA.

Borrower Distribution of Loans to Businesses/Farms in AA		
Business Revenues	< \$1,000,000	> \$1,000,000

% of AA Reported Businesses	67.0%	33.0%
% of Bank Loans in AA	75.0%	25.0%

Source: Dun and Bradstreet

Geographic Distribution of Loans

The overall geographic distribution of loans exceeds the standard for satisfactory performance. More specifically, PNB's distribution of HMDA reportable loans is excellent. The bank exceeds the level of owner occupied housing in low- and moderate-income census tracts. Within the AA, demographic data indicated that 3.7% of owner occupied housing is in low-income census tracts and 15.3% of the owner occupied housing is within moderate-income census tracts. The bank made 7.3% and 24.3% of their home loans in low and moderate-income census tracts respectively.

Geographic Distribution of Residential Real Estate Loans in Fairfield County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans	% of AA Owner Occupied Housing	% of # of Loans
HMDA Loans	3.7%	7.3%	15.3%	24.3%	42.1%	17.0%	38.7%	51.2%

Source: Data reported under HMDA, U.S. Census data.

PNB's distribution of business purpose loans among AA geographies exceeds the standard for satisfactory performance, especially within the moderate census tract income level. The geographic distribution of small business loans made in low-income geographies, 10.0%, is reasonable compared to the businesses located in these geographies, 12.1%. The percentage of loans made in the moderate-income census tracts, 35.0%, exceeds the portion of businesses in those census tracts, 21.4%.

Geographic Distribution of Loans to Businesses/Farms in Fairfield County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	12.1%	10.0%	21.4%	35.0%	36.8%	20.0%	28.8%	35.0%

Source: Loan sample/Dun and Bradstreet

Responses to Complaints

Patriot National Bank has not received any complaints during our examination period relating to CRA.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.