



## PUBLIC DISCLOSURE

November 03, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Patriot National Bank  
Charter Number 22545

900 Bedford Street, Stamford, CT 06901

Office of the Comptroller of the Currency

1600 Plaza Five - Jersey City, NJ 07311

**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.

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## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The primary factors supporting the overall rating are as follows:

- Patriot National Bank's quarterly average loan-to-deposit ratio is reasonable given its size and financial condition, as well as the credit needs within the assessment areas.
- The Bank originated a majority of its loans inside its assessment areas.
- The penetration of loans to businesses of different sizes and borrowers of different income levels is reasonable given economic conditions and the dispersion of other lenders within the bank's assessment areas.
- The geographic distribution of loans is reasonable.
- Community development activities, as a whole, demonstrate adequate responsiveness to the needs within the assessment areas given the Bank's capacity and community development opportunities within the assessment area.
- The Connecticut ratings were given more weight than the New York ratings because the Bank primarily conducts business within Connecticut.

## **Scope of Examination**

The objective of this review was to evaluate Patriot National Bank's (PNB) performance under the Community Reinvestment Act (CRA). PNB was evaluated under the Intermediate Small Bank assessment, which includes a lending test and a community development (CD) test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment areas through its lending activities from January 1, 2012 through September 30, 2014. Due to the changes in the Metropolitan Area definitions and boundaries, effective January 1, 2014, we evaluated 2014 lending activities separately from the 2012 and 2013 lending activities. The Bank originated 126 residential mortgage loans in 2012 and 2013, totaling \$88.78 million, and 20 residential mortgage loans in 2014, totaling \$4.46 million. Additionally, PNB originated 141 business loans, totaling \$36.75 million, in 2012 and 2013, and 103 business loans, totaling \$19.39 million, in 2014, through September 30. The CD test evaluates the Bank's responsiveness to CD needs within its assessment areas through CD lending, investments, and service activities. The review period for CD activities is October 3, 2011 through November 3, 2014.

PNB's primary loan products are business and residential mortgage loans, including home purchases, home improvements, and refinances. The Bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). A data integrity

examination was conducted in May 2014, and examiners concluded that the information reported on the HMDA Loan Application Register was accurate and reliable.

## Description of Institution

Patriot National Bank is an interstate community bank headquartered in Stamford, CT. The Bank does not have any banking subsidiaries, and the holding company’s activities do not affect PNB’s performance evaluation. PNB operates eight full-service branches within Fairfield and New Haven Counties of Connecticut and two full-service branches in Westchester County of New York. Since the previous CRA performance evaluation, the Bank closed five branches.

PNB suffered operating losses through 2013, but returned to profitability in 2014. The Bank’s poor financial performance negatively affected the Bank’s lending capacity and ability to make qualified investments in the community. Due to the Bank’s financial condition, management curtailed residential lending activities in 2012 and 2013, which resulted in loan originations falling below peer, including those to low-to moderate-income borrowers. In 2014, the Bank introduced two new lending programs that specifically target low- and moderate-income borrowers and small businesses. As a result, loan application and origination volume increased in 2014.

As of September 30, 2014, PNB reported total assets of \$624 million and net loans and leases of \$459 million, or 73.56 percent of total assets. The primary loan types are 1-4 family residential and non-farm, non-residential mortgage loans. Please refer to the table below for details regarding the Bank’s loan portfolio composition. Products and services provided by the Bank include checking accounts, savings accounts, and certificate of deposits. Additional information regarding the products and services offered by PNB are available in the Bank’s Public File, which is available by request at any branch location.

Loan Type	Percentage of Portfolio
1-4 Family Residential	41.40%
Non-Farm, Non-Residential	36.36%
Multi-Family	9.29%
Commercial and Industrial	8.19%
Construction and Developmental	3.90%
Consumer	0.86%

There was no merger or acquisition activity that affected the scope of the Bank’s operations during the CRA evaluation period. PNB received a rating of “Satisfactory” on its prior performance review dated October 3, 2011.

## Selection of Areas for Full-Scope Review

The Bank operates in two states, Connecticut and New York. Connecticut consist of two assessment areas, the Bridgeport-Stamford-Norwalk, CT, MSA and the Milford-New Haven MSA. We conducted a full-scope evaluation for the Bridgeport-Stamford-

Norwalk, CT, MSA and the New York assessment area. Refer to the “Scope” section under each State for additional details.

## **Ratings**

The Bank’s overall rating is a blend of the state ratings. PNB primarily conducts business in the Connecticut assessment areas; therefore, more weight was given to the Connecticut rating.

The institution’s CRA rating takes into account the ratings in different states by considering:

- The significance of the Bank’s activities in each state compared with the Bank’s overall activities.
- The lending opportunities in each state.
- The importance of the Bank in providing loans to each state, particularly in light of the number of other institutions and the extent of its activities in each state.
- Demographic and economic conditions in each state

The state ratings are based primarily on those areas that received full-scope reviews. Refer to the “Scope” section under each State Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## **Conclusions with Respect to Performance Criteria**

### **Loan-to-Deposit Ratio**

Patriot’s loan-to-deposit (LTD) ratio is reasonable given its size, financial condition and the credit needs of the assessment area. PNB’s LTD ratio averaged 93.25 percent during the evaluation period. The Bank’s LTD ratio ranged from a quarterly low of 85.64 percent to a quarterly high of 101.71 percent over the evaluation period. We compared PNB’s LTD ratio with six comparable banks within Fairfield and New Haven counties. The average LTD ratio for the six comparable institutions equaled 89.69 percent, ranging from 74.34 percent to 104.01 percent.

### **Lending in Assessment Area**

Lending activities within the assessment areas are satisfactory, as a majority of PNB’s primary loan products were originated within the assessment areas. Approximately 66 percent of the total loans originated within the evaluation period were originated within PNB’s AAs. Additionally, roughly 56 percent of all loans by dollar amount were originated within the AAs. From 2012 through 2013, 63.32 percent of all home loans by volume, and 54.76 by dollar amount, were originated within PNB’s assessment areas.

During the same period, 76.67 percent of loans to small businesses by volume, and 71.72 percent based on dollar amount, were originated within the assessment areas.

<b>Table 1 – Mortgage Lending in Connecticut and New York Assessment Areas 2012-2013</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	37	60.66	24	39.34	61	40,675	62.36	24,551	37.64	\$65,226
Refinance	81	64.80	44	35.20	125	47,011	49.88	47,233	50.12	\$94,244
Home Improvement	8	61.54	5	38.46	13	1,090	41.32	1,548	58.68	\$2,638
<b>Totals</b>	<b>126</b>	<b>63.32</b>	<b>73</b>	<b>36.68</b>	<b>199</b>	<b>88,776</b>	<b>54.76</b>	<b>73,332</b>	<b>45.24</b>	<b>162,108</b>

<b>Table 1a – Commercial Lending in Connecticut and New York Assessment Areas 2012 and 2013</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Business Loans	<b>46</b>	<b>76.67</b>	<b>14</b>	<b>23.33</b>	<b>60</b>	<b>12,466</b>	<b>71.72</b>	<b>4,916</b>	<b>28.28</b>	<b>17,382</b>

Lending within the assessment areas remained satisfactory for 2014, as a majority of loans were originated inside the Bank's assessment areas. Approximately 76.92 percent of the total number of home mortgage loans were originated in the assessment area, and 70.99 percent of the dollar volume was within the assessment area. In addition, the number business loans originated within the assessment areas in 2014 was 85.00 percent of the sampled loans and the dollar amount was 52.31 percent of the sampled loans.

<b>Table 1b - Lending in Connecticut and New York Assessment Areas 2014</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	2	50	2	50	4	369	19.74	1,500	80.26	\$1,869
Refinance	10	100	0	0.00	10	3,983	100	0	0	\$3,983
Home Improvement	8	66.67	4	33.33	12	110	25.40	323	74.60	\$433
<b>Totals</b>	<b>20</b>	<b>76.92</b>	<b>6</b>	<b>23.08</b>	<b>26</b>	<b>4,462</b>	<b>70.99</b>	<b>1,823</b>	<b>29.01</b>	<b>\$6,285</b>

<b>Table 1c – Commercial Lending in Connecticut and New York Assessment Areas</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$(000)	%	\$(000)	%	
Business Loans	<b>51</b>	<b>85.00</b>	<b>9</b>	<b>15.00</b>	<b>60</b>	<b>5,031</b>	<b>52.31</b>	<b>4,587</b>	<b>47.69</b>	<b>9,618</b>

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **State of Connecticut Rating**

### **CRA Rating for Connecticut: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community Development test is rated: Satisfactory**

- PNB's lending to businesses of different sizes and borrowers of different income levels reflects reasonable penetration.
- PNB's geographic distribution of loans reflects reasonable dispersion.
- PNB's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the Connecticut assessment areas.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN CONNECTICUT**

The Connecticut Assessment Area encompasses two Metropolitan Statistical Areas (MSAs): Bridgeport-Stamford-Norwalk, CT, MSA (14860) and New Haven-Milford, CT MSA (35644). PNB designates 181 census tracts in Connecticut, consisting of 169 tracts in the Bridgeport-Stamford-Norwalk MSA and 12 census tracts in New Haven-Milford MSA. The assessment areas are contiguous and do not arbitrarily exclude low- or moderate-income areas. The Bank includes the New Haven-Milford, CT MSA within the Connecticut assessment area because the Bank has a branch located in New Haven; however, the Bank's services do not extend substantially across the New Haven-Milford, CT MSA. Therefore, including the entire New Haven-Milford, CT MSA causes the assessment area to be too large for PNB to serve reasonably.

Both assessment areas are primarily composed of upper- and middle-income census tracts. Of the 181 census tracts, 29 are low-income, 32 are moderate-income, 56 are middle-income, and 64 are upper-income geographies. The census tracts located in New Haven County consist entirely of middle- and upper-income tracts. There are 304,619 households in the two assessment areas, of which the majority (197,550) are owner occupied and reside in middle- and upper-income geographies (79.48 percent).

PNB operates seven of its ten branches and is headquartered in the Bridgeport-Stamford-Norwalk MSA and one branch in the New Haven- Milford MSA. While the majority of the branches are located in middle and upper-income geographies, Patriot does have one branch located in a low-income tract and one branch located in a moderate-income tract. Since the previous CRA examination, PNB closed four branches within the Connecticut. All four branches were located in middle and upper income census tracts that are well-served by other financial institutions

<b>Bridgeport-Stamford-Norwalk MSA, AA 2012-2013</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	169	17.16	18.93	29.59	34.32	0.00
Population by Geography	718,360	14.31	20.51	31.55	33.63	0.00
Owner-Occupied Housing by Geography	181,148	5.53	16.85	38.29	39.32	0.00
Median Family Income		100,593	Median Housing Value		524,264	
HUD Adjusted Median Family Income for 2013		101,300	Unemployment Rate (2010 US Census)		8.60%	
Households Below Poverty Level		9%				

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census Data and 2013 HUD updated MFI

<b>New Haven-Milford MSA, AA 2012-2013</b>						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts)	169	16.02%	17.68%	30.94%	35.36%	0.00%
Population by Geography	771,119	13.33%	19.11%	32.42%	35.14%	0.00%
Owner Occupied Housing by Geography	197,550	5.07%	15.46%	38.51%	40.97%	0.00%
Median Family Income		\$89,587	Median Housing Value		\$510,803	
HUD Adjusted Median Family Income		\$90,168	Unemployment Rate (As of 2010 US Census)		8.60%	
Households Below Poverty Level		9.00%				

(\* ) The NA category consists of geographies that have not been assigned an income classification.  
Source: Bureau of Labor Statistics and 2013 HUD updated MFI

The MA changes effective January 1, 2014, did not affect the delineation of the Connecticut assessment areas.

<b>Bridgeport-Stamford-Norwalk MSA, AA 2014</b>						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts)	169	17.16%	18.93%	29.59%	34.32%	0.00%
Population by Geography	718,360	14.31%	20.51%	31.55%	33.63%	0.00%
Owner Occupied Housing by Geography	181,148	5.53%	16.85%	38.29%	39.32%	0.00%
Median Family Income		\$100,593	Median Housing Value		\$524,264	
HUD Adjusted Median Family Income		\$101,300	Unemployment Rate (As of 2010 Census)		8.60%	
Households Below Poverty Level		9.00%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: Bureau of Labor Statistics and 2013 HUD updated MFI

New Haven-Milford MSA, AA 2014						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts)	12	0.00%	0.00%	50.00%	50.00%	0.00%
Population by Geography	52,759	0.00%	0.00%	44.31%	55.69%	0.00%
Owner Occupied Housing by Geography	22,386	0.00%	0.00%	40.90%	59.10%	0.00%
Median Family Income		\$77,379	Median Housing Value	\$341,100		
HUD Adjusted Median Family Income		\$74,900	Unemployment Rate	9.00%		
Households Below Poverty Level		4.23%	(As of 2010 Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: Bureau of Labor Statistics

PNB faces significant competition in the Connecticut assessment areas. Competitors include People’s United Bank, Wells Fargo, JPMorgan Chase, Citibank, and Bank of America. PNB ranks 70<sup>th</sup> out of 100 institutions in terms of originating 1-4 family or manufactured housing loans, controlling only 0.20 percent of the market. PNB holds approximately 0.95 percent of the market’s deposits and ranks 35<sup>th</sup> out of 38 institutions.

The local economy is stabilizing as the unemployment rate has improved year over year and is below the state average. As of August 2014, the local unemployment rate decreased to 6.3 percent, compared to the state average of 6.6 percent. Additionally, job growth between June 2013 and June 2014 increased at a faster rate than the national average. The local job growth increased by 1.51 percent, while the national average for the same period increased by only 1.18 percent. The fields of engineering, medical services, and investment management continue to be significant drivers of job growth.

In assessing the Bank’s performance within its assessment areas, we contacted one community organization. The representative described Fairfield County as an affluent community with few pockets of low- or moderate-income areas. The representative stated it is difficult for low- and moderate-income individuals to attain affordable housing, partly due to more stringent underwriting requirements following the financial crisis. The representative stated that Patriot’s involvement in the community lacked in 2012 and 2013, but they have seen increased involvement in 2014.

**SCOPE OF EVALUATION IN BRIDGEPORT-STAMFORD-NORWALK MSA**

A full-scope evaluation was performed for the Bridgeport-Stamford-Norwalk MSA. Although affordable home loans are a need within the assessment area, PNB’s strategy

during the evaluation period focused primarily on business lending; therefore, more weight was given to business lending activities in evaluating performance within the Bridgeport-Stamford-Norwalk MSA.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN BRIDGEPORT-STAMFORD-NORWALK MSA**

**LENDING TEST**

The Bank’s performance under the lending test in the Bridgeport-Stamford-Norwalk, CT, MSA is rated “satisfactory.” PNB’s lending activities reflect reasonable penetration within the assessment area. The lending test was based on the total amount of HMDA-reportable residential loans as well as a sample of business loans that were originated during the evaluation period, January 1, 2012 through September 30, 2014. The test includes home purchase loans, refinance loans, and home improvement loans. The Bank’s performance of originating small business loans was based on a sample size of 60 business loans totaling \$17.38 million that were originated from January 1, 2012 through December 31, 2013 and 60 business loans totaling \$9.62 million that were originated from January 1, 2014 through September 30, 2014.

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

PNB’s lending to borrowers of different income levels and businesses of different sizes reflects reasonable penetration. The Bank restricted residential lending in 2013; therefore, more weight was placed on business lending.

The distribution of loans to businesses of different sizes represents poor penetration for 2012 and 2013. However, the percentage of unknown or unavailable information regarding business income was higher in the sampled loans than in the percentage for the assessment area. Additionally, PNB’s overall penetration rates are higher than those of competitors in the assessment area. Out of 73 competitors within the assessment area, roughly 43 percent of business loans originated were to small businesses and 32 percent of the dollar amount of the total business loans originated were to small businesses.

<b>Table 2b - Borrower Distribution of Loans to Businesses in Bridgeport-Stamford-Norwalk Assessment Area 2012 and 2013</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	72.89%	4.39%	22.72%	100%
% of Bank Loans in AA by #	50.00%	12.50%	37.50%	100%
% of Bank Loans in AA by \$	42.75%	24.73%	32.52%	100%

For 2014, the distribution of loans to businesses of different sizes exceeds standards for satisfactory performance and represents excellent penetration. The number of loans to small businesses was greater than the percentage of businesses with revenues under

\$1 million within the assessment area. The improved penetration in 2014 is partly due to a program PNB introduced early in 2014 that targets small businesses.

<b>Table 2c - Borrower Distribution of Loans to Businesses in Bridgeport-Stamford-Norwalk Assessment Area 2014</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.40%	4.89%	21.71%	100%
% of Bank Loans in AA by #	80.44%	2.17%	17.39%	100%
% of Bank Loans in AA by \$	86.43%	5.85%	7.72%	100%

Home loan originations to borrowers of different income levels reflect poor penetration; however, the curtailment of residential lending in 2013 is a contributing factor for the Bank’s poor performance. For 2012 through 2013, the Bank’s distribution of residential real estate loans to low- and moderate-income families was significantly lower than percentage of families at those income levels within the assessment area.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Bridgeport-Stamford-Norwalk t 2012 and 2013</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.57	0.00	16.28	5.88	19.42	11.76	40.73	82.35
Home Refinance	23.57	1.54	16.28	12.31	19.42	13.85	40.73	72.31
Home Improvement	23.57	0.00	16.28	0.00	19.42	40.00	40.73	60.00

PNB did not originate any home purchase loans in this AA during 2014. Refinance loans represent excellent penetration for low-income families, while home loan products represent excellent penetration for moderate-income families. The Bank’s excellent penetration for refinances in 2014 is due to a refinance program the Bank introduced in early 2014 to target low- to moderate-income borrowers.

<b>Table 2a - Borrower Distribution of Residential Real Estate Loans in Bridgeport-Stamford-Norwalk 2014</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23.57	0.00	16.28	0.00	19.42	0.00	40.73	0.00
Home Refinance	23.57	66.67	16.28	33.33	19.42	0.00	40.73	0.00
Home Improvement	23.57	0.00	16.28	25.00	19.42	25.00	40.73	50.00

**Geographic Distribution of Loans**

PNB’s geographic distribution of loans represents reasonable dispersion within the assessment area. In light of the Bank’s business strategy during the evaluation period,

more consideration was given to the geographic distribution of business loans within the assessment area.

PNB’s geographic distribution of business loans throughout the assessment area reflects excellent penetration for 2012, 2013 and 2014, based on the sampled loans. Loan originations to small business in low- and moderate-income geographies exceed the dispersion of small businesses within low- and moderate-income geographies within the assessment area.

<b>Table 3b - Geographic Distribution of Loans to Businesses in Bridgeport-Stamford-Norwalk AA 2012 and 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	9.96%	8.33%	16.89%	25.00%	30.12%	25.00%	43.03%	41.67%

<b>Table 3c - Geographic Distribution of Loans to Businesses in Bridgeport-Stamford-Norwalk AA 2014</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	9.96%	15.22%	16.89%	15.22%	30.12%	28.26%	43.03%	73.08%

For 2012 and 2013, geographic distribution for residential loans reflects poor penetration for low-income geographies, as the distribution of loans in these geographies is significantly lower than the distribution of low-income census tracts within the assessment area. However, as indicated by the table below, the percentage of owner occupied housing is limited within low-income areas, which limits opportunities to provide home financing products within low-income areas. Geographic distribution for moderate-income areas represents reasonable penetration, with the exception of home improvements, which represents poor penetration.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Bridgeport-Stamford-Norwalk 2012 and 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.53	0.00	16.85	11.76	38.29	11.76	39.32	76.47
Home Refinance	5.53	0.00	16.85	20.00	38.29	40.00	39.32	40.00
Home Improvements	5.53	0.00	16.85	4.48	38.29	35.82	39.32	59.70

Geographic distribution for home loans reflects excellent penetration in 2014. Home purchase loans are below the percentage of low-income geographies within the assessment areas; however, this is because PNB only originated two home purchase loans in 2014, one of which was in a moderate-income geography. Home refinance loans are significantly above the dispersion of low- and moderate-income geographies

within the assessment area; 100 percent of refinance loans were located in low- and moderate-income geographies.

<b>Table 3a - Geographic Distribution of Residential Real Estate Loans in Bridgeport-Stamford-Norwalk 2014</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5.53	0.00	16.85	50.00	38.29	50.00	39.32	0.00
Home Refinance	5.53	66.67	16.85	33.33	38.29	0.00	39.32	0.00
Home improvements	5.53	0.00	16.85	25.00	38.29	12.50	39.32	62.50

**Response to Complaints**

There were no CRA-related complaints filed during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

PNB’s performance under the community development (CD) test in the Bridgeport-Stamford-Norwalk MSA assessment area is satisfactory. The Bank’s activities demonstrate adequate responsiveness to the community development needs within the assessment area.

**Number and Amount of Community Development Loans**

The number and dollar amount of qualified loans PNB originated is adequately responsive to the needs of the assessment area. PNB originated seven loans to businesses and not for profit organizations, totaling \$11.6 million, to finance affordable housing, economic development, and other community needs during the evaluation period. In addition, PNB contributed roughly \$2 million into the Solomon Hess Fund with a total of \$4.39 million CD loans allocated to PNB, as of September 30, 2014. The Solomon Hess Fund is a Community Development Financial Institution promoting economic development in low- and moderate-income geographies. All loans qualify as CD loans under the CD definition in the CRA guiding regulation (12 CFR 25).

**Number and Amount of Qualified Investments**

The number and dollar amount of qualified investments demonstrates adequate responsiveness to community needs within the assessment area. During 2012 and 2013, PNB was unable to make any qualifying CD investments due to the Bank’s financial performance. Therefore, more emphasis was placed on 2014, when the Bank’s financial performance allowed for CD investments. During 2014, PNB made nine qualified investments to various organizations in the assessment area, totaling \$22.5 thousand. These organizations focus on providing affordable housing and promoting community development through various programs targeted towards low- and moderate-income individuals and geographies.

### **Extent to Which the Bank Provides Community Development Services**

PNB employees provide financial and technical expertise for roughly 57.5 hours a month for community development services. Employees of PNB are involved with several community development organizations that assist in low-to moderate-income housing, economic revitalization, and community development. In addition, the Bank sponsors several financial seminars throughout the assessment area. These seminars include budgeting tips, affordable housing programs, and creating financial goals for individuals. These seminars target low- to moderate-income individuals and geographies. During the review period, PNB held 17 of these seminars within the Bridgeport-Stamford-Norwalk MSA assessment area.

### **Responsiveness to Community Development Needs**

PNB's CD activities demonstrate an adequate responsiveness to community needs. PNB's community development lending, investment, and service activities specifically target low-to moderate-income individuals, with a broad focus on providing affordable housing.

### **SCOPE OF EVALUATION FOR NEW HAVEN-MILFORD MSA**

A limited scope review was performed for the New Haven-Milford, CT MSA. PNB's operations in the New Haven-Milford, CT MSA are limited as the bank only operates one full-service branch in the AA, and the AA is comprised only of middle and upper-income census tracts. The volume and number of loan originations and deposits in this AA are significantly lower than the Bridgeport-Stamford-Norwalk AA.

#### **New Haven-Milford MSA, Limited Scope Lending Test**

Based on a limited scope review, PNB's performance on the lending test in the New Haven-Milford, CT MSA is reasonable, given there are no low- to moderate- income census tracts within the assessment area. PNB only originated six business loans, based on our sample, and nine residential loans from 2012 through September 30, 2014 within the New-Haven-Milford MSA. All of the loans were in middle- and upper-income geographies. However, this represents reasonable penetration, because this entire AA is comprised only of middle- and upper-income census tracts. Additionally, the Bank only has one branch location operating in this AA, limiting their ability to originate loans. As a result, less weight was placed on this assessment.

#### **New Haven-Milford MSA, Limited Scope Community Development Test**

Based on a limited scope review, PNB's performance on the CD test is inconsistent with the full scope CD tests. However, less weight was placed on this assessment given that the AA consists of only middle and upper-income census tracts, which inhibited the bank from generating CD loans, qualified investments, and services for low- and moderate-income geographies.

## State of New York Rating

### CRA Rating for New York: Needs Improvement

The Lending test is rated: Satisfactory

The Community development test is rated: Needs Improvement

- PNB's lending to businesses of different sizes and borrowers of different income levels reflects reasonable penetration.
- PNB's geographic distribution of loans reflects reasonable dispersion.
- PNB's CD activities demonstrate poor responsiveness to the CD needs and opportunities in the New York assessment area.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

PNB designates all of Westchester County as an assessment area. The Bank does not exclude any census tracts within this assessment area and therefore, does not arbitrarily exclude low- or moderate-income areas. This assessment area is comprised of 223 census tracts, most of which are middle- and upper-income geographies. Of the 223 census tracts, five are low-income geographies, 23 are moderate-income, and six are defined as unknown. The Westchester County assessment area has a total of 368,498 housing units, of which the majority is owner occupied and located within middle-and upper-income geographies. PNB has two branches in this assessment area, both of which are located in upper-income census tracts. PNB closed one branch within this AA since the previous CRA examination, which was located in an upper-income census tract.

Westchester County, AA 2012-2013						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts)	223	2.24%	10.31%	24.22%	60.54%	2.69%
Population by Geography	949,113	1.70%	11.27%	23.98%	62.42%	.63%
Owner Occupied Housing by Geography	216,761	.22%	3.18%	17.99%	78.61%	0.00%
Median Family Income		\$64,171	Median Housing Value		\$527,531	
HUD Adjusted Median Family Income		\$66,000	Unemployment Rate (As of 2010 Census)		7.30%	
Households Below Poverty Level		8.00%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 US Census and 2013 HUD updated MFI

The MA changes, effective January 1, 2014, affected the delineation of the Westchester assessment. The MA changes resulted in a decrease in the number of upper-income tracts to 57.85 percent, as middle- and moderate-income tracts increased to 24.66

percent and 12.56 percent, respectively. The number of low-income tracts was unchanged.

Westchester County, AA 2014						
Demographic Characteristics	#	% Low Income Tract	% Moderate Income Tract	% Middle Income Tract	% Upper Income Tract	Unknown Income Tract*
Geographies (Census Tracts)	223	2.24%	12.56%	24.66%	57.85%	2.69%
Population by Geography	949,113	1.70%	13.41%	24.40%	59.86%	.63%
Owner Occupied Housing by Geography	216,753	.22%	4.25%	19.34%	76.18%	0.00%
Median Family Income		\$68,006	Median Housing Value		\$527,531	
HUD Adjusted Median Family Income		\$68,900	Unemployment Rate (As of 2010 Census)		7.30%	
Households Below Poverty Level		8.00%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: Bureau of Labor Statistics

PNB faces significant competition in this assessment area. Competitors include some of the largest banks such as Morgan Stanley, JP Morgan Chase, and Citibank, which continue to control market share. In addition to the large banks, PNB also competes with local mortgage bankers and brokers. Overall, PNB ranks 177<sup>th</sup> out of 200 banks in terms of originating 1-4 family or manufactured housing loans, while holding only 0.5 percent of the market's total deposits and ranked 16 out of 28 institutions

The local economy is stabilizing as the unemployment rate has improved and is below the state average. Local unemployment rates decreased to 5.3 percent as of August 2014, well below the state average of 6.4 percent. While job growth in the assessment area increased slightly from September 2013 to September 2014, it remained relatively stagnant and increased at slower rate than the national average of 2.0 percent. However, economic projections indicate that the local job growth will continue to improve and progress to a growth rate more in line with national averages in the upcoming years. The local economy's key industry is its telecommunications network, which is a major contributor to employment growth opportunities throughout the county. The Westchester County's Office of Economic Development is investing specifically in the telecommunications industry to promote continued growth within this sector.

In assessing PNB's performance within the Westchester assessment area, we contacted a representative from a community organization. The representative stated there is a need for affordable housing within Westchester as it is difficult for low- and moderate-income individuals to attain affordable housing. In recent years, it has become more difficult for low-to moderate-income borrowers to obtain home financing in light of increased underwriting standards. Per the representative, PNB mainly supports community development primarily through volunteering.

**SCOPE OF EVALUATION IN NEW YORK**

As stated above, PNB has one assessment area in New York. A full-scope evaluation was performed for the Westchester assessment area. PNB’s primary loan products in the New York assessment area are home mortgage and business loans. Community contacts for the area stated that affordable housing is a need within the area; however, PNB’s business strategy focused primarily on business lending during the evaluation period. Therefore, more weight was given to business lending.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK**

**LENDING TEST**

PNB’s performance under the lending test in the Westchester County assessment area is rated “satisfactory.” PNB’s lending activities reflect reasonable penetration within the assessment area. The geographic distribution of loans and distribution of loans among borrowers of different income in the Westchester County assessment area reflects reasonable dispersion. The lending test was based on the total amount of HMDA reportable loans for home purchase and refinance loans during the evaluation period. Additionally, the Bank’s performance in originating business loans was based on a sample size of 60 loans totaling \$17.38 million for January 1, 2012 through December 31, 2013 and 60 loans totaling \$9.62 million for January 1, 2014 through September 30, 2014.

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

The distribution of loans in the Westchester County assessment area reflects reasonable penetration among borrowers of different incomes and businesses of different sizes. The Bank restricted residential lending in 2013; therefore, more weight was placed on business lending.

The distribution of loans to small businesses reflects reasonable penetration in the Westchester County assessment area for 2012 through 2013. The number of loans originated to small businesses is lower than the total percentage of small businesses within the assessment area, but it is within a reasonable range.

<b>Table 2b -Borrower Distribution of Loans to Businesses in Westchester Assessment Area 2012-13</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	74.09%	4.50%	21.41%	100%
<b>% of Bank Loans in AA by #</b>	60%	20%	20%	100%
<b>% of Bank Loans in AA by \$</b>	57.04%	37.24%	5.72%	100%

In 2014, the distribution of loans to small businesses reflects reasonable penetration in this assessment area. The total number of loans to small businesses is within a

reasonable range of the total percentage of small businesses within the assessment area. The dollar amount of loans is significantly lower than the total percentage of small businesses within the AA; however, this is expected as small businesses typically do not require as much financing as larger businesses.

Table 2c - Borrower Distribution of Loans to Businesses in Westchester Assessment Area 2014				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	75.45%	5.25%	19.30%	100%
% of Bank Loans in AA by #	60.00%	40.00%	0.00%	100%
% of Bank Loans in AA by \$	17.58%	82.42%	0.00%	100%

The distribution of home loans reflects poor penetration among borrowers of different income levels; however, as stated previously, PNB curtailed residential lending in 2013. From 2012 through 2013, the Bank’s distribution of loans low- and moderate-income families was significantly lower than the percentage of families at those income levels within the assessment area, reflecting poor distribution. All of the residential loans originated in 2012 and 2013 were made to upper-income borrowers.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Westchester County 2012 and 2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	13.50	0	11.01	0	13.91	0	61.57	100
Home Refinanc	13.50	0	11.01	0	13.91	0	61.57	100

PNB’s performance in 2014 reflects reasonable penetration. Loan distribution to low-income borrowers is significantly lower than the percentage of individuals within the assessment area; however, PNB only originated one loan in 2014, which was to a moderate-income borrower.

Table 2a - Borrower Distribution of Residential Real Estate Loans in Westchester County 2014								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14.70	0	11.54	0	14.41	0	59.35	0
Home Refinance	14.70	0	11.54	100	14.41	0	59.35	0

**Geographic Distribution of Loans**

The geographic distribution of loans in the Westchester County assessment area reflects reasonable dispersion among low- and moderate-income geographies. As stated above, more consideration was given to the geographic distribution of business loans within the assessment area.

PNB’s business loan distribution in the Westchester County assessment area reflects reasonable dispersion for 2012 and 2013. The number of loans in low- and moderate-income geographies is within a reasonable range of the percentage of businesses in those geographies.

<b>Table 3b - Geographic Distribution of Loans to Businesses in Westchester AA 2012 and 2013</b>										
Census Tract Income Level	Low		Moderate		Middle		Upper		Unknown	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business Loans	1.13%	0%	10.78%	10%	19.74%	10%	68.24%	80%	0.011%	0%

For 2014, PNB’s business loan distribution reflects poor dispersion in the assessment area. While there are limited opportunities to lend to small businesses in low-income areas, there are opportunities to lend in moderate-income areas. The number of loans in moderate census tracts is significantly below the distribution of small businesses in the moderate-income geographies.

<b>Table 3c - Geographic Distribution of Loans to Businesses in Westchester AA 2014</b>										
Census Tract Income Level	Low		Moderate		Middle		Upper		Unknown	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Business Loans	1.07%	0%	12.11%	0%	20.47%	20%	66.29%	80%	0.06%	0%

The geographic distribution of home loans reflects poor dispersion. For 2012 and 2013, PNB did not originate or refinance any home loans in low- or moderate-income areas. However, the majority of low-to moderate-income individuals rent and do not own their homes; therefore there are very limited opportunities for residential lending in these geographies, especially for low-income geographies.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Westchester County 2012 and 2013</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.22	0.00	3.18	0.00	17.99	0.00.00	78.61	100
Home Refinance	0.22	0.00	3.18	0.00	17.99	11.11	78.61	88.89

PNB’s residential distribution reflects reasonable dispersion in 2014. Similarly to 2012 and 2013, the number of owner occupied housing units in low- and moderate-income tracts is very low, resulting in limited opportunities for lenders to originate home loans within low- and moderate-income geographies. PNB did not originate any home purchase loans within the assessment area during 2014 and only originated one refinance loan, which was in a moderate-income geography.

Table 3a - Geographic Distribution of Residential Real Estate Loans in Westchester County 2014								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.22	0	4.25	0	19.34	0	76.18	0
Home Refinance	0.22	0	4.25	100	19.34	0	76.18	0

**Response to Complaints**

There were no CRA-related complaints filed during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

PNB’s performance under the Community Development Test in the Westchester assessment area reflects poor responsiveness to community needs and needs to improve. The bank has not greatly assisted in meeting the community needs identified by the community contact. During the review period, PNB did not make any CD loans in the assessment area and only made one qualifying CD investment. PNB did provide CD services that respond well to community needs.

**Number and Amount of Community Development Loans**

PNB’s CD loan origination in the assessment area demonstrates very poor responsiveness to CD needs. PNB did not originate any CD loans between October 2011 and November 3, 2014.

**Number and Amount of Qualified Investments**

The level of qualified investments PNB made demonstrates poor responsiveness to CD needs. During 2012 and 2013, PNB was unable to make any qualifying CD investments due to the Bank’s financial performance. Therefore, more emphasis was placed on 2014, when the Bank’s financial performance allowed for CD investments. For 2014, PNB made one qualified investment for \$2,500 to Westhab, Inc. to promote affordable housing.

**Extent to Which the Bank Provides Community Development Services**

PNB’s CD services demonstrate adequate responsiveness to CD needs in the Westchester assessment area. Employees, including management, provide approximately 19 hours a month to community services within this assessment area. PNB staff members are involved with numerous CD organizations in the assessment area that target low-to moderate-income communities and provide assistance in

affordable housing and other community needs. Additionally, PNB offers financial seminars to the community. During the review period, PNB held one financial seminar in the Westchester assessment area.

### **Responsiveness to Community Development Needs**

PNB's CD activities needs improvement in response to the AA's community needs. As stated above, PNB was unable to originate qualifying CD loans and make qualifying investments, due to constraints resulting from financial performance. However, as PNB's condition continues to improved, PNB demonstrated the willingness to continue its community development initiatives within the Westchester assessment area.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (01/01/2012 to 09/30/2014) Community Development Test: (10/3/2011 to 11/3/2014)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Patriot National Bank (PNB) Stamford, CT	Home Purchase Loans Home Refinance Loans Home Improvement Loans Business Loans Community Development Loans Community Development Investments Community Development Services	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of Connecticut Bridgeport-Stamford-Norwalk, CT, MSA New Haven-Milford, CT MSA	Full-Scope  Limited-Scope	
State of New York Westchester AA	Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
PATRIOT NATIONAL BANK	SATISFACTORY	SATISFACTORY	SATISFACTORY
CONNECTICUT	SATISFACTORY	SATISFACTORY	SATISFACTORY
NEW YORK	SATISFACTORY	NEEDS IMPROVEMENT	NEEDS IMPROVEMENT