



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 3, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Patriot National Bank
Charter Number: 22545

900 Bedford Street
Stamford, CT 06901

Office of the Comptroller of the Currency

New York Metro Field Office
Harborside Financial Center
Plaza 5 Suite 1600
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.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

- Patriot National Bank's (PNB) quarterly average net loan-to-deposit ratio is reasonable considering the size and financial condition of the institution as well as the assessment area's (AA) credit needs and relevant competitive factors;
- PNB originated a substantial majority of loans to borrowers within its AAs;
- The distribution of loans to businesses of different sizes and borrowers of different incomes is reasonable in the New York and Fairfield AAs;
- The geographic distribution of loans is excellent in the Fairfield AA, which received more weight than the reasonable geographic distribution of loans in the New York AA;
- And, PNB's level of community development (CD) activity reflects adequate responsiveness to the CD needs of the Fairfield and New York AAs given the bank's capacity and CD opportunities within these AAs.

Scope of Examination

We conducted an examination of PNB to assess the bank's compliance with the Community Reinvestment Act (CRA). The objective to this review was to evaluate the bank's performance relative to the regulatory requirements. To complete this examination, we used the "Intermediate Small Bank" performance criterion, which includes the Lending Test and CD Test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services. We reviewed PNB's lending activities, with a focus on its primary lending products, which are business and residential loans. The evaluation period for the examination is from January 1, 2008 through October 1, 2011. The evaluation period was expanded to include 2008 to more accurately reflect the bank's lending activity since the prior CRA examination.

To assess PNB's performance under the lending test, we selected a sample of 20 business loans per AA, and relied on the bank's reported Home Mortgage Disclosure Act (HMDA) data for residential loans, which was found to be reliable. The CD test evaluation considered qualified CD loans, investments and services. All data used as part of this examination are representative of the bank's business strategy since the prior CRA examination.

Description of Institution

PNB is an interstate community bank headquartered in Stamford, CT. PNB operates 15 full-service branches, including 12 branches in the Connecticut AA and three branches in the New York AA. The bank's financial position since 2009 has been impacted by persistent losses and credit quality concerns, which impacted the bank's lending capacity and ability to make qualified investments in the community. The bank received a "satisfactory" rating on its prior performance evaluation dated September 6, 2007.

As of June 30, 2011, PNB's assets totaled \$648 million, comprised of \$463 million in loans representing 72% of assets, deposits totaled \$528 million, and tier-one capital totaled \$71 million. The bank's loan portfolio mix as of December 31, 2010 was: 1-4 family residential (57%), non-farm non-residential (26%), construction and development (12%), multi-family (3%), commercial and industrial (2%), and consumer and other loans (<1%). 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.

Selection of Areas for Full-Scope Review

In each state and multistate metropolitan area where the bank has an office, a sample of AAs within that state/multistate metropolitan area was selected for full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section (as applicable) for details regarding how the areas were selected.

Ratings

The bank's overall rating is a blend of the multistate metropolitan area rating(s) and state ratings.

The institution's CRA rating takes into account the ratings in different states/multistate metropolitan areas by considering:

- The significance of the bank's activities in each state/multistate metropolitan area compared with the bank's overall activities.
- The lending opportunities in each state/multistate metropolitan area.
- The importance of the bank in providing loans to each state/multistate metropolitan area, particularly in light of the number of other institutions and the extent of their activities in each state/multistate metropolitan area.
- Demographic and economic conditions in each state/multistate metropolitan area.

The multistate metropolitan area rating(s) and state rating(s) are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area 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

PNB's quarterly average loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. In the fifteen quarters since the prior CRA examination, the bank's average loan-to-deposit ratio was 90.95%. From the fourth quarter of 2007 through the second quarter of 2011, the bank's loan-to-deposit ratio fluctuated from a low of 79.87% (March 31, 2011) to a high of 107.86% (September 30, 2008). The fluctuation in the loan to deposit ratio is reflective of the economic cycle and PNB's lending activity throughout since the prior CRA examination.

The quarterly average loan-to-deposit ratio for PNB is comparable to other local financial institutions of similar size, location, and product offerings. We compared PNB's loan-to-deposit ratio with 6 comparable banks within the Fairfield and New Haven AAs. Some of the comparable banks also offer products and services in PNB's New York AA. The average loan-to-deposit ratio for the peer banks was 89.50%, ranging from a low of 80.29% to a high of 100.96%.

Lending in Assessment Area

A substantial majority of the loans originated by PNB were within the bank's AAs. We reviewed the distribution of loan originations during the evaluation period for PNB's primary loan categories of business and home loans. PNB originated 86% of sampled business loans and all HMDA loans during the evaluation period.

The following table details PNB's lending within the AA by the number of loans originated during the evaluation period.

| Table 1 - Lending in New York, Fairfield, and Milford AAs | | | | | |
|--|-----------------|-----|---------|-----|-------|
| Loan Type | Number of Loans | | | | Total |
| | Inside | | Outside | | |
| | # | % | # | % | |
| Business | 16 | 80% | 4 | 20% | 20 |
| Home | 117 | 87% | 18 | 13% | 135 |
| Totals | 133 | 86% | 22 | 14% | 155 |

Sources: Business Loan Sample 2008-2011 and HMDA data 2008-2011.

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 Rating

State of Connecticut

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 incomes reflect reasonable penetration.
- PNB's geographic distribution of loans reflects excellent dispersion.
- PNB's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the Fairfield AA.
- These ratings reflect PNB's performance primarily in the Fairfield AA, as the Milford AA was reviewed with a limited scope.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN CONNECTICUT

PNB has two AAs for this state, the first is the Fairfield AA, which encompasses a large portion of the Fairfield County, CT; and the second is the Milford AA, which encompasses the town of Milford, CT located in New Haven County. Refer to the individual ratings for each AA below for specific information regarding PNB's operations and performance.

Fairfield AA

PNB designated 171 census tracts in Fairfield County AA. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income areas. Of the 171 census tracts, 27 (15.79%) are designated as low-income geographies, 37 (21.64%) are designated as moderate-income geographies, 52 (30.41%) are designated as middle-income geographies, and 55 (32.16%) are designated as upper-income geographies.

PNB operates 11 full-service branches within the AA and is headquartered in Stamford, CT. Five branches are located in the upper-income geography, five branches are located in a middle-income geography, and the 16 River Street branch in Norwalk, CT is located in a low-income geography. The presence of a full-service branch in this census tract is an indication that the bank is providing services to an underserved area. All branches offer a traditional array of banking services and products, consistent across all branches. Most branches have extended hours on Thursdays and Fridays and all branches are open on Saturdays. PNB closed four branches within the AA during June 2011. The branches that were closed were located in middle and upper income census tracts that are well-served by other financial institutions.

The overall population of the AA is 699,264 as of the 2000 census. Of this population, 90,406 (12.93%) reside in low-income geographies, 161,339 (23.07%) reside in moderate-income geographies, 221,686 (31.70%) reside in middle-income geographies, and 225,833 (32.30%) reside in upper-income geographies. The 2000 census median family income was \$90,605 and the adjusted HUD median family income was \$105,300.

The total number of housing units within the AA is 271,195, of which 65% is owner-occupied, 31% is rentals, and 4% is vacant. Approximately 23% of all owner-occupied housing within the AA is located within low-income geographies, while 47% of owner-occupied housing is within moderate-income geographies. The median housing value was \$312,003 compared to a state median value of \$166,900 and a national average of \$119,600.

PNB faces substantial competition in this AA. The Connecticut/New York metropolitan areas include some of the world's largest banks as well as local mortgage bankers and brokers. Based on the FDIC's June 2011 deposit market share report, PNB's primary competitors in this AA include Peoples United Bank (18% market share, 65 offices), Wells Fargo (14% market share, 34 offices), Bank of America (12% market share, 54 offices), and JPMorgan Chase (12% market share, 46 offices). PNB ranked 15th among 32 banks and its deposit market share is less than 2%. The 2009 mortgage origination market share report indicates that PNB plays a small role as a mortgage originator in its local market. The bank ranked 111th out of 386 mortgage originators in its market, serving 0.05% of the market share. The primary players in the area continue to be large institutions such as Citibank (9.31%), Bank of America (9.30%), JP Morgan Chase (8.85%) and Wells Fargo (8.30%).

The local economy has remained sluggish with stagnant labor markets and weak income growth. Fairfield County's real estate market has been flat and is unlikely to experience significant improvement until the pace of national economic growth accelerates. The unemployment rate in the AA as of December 2010 was 7.9% according to Bureau of Labor Statistics Data. This is lower than the state unemployment rate of 8.6% and the national unemployment rate of 9.1%. The AA's largest employers are related to technology and health services, which includes General Electric, United Technology and Aetna Inc.

In assessing PNB's performance within its AA, we contacted two organizations that believe the bank has been responsive to the needs of the community. PNB's level of grant activity was greatly appreciated by the non-profit organizations, especially considering the bank's size. The contacts described Fairfield County as a high-income county with very few pockets of lower-income neighborhoods. Thus, it was noted that it is difficult for low- and moderate-income individuals to find affordable housing in the area. Major needs cited by the community contacts include affordable housing, first-time homebuyer programs, pre- and post-purchase housing counseling, down-payment assistance, rental assistance, low cost loans and grants for non-profits. Bridgeport has additional needs including foreclosure prevention and loan modification assistance as a result of the high level of foreclosures.

The following table outlines basic demographic data for PNB's AA:

| Bridgeport-Stamford-Norwalk, CT Assessment Area | | | | | | |
|--|---------|--------------------|---------------------------------------|-----------------------|----------------------|-----------------------|
| Demographic Characteristics | # | % Low Income Tract | % Moderate Income Tract | % Middle Income Tract | % Upper Income Tract | Unknown Income Tract* |
| Geographies (Census Tracts) | 171 | 15.92 | 21.64 | 30.41 | 32.16 | 0.00 |
| Population by Geography | 699,264 | 12.93 | 23.07 | 31.70 | 32.30 | 0.00 |
| Owner-Occupied Housing by Geography | 175,596 | 4.27 | 18.04 | 38.53 | 39.17 | 0.00 |
| Median Family Income | | 90,605 | Median Housing Value | | \$312,003 | |
| HUD Adjusted Median Family Income | | 105,300 | Unemployment Rate (As of August 2011) | | 8.3% | |
| Households Below Poverty Level | | 7.47 | | | | |

(* This category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2009 HUD updated MFI

Milford AA

PNB designated 12 census tracts in the New Haven-Milford AA. The AA is contiguous, meets the requirements of the regulation, and does not arbitrarily exclude low-or moderate-income areas. Of the 12 census tracts, 5 (41.67%) are designated as middle-income geographies, and 7 (58.33%) are designated as upper-income geographies. PNB operates one full-service branch within the AA that is located in the upper-income geography. This branch offers a traditional array of banking services and products, consistent across all branches.

The overall population of the AA is 52,305 as of the 2000 census. Of this population, 23,442 (44.82%) reside in middle-income geographies, and 28,863 (58.33%) reside in upper-income geographies. The 2000 census median family income was \$72,237 and the Adjusted HUD median family income was \$81,400. The total number of housing units within the AA is 21,962 of which 73.58% is owner-occupied, 21.59% is rentals, and 4.84% is vacant. 41.92% of all owner-occupied housing within the AA is located within middle-income geographies, while the remaining 58.33% of owner-occupied housing is within upper-income geographies. The median housing value was \$165,570 compared to a state median value of \$166,900 and a national average of \$119,600.

PNB faces substantial competition in this AA. The Connecticut/New York metropolitan areas include some of the world's largest banks as well as local mortgage bankers and brokers. Based on the FDIC's June 2011 deposit market share report, PNB's primary competitors in this AA include Webster Bank (27.11% market share, 35 offices), Wells Fargo (14.57% market share, 29 offices), First Niagara Bank (11.41% market share, 30 offices), and Bank of America (10% market share, 29 offices). PNB ranked 22nd among 28 banks and its deposit market share minimal at 0.23%.

Milford is located in a region with a diverse economic base. Residents' income is derived from education and health services organizations, manufacturing, professional

and administrative services, and retail industries. The production of energy is one of the major drivers of Milford's economic growth. The corporate office component of Milford's economy was boosted at the end of calendar 2008, by Hasler Neopost USA, maker of postage meters, which have moved more than 150 jobs to this city from California. All of their senior decision-makers are now based in Milford. Furthermore, Ann Taylor's back office operation added 15,000 sf to its already significant presence.

The following table outlines basic demographic data for PNB's AA:

| Table 2-New Haven-Milford, CT Assessment Area | | | | | | |
|--|--------|--------------------|---------------------------------------|-----------------------|----------------------|-----------------------|
| Demographic Characteristics | # | % Low Income Tract | % Moderate Income Tract | % Middle Income Tract | % Upper Income Tract | Unknown Income Tract* |
| Geographies (Census Tracts) | 12 | 0 | 0 | 41.67 | 58.33 | 0.00 |
| Population by Geography | 52,305 | 0 | 0 | 44.41 | 55.59 | 0.00 |
| Owner-Occupied Housing by Geography | 16,159 | 0 | 0 | 41.92 | 58.08 | 0.00 |
| Median Family Income | | 72,237 | Median Housing Value | | \$165,570 | |
| HUD Adjusted Median Family Income | | 81,400 | Unemployment Rate (As of August 2011) | | 9.5% | |
| Households Below Poverty Level | | 4.26 | | | | |

SCOPE OF EVALUATION IN FAIRFIELD AA

A full scope evaluation was performed for the Fairfield AA, which is part of the Bridgeport-Stamford-Norwalk, CT metropolitan division (MD). The Fairfield AA is PNB's primary deposit and lending market, and as such, more weight was placed on the bank's performance within this AA. The bank's primary loan products in the Fairfield AA are business and home loans. Although the community contact indicated that affordable home loans were a need within the AA, the bank's business strategy in the AA focused on business lending, which was given more weight in the review of the Fairfield AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FAIRFIELD AA

LENDING TEST

PNB's performance under the lending test in the Fairfield AA is "Satisfactory." The distribution of loans to businesses of different sizes and borrowers of different incomes reflects reasonable distribution. The geographic distribution of loans reflects excellent dispersion among geographies of different incomes. More weight was placed on the business lending activities given the bank's strategy to focus more on small business lending within the AA. The number and dollar of business loans originated within the

AA meet or exceed their demographic comparator, and the dispersion of business loans within the AA is excellent.

The community contact identified affordable housing as a need within the AA. Although the bank's distribution of home loans to borrowers of different incomes is poor, income data was not available for nearly half of all home loan borrowers. As a result, less weight was placed on this measurement due to the lack of data. PNB's geographic distribution of home loans reflected excellent dispersion to low and moderate-income geographies, which indicates that the bank originated home loans in areas that would address the needs identified by the community contact.

Lending to Businesses of Different Sizes and Borrowers of Different Incomes within Fairfield AA

The distribution of loans to businesses of different sizes and borrowers of different incomes reflects reasonable penetration compared to the local demographic data and the bank's lending capacity in the Fairfield AA.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. PNB originated 80% of the business loans within this AA to small businesses compared to demographic data that shows approximately 81% of the businesses within the Fairfield AA are small businesses. The bank's performance is considered excellent considering the significant dollar amount of loans extended to businesses with revenues less than \$1 million and the highly competitive local market for business loans.

The following table details the representative sample results of PNB's lending to businesses of different sizes compared to demographic data.

| Table 3 - Borrower Distribution of Loans to Businesses/Farms in Fairfield AA | | | | |
|---|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 80.6% | 5.1% | 14.3% | 100% |
| % of Bank Loans in AA by # | 80.0% | 20.0% | 0% | 100% |
| % of Bank Loans in AA by \$ | 98.2% | 1.8% | 0% | 100% |

Source: 2008-2011 Business Loan Sample; Dun and Bradstreet data.

Home Loans

The distribution of loans to borrowers of different incomes reflects poor penetration among borrowers of different incomes. The bank originated 2.4% of home loan originations to low-income borrowers and 3.5% to moderate-income borrowers in the AA compared to demographic data of 11.3% and 21.4% respectively. This performance is considered poor given that housing for low and moderate income individuals was identified as a need in the AA; however, the bank's home loan product offerings are large, non-conforming mortgages and home equity lines of credit. Additionally, less

weight was placed on this measurement given that the bank did not collect income information for approximately 48% of home loans originated in the AA, as these loans were purchased from another institution or originated to LLCs to purchase residential properties for investment purposes.

The following table details PNB's lending to borrowers of different incomes compared to demographic data.

| Table 4 - Borrower Distribution of Residential Real Estate Loans in Fairfield AA | | | | | | | | |
|---|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 | 11.3% | 2.4% | 21.4% | 3.5% | 33.0% | 4.7% | 34.4% | 41.2% |

Source: 2008-2011 HMDA Data; U.S. Census data.

Geographic Distribution of Loans within Fairfield AA

The distribution of business loans reflects excellent dispersion among census tracts of different income levels throughout the Fairfield AA.

Business Loans

Based on the representative loan sample, PNB's geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. The percent of loans made in low-income census tracts significantly exceeds the percentage of businesses within these census tracts. Businesses in the low-income census tracts account for approximately 0.7% but account for 25% of the bank's business loan originations within the AA. The bank originated 5% of loans in moderate-income census tracts; however this is reasonable given the bank's significant volume of originations in low-income census tracts.

The following table details the representative sample results of PNB's geographic distribution of business loans compared to demographic data.

| Table 5 - Geographic Distribution of Loans to Businesses/Farms in Fairfield AA | | | | | | | | |
|---|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| 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 |
| Business | 0.7% | 25.0% | 13.4% | 5.0% | 62.7% | 50.0% | 23.2% | 20.0% |

Source: 2008-2011 Business Loan Sample; U.S. Census data.

Home Loans

PNB’s geographic distribution of home loans reflects excellent dispersion compared to the income level demographic data for owner occupied housing in the AA. The bank originated 21.1% of home loans in low-income census tracts, and 25.9% of home loans were originated in moderate-income census tracts, which far exceeds the percentage of owner-occupied housing in low and moderate-income census tracts.

The following table details the representative sample results of PNB’s geographic distribution of business loans compared to demographic data.

| 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 | 4.3% | 21.1% | 18.0% | 25.9% | 38.5% | 11.8% | 39.2% | 41.2% |

Source: 2008-2011 HMDA Data; U.S. Census data.

COMMUNITY DEVELOPMENT TEST

PNB’s performance under the CD test in the Fairfield AA is rated “Satisfactory.” The bank’s level of CD activity reflects adequate responsiveness to the CD needs of the Fairfield AA. Greater overall weight was placed on PNB’s overall performance in the Fairfield AA as this was identified as the AA where the bank has greatest presence.

PNB’s CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the Fairfield County AA. Community contacts identified Fairfield County as a high-income county with very few pockets of lower-income neighborhoods. Thus, it was noted that it is difficult for low- and moderate-income individuals to find affordable housing in the area. All CD loans, investments, grants, donations and services were targeted to LMI individuals.

Number and Amount of Community Development Loans

The number and amount of CD loans originated by PNB in the Fairfield County AA is satisfactory. During the evaluation period, the bank originated 19 loans that totaled \$15.7 million and qualified as CD loans under the CD definition in the CRA guiding regulation (12 CFR 25). CD loans funds were used to finance affordable housing, support economic development by creating jobs for LMI individuals; and support faith based organizations that provide community services targeted at LMI individuals in the Fairfield County AA. None of these loans were considered innovative or complex in nature.

Number and Amount of Qualified Investments

The number and amount of CD investments is satisfactory. PNB made 19 qualified donations/grants totaling \$69 thousand to organizations that provide community services to low- and moderate-income individuals in this AA since the last examination. These organizations focus on building and renovating affordable housing, professional consumer credit education to low- and moderate-income individuals and providing financial and technical support to small businesses throughout the Fairfield County AA.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, six bank employees provided support and services to nine different CD organizations. CD services provided by PNB employees in positions of leadership include: Housing Development Fund of Fairfield County, Norwalk Senior Center, Workplace Inc., Mutual Housing Association of Southwestern CT, The Carver Foundation, New Neighborhoods, Human Services Council, Martin Luther King Housing, and Action Housing of Norwalk. In addition, numerous other employees participate in bank sponsored credit counseling seminars within the local communities.

Responsiveness to Community Development Needs

PNB's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the Fairfield County AA. Fairfield County, CT is one of the highest income counties in the country with very few pockets of low- and moderate-income areas. A prominent need within this AA is affordable housing and first-time homebuyer programs. Of the bank's nineteen CD loans, five were targeted to affordable housing and first-time homebuyer programs. In addition, the remaining loans were used to revitalize and stabilize low- and moderate-income areas and support community programs targeted to low- and moderate-income individuals. The bank's nineteen CD investments support affordable housing and various programs for low- to moderate-income individuals within this AA. The bank's employees also provided support and services to nine different CD organizations in positions of leadership in this AA.

SCOPE OF EVALUATION IN MILFORD AA

A limited scope review was performed for the Milford AA, which is part of the New Haven-Milford, CT MD. PNB's operations in the Milford AA are limited as the bank 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 Fairfield AA.

Milford AA, Limited Scope Lending Test

Based on a limited scope review, PNB's performance on the lending test in the Milford AA is inconsistent with the full scope area's geographic distribution of business and home loans. 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 originating loans to low and moderate-income census tracts. Additionally, the bank

operates only one branch in this AA, which limits their ability to originate loans.

Milford AA, 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, services, and qualified investments.

State Rating

State of New York

CRA Rating for New York: 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 incomes reflect reasonable penetration.
- PNB's geographic distribution of loans reflects excellent dispersion.
- PNB's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the New York AA.
- These ratings reflect PNB's performance primarily in the New York AA.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

PNB has one AA for this state, which is the New York AA. This AA encompasses all of Westchester County, NY and Manhattan, NY. The New York AA is part of the New York-White Plains-Wayne, NY,NJ Multistate Metropolitan Assessment Area (MMSA). The bank's operations are confined to the state of New York, which is the state that we assessed PNB's operations and performance.

NEW YORK AA

PNB designated 517 census tracts in New York and Westchester Counties as an AA. The AA meets the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income areas. Of the 517 census tracts, 64 (12.38%) are designated as low-income geographies, 80 (15.47%) are designated as moderate-income geographies, 63 (12.19%) are designated as middle-income geographies, and 297 (57.45%) are designated as upper-income geographies.

PNB operates three full-service branches within the AA. Two branches are located in the upper-income geography and one branch is located in a middle-income geography. All branches offer a traditional array of banking services and products, consistent across all branches. The Westchester County branches have extended hours on Thursday and Friday and all branches are open on Saturday.

The overall population of the AA is 2,460,654 as of the 2000 census. Of this population, 304,119 (12.36%) reside in low-income geographies, 455,913 (18.53%) reside in moderate-income geographies, 280,205 (11.39%) reside in middle-income geographies, and 1,418,932 (57.66%) reside in upper-income geographies. The 2000 census median family income was \$79,307 and the Adjusted HUD median family income was \$67,400.

The total number of housing units within the AA is 1,147,589, of which 31% is owner-occupied, 63% is rentals, and 6% is vacant. Approximately 1% of all owner-occupied housing within the AA is located within low-income geographies, while 5% of owner-occupied housing is within moderate-income geographies. The median housing value was \$327,035 compared to a state median value of \$148,700 and a national average of \$119,600.

PNB faces substantial competition in this AA. The New York metropolitan areas include some of the world's largest banks as well as local mortgage bankers and brokers. Based on the FDIC's June 2010 deposit market share report, PNB's primary competitors in this AA include JPMorgan Chase (45% market share, 273 offices), Bank of America (8% market share, 92 offices), Citibank NA (8% market share, 100 offices), and HSBC (6% market share, 80 offices). PNB ranked 79th among 111 banks and its deposit market share is less than 1%. At the same time, the 2009 mortgage origination market share report indicates that PNB plays a small role as a mortgage originator in its local market. PNB took the 176th place out of 377 mortgage originators in its market, serving 0.02% of the market share. PNB's biggest competitors in the area continue to be large institutions such as JP Morgan Chase (16.09%), Wells Fargo (15.48%), Citibank (11.07%) and Bank of America (8.09%).

Westchester County's economy continues to accelerate. Strong leasing activity through year-end 2010 drove stability and improvement within the Westchester County market. The overall vacancy rate also declined. New York County's economy also continues to accelerate. According to the New York City 2011 Annual Report provided by Marcus and Millichap Real Estate Investment Services, expanding employment and continuing rebound in retail spending will drive improvements in retail vacancy and rents. Currently, vacancy rates are at their lowest level in two years. The unemployment rate in the AA as of December 2010 was 7% according to Bureau of Labor Statistics Data. This is lower than the state unemployment rate of 8% and the national unemployment rate of 9.1%. The AA's largest employers are related to education and health services and professional and business services. Some of the largest employers include New York-Presbyterian Healthcare System, Citigroup, and JPMorgan Chase.

In assessing the PNB's performance within this AA, we contacted a non-profit organization that provides affordable housing and social services to low- and moderate-income individuals in Westchester County, NY. The representative for this organization indicated that there is ample opportunity for local financial institutions to help low-and moderate-income individuals acquire affordable housing in Westchester County, NY. Banks can do this directly by providing loans to non-profit organizations that acquired affordable housing properties for low- moderate-income people. Banks can also provide indirect assistance by making loans to non-profit financial intermediaries that make affordable housing loans to other non-profits.

The following table outlines basic demographic data for PNB's AA:

| Table 7- New York, NY Assessment Area | | | | | | |
|--|-----------|--------------------|---------------------------------------|-----------------------|----------------------|-----------------------|
| Demographic Characteristics | # | % Low Income Tract | % Moderate Income Tract | % Middle Income Tract | % Upper Income Tract | Unknown Income Tract* |
| Geographies (Census Tracts) | 517 | 12.38 | 15.47 | 12.19 | 57.45 | 2.51 |
| Population by Geography | 2,460,654 | 12.36 | 18.53 | 11.39 | 57.66 | 0.06 |
| Owner-Occupied Housing by Geography | 351,460 | 1.25 | 5.02 | 7.95 | 85.78 | 0.00 |
| Median Family Income | | 79,307 | Median Housing Value | | 327,035 | |
| HUD Adjusted Median Family Income | | 67,400 | Unemployment Rate (As of August 2011) | | 8.3% | |
| Households Below Poverty Level | | 14.08 | | | | |

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

Source: 2000 US Census and 2009 HUD updated MFI

SCOPE OF EVALUATION IN NEW YORK AA

A full scope evaluation was performed for the New York AA. Although the New York AA is the PNB's secondary deposit and lending market, weight is placed on the bank's performance in this AA due to the volume and nature of operations within the AA. PNB's primary loan products in the New York AA are home and business loans. The community contact indicated that affordable housing loans were needed within the AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK AA

LENDING TEST

PNB's performance under the lending test in the New York AA is "Satisfactory." The distribution of loans to businesses of different sizes and borrowers of different incomes reflects reasonable distribution. The geographic distribution of loans reflects reasonable dispersion among geographies of different incomes. More weight was placed on the bank's home loan originations due to the large volume of originations within the AA compared to business loans. PNB's lending to borrowers of different incomes is reasonable given the high cost of housing in the area and based on information in this report, that a very small percentage of low and moderate-income individuals own homes in the AA. The geographic distribution of home loans is also reasonable compared to the demographic information for the AA. This performance is reasonable given the identified need for home loans in the AA, and the competitive banking environment in the AA. Additionally, PNB operates three branches within the AA, which is not a large enough branch infrastructure to service the entire AA.

PNB's lending to businesses of different sizes and geographic distribution of business loans is excellent. Although this received less weight than home loans due to the higher volume of originations and the bank's focus on home loans within the AA, the excellent performance was weighted in the overall assessment of the lending test.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes within New York AA

The distribution of loans to businesses of different sizes and borrowers of different incomes reflects reasonable penetration compared to the local demographic data and PNB's lending capacity in the New York AA. More weight was placed on home loans in the New York AA based on the larger volume of home loan originations in the AA, and the identified need for home loans in the AA based on the community contact.

Home Loans

The distribution of loans to borrowers of different incomes reflects reasonable penetration among borrowers of different incomes. Although the PNB did not originate any home loans to low-income borrowers in the AA and originated 3.5% compared to the 18.5% demographic comparator for moderate-income borrowers, several performance context issues were considered. PNB's performance is considered reasonable due to the high cost of housing units in the area, which results in a high number of low and moderate-income individuals renting rather than owning their home. This is illustrated by table 10 in the geographic distribution section of the lending test. Also, PNB received only one home loan request from a moderate-income borrower in the AA during the evaluation period, which was originated.

The following table details PNB's lending to borrowers of different incomes compared to demographic data.

| Table 8 - Borrower Distribution of Residential Real Estate Loans in New York AA | | | | | | | | |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| 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 | 12.4% | 0% | 18.5% | 3.2% | 11.4% | 3.2% | 57.7% | 93.6% |

Source: 2008-2011 HMDA Data; U.S. Census data.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. PNB originated 100% of the business loans within this AA to small businesses compared to demographic data that shows approximately 81% of the businesses within the New York AA are small businesses. PNB's performance is considered excellent considering the significant dollar amount of loans extended to businesses with revenues less than \$1 million and the highly competitive local market

for business loans.

The following table details the representative sample results of PNB's lending to businesses of different sizes compared to demographic data.

| Table 9 - Borrower Distribution of Loans to Businesses/Farms in New York AA | | | | |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 80.6% | 5.1% | 14.3% | 100% |
| % of Bank Loans in AA by # | 100% | 0% | 0% | 100% |
| % of Bank Loans in AA by \$ | 100% | 0% | 0% | 100% |

Source: 2008-2011 Business Loan Sample; Dun and Bradstreet data.

Geographic Distribution of Loans within New York AA

The distribution of business loans reflects reasonable dispersion among census tracts of different income levels throughout the New York AA. More weight was placed on home loans in the New York AA based on the larger volume of home loan originations in the AA, and the identified need for home loans in the AA based on the community contact.

Home Loans

PNB's geographic distribution of home loans reflects reasonable dispersion compared to the income level demographic data for owner occupied housing in the AA. PNB originated no home loans in low-income census tracts, and 6.5% of home loans were originated in moderate-income census tracts, which are comparable to the 1.3% and 5.0% demographic data, respectively. PNB's performance is also reasonable considering the competition for home loan originations in the AA.

The following table details the representative sample results of PNB's geographic distribution of business loans compared to demographic data.

| Table 10 - Geographic Distribution of Residential Real Estate Loans in New York AA | | | | | | | | |
|---|---|----------------------------|---|----------------------------|---|----------------------------|---|----------------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| Loan type | % of AA Owner Occupied Housing | % of Number of Loans |
| Home | 1.3% | 0% | 5.0% | 6.5% | 8.0% | 6.5% | 85.8% | 87.1% |

Source: 2008-2011 HMDA Data; U.S. Census data.

Business Loans

Based on the representative loan sample, PNB's geographic distribution of business loans reflects excellent dispersion throughout the census tracts of different income levels. The percent of loans made in low-income census tracts significantly exceeds the

percentage of businesses within these census tracts. Businesses in the low-income census tracts account for approximately 0.7% but account for 25% of the bank’s business loan originations within the AA. PNB originated 5% of loans in moderate-income census tracts; however this is reasonable given the bank’s significant volume of originations in low-income census tracts.

The following table details the representative sample results of PNB’s geographic distribution of business loans compared to demographic data.

| Table 11 - Geographic Distribution of Loans to Businesses/Farms in New York AA | | | | | | | | |
|---|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Census Tract Income Level | Low | | Moderate | | Middle | | Upper | |
| 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 |
| Business | 0.7% | 25.0% | 13.4% | 5.0% | 62.7% | 50.0% | 23.2% | 20.0% |

Source: 2008-2011 Business Loan Sample; U.S. Census data.

COMMUNITY DEVELOPMENT TEST

PNB’s performance under the CD test in the New York AA is rated “Satisfactory.” The bank’s level of CD activity reflects adequate responsiveness to the CD needs of the New York AA given the bank’s capacity and CD opportunities within this AA. PNB has three full branches within this AA, none of which are located in low- and moderate-income census tracts. The bank has not greatly assisted in meeting the community needs identified by the community contact. However, this is considered reasonable given the bank’s capacity, limited branch distribution network, and its relative minor role within the communities in the New York AA.

Number and Amount of Community Development Loans

The number and amount of CD Loans originated by PNB in the New York-Westchester AA are “Satisfactory.” During the evaluation period, the bank originated four CD loans that totaled \$670,859. CD loan funds were used to finance affordable housing; support economic development by creating jobs for LMI individuals and support faith based organizations that provide community services targeted at LMI individuals in the New York AA. None of these loans were considered innovative or complex in nature.

Number and Amount of Qualified Investments

The number and amount of CD investments is satisfactory. PNB made 6 qualified grants totaling \$4,500. These grants were to local community organizations for various CD initiatives throughout the New York AA. This performance is reasonable given the bank’s financial condition since 2008, as the bank’s financial performance limited the resources available to make more significant qualified investments.

Extent to Which the Bank Provides Community Development Services

During the evaluation period, four employees provided support and services to or through five organizations. CD services are provided by PNB employees in position of leadership in organizations with a CD focus. These organizations are Helen Keller Services for the Blind, Columbus Citizens Foundation, Community Development Trust Mortgage Investors, Housing Development Fund and Westhab Community Development.

Responsiveness to Community Development Needs

PNB's CD activities, as a whole, demonstrate adequate responsiveness to the CD needs and opportunities in the New York-Westchester AA given the bank's capacity and role within the communities in this AA. The bank maintains three full service branches in this AA, none of which are located in low- moderate-income census tracks. PNB has not greatly assisted in meeting many of the community needs identified by the community contacts. However, this is considered reasonable given the bank's capacity, limited branch distribution network, and its relative minor role within the communities in the AA.

PNB originated \$671 thousand CD loans within this AA. These loans assisted in promoting economic development by providing affordable housing for LMI individuals. The bank provided \$4.5 thousand in grants and donations to various community organizations that used these funds for developing affordable housing, creating job opportunities and providing additional CD services targeted at LMI individuals. The bank's employees also provided support and services to five different CD organizations in positions of leadership in this AA.

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”).

| | | |
|---|---|--------------------------|
| Time Period Reviewed | Lending Test: 01/01/2008 to 10/3/2011 Community Development Test: 09/30/2007 to 10/3/2011 | |
| Financial Institution | Products Reviewed | |
| Patriot National Bank (PNB) Stamford, CT | Home Purchase Loans Home Refinance Loans Business Loans Community Development Loans Community Development Investments Community Development Services | |
| List of Assessment Areas and Type of Examination | | |
| Assessment Area | Type of Exam | Other Information |
| State of Connecticut Fairfield AA Milford AA | Full Scope Limited Scope | |
| State of New York New York AA | Full Scope | |

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

| Overall Bank: | Lending Test Rating | Community Development Test Rating | Overall Bank/State/Multistate Rating |
|-----------------------|---------------------|-----------------------------------|--------------------------------------|
| Patriot National Bank | Satisfactory | Satisfactory | Satisfactory |
| State of Connecticut | Satisfactory | Satisfactory | Satisfactory |
| State of New York | Satisfactory | Satisfactory | Satisfactory |