



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

September 6, 2007

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Patriot National Bank  
Charter Number: 22545

900 Bedford Street  
Stamford, Connecticut 06901

Office of the Comptroller of the Currency

New York Metro Field Office  
343 Thornall Street, Suite 610  
Edison, New Jersey 08837

**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.**

The major factors supporting this overall rating include:

- Patriot National Bank's quarterly average loan to deposit ratio of 83% over the evaluation period is reasonable.
- The bank made a majority of its loans within its assessment area.
- The distribution of loans to businesses of different sizes and borrowers of different income levels reflects reasonable penetration.
- The geographic distribution of loans reflects reasonable dispersion among census tracks in the assessment area, including low- and moderate-income census tracks.
- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area.

## **SCOPE OF EXAMINATION**

Performance for Patriot National Bank ("Patriot") was assessed under the Lending Test and Community Development Test. The evaluation period for the Lending Test covered Patriot's performance from January 1, 2005 through December 31, 2006. In evaluating performance under the Lending Test, three primary product lines were identified by portfolio distribution and activity, and included in our assessment. Primary product lines include speculative construction lending, commercial mortgage, and home mortgage. For speculative construction lending and commercial mortgage lending, we selected a random sample of 20 loans for each of the two product lines to collect our data. Loan data reported under the Home Mortgage Disclosure Act ("HMDA") was used in our review of home mortgage activity. To evaluate performance under the Community Development Test, we reviewed community development loans, qualified investments and donations, and services. The evaluation period for the Community Development Test was January 1, 2004 through December 31, 2006. This three-year timeframe ranges the full period following the previous CRA examination evaluation period.

A data integrity review of HMDA Loan Application Register (LAR) information and Community Development data was conducted prior to the onsite examination. Data was accurate and reliable for use in this examination.

## **DESCRIPTION OF INSTITUTION**

Patriot National Bank is a \$646 million institution headquartered in Stamford, Fairfield County, Connecticut. The bank is owned by Patriot National Bancorp, Inc., a one bank holding company also located in Stamford, CT. At this time, Patriot National Bank has no subsidiary organizations. The bank's main office is located at 900 Bedford Street, Stamford, CT, with

business conducted through a network of fourteen commercial branches and two loan production offices. Patriot also maintains 24-hour automatic teller machines (“ATMs”) located only at its branch locations. A total of seven of the bank’s fourteen branches have opened since the previous CRA examination performed in May 2004. In addition, branches in Scarsdale, NY and Westport, CT opened in late 2007. Patriot has also received approval for future branch locations in Bridgeport, CT and Stratford, CT, which are anticipated to open in 2008. Aggressive growth initiatives and extending the branch network remain principle components of the bank’s business strategy.

Patriot is a full service bank offering a broad range of consumer and commercial banking services, with an emphasis on serving the needs of individuals, small and medium-sized businesses, and professionals. Consumer and commercial deposit account offerings include: checking accounts, interest-bearing “NOW” accounts, insured money market accounts, time certificates of deposit, savings accounts, individual retirement accounts (IRA), and health savings accounts (HSA). Other services include money orders, traveler’s checks, ATMs, internet banking and debit cards. Lending platforms include real estate loans made to individuals for home purchase, home improvement, bridge loans, and home equity lines of credit. Other consumer loans include lines of credit, installment loans, and credit cards. Commercial loans offered to small and medium-sized businesses include secured and unsecured loans to service companies, real estate developers, manufacturers, restaurants, wholesalers, retailers, and professionals doing business in the region. Patriot also maintains agreements with 17 other banks, for which Patriot facilitates residential mortgage originations for loans that do not meet their underwriting or strategic objectives. However, given these loans are not funded or administered by Patriot this activity was excluded from our evaluation.

As of the evaluation date, operations are centered in Fairfield County, which is also known as the Bridgeport-Stamford-Norwalk, CT metropolitan statistical area (MSA) #14860. The most recent FDIC Deposit Market Share Report for the Bridgeport-Stamford-Norwalk MSA dated, June 30, 2006, reflects Patriot’s deposit market share at 2.02%, or 11<sup>th</sup> highest of 30 institutions serving the MSA. As of December 31, 2006, Patriot had deposits of \$563 million and net tier one capital of \$70 million.

As of December 31, 2006, net loans represent 79% of the bank’s total assets. Based on the loan portfolio mix and lending activity within the evaluation period, we consider speculative construction, home mortgages (1-4 Family), and commercial mortgages Patriot’s primary loan products. The following chart reflects the distribution of the bank’s loan portfolio.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Construction (Speculative)	195,194	38.1
Home Mortgages (1-4 Family)	122,588	23.9
Commercial Mortgages	109,235	21.3
Home Equity Loans	31,347	6.1
Construction (Borrower Occupied)	21,883	4.3
Multi-Family Residential	19,086	3.7
Commercial and Industrial	12,120	2.4
Other	1,256	0.2
<b>Total</b>	<b>511,453</b>	<b>100.0</b>

Patriot is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its assessment area. The most recent CRA examination of the bank was conducted by the OCC in May 2004. At that evaluation, the bank received a rating of "Satisfactory".

## **DESCRIPTION OF FAIRFIELD COUNTY ASSESMENT AREA (AA)**

Patriot defines all of Fairfield County, Connecticut as its AA. Fairfield County is located in the southwestern corner of the state and given its close proximity to New York City is a highly competitive financial market. This AA consists of 209 census tracts. Within the geography, 27 tracks or 13% are low-income; 43 tracks or 21% are moderate-income; 68 tracks or 32% are middle-income; and 71 tracks or 34% are in upper-income tracks. There are no tracks listed as "unknown" by the US Census Bureau.

According to the 2000 U.S. Census Data, total population within the Fairfield AA is 882,567. The weighted average price of median housing is \$297,989. The updated 2006 median family income provided by the Department of Housing and Urban Development for the Bridgeport-Stamford-Norwalk MSA is \$95,900. The 2006 unemployment rate for Connecticut is 4.3%, which is slightly below the national unemployment rate of 4.6%.

Major employers in the state of Connecticut include United Technology, The Stop & Shop Cos. Inc., The Hartford Financial Services Group Inc., Yale University, Foxwoods Resort Casino, Mohegan Sun Casino, U.S. Naval Submarine Base, Wal-Mart Stores, Inc., General Dynamics Electric Boat, and AT&T Corporation. Top industry sectors are Education & Health Services (17%), Government (15%), Professional & Business Services (12%), Manufacturing (12%), and Retail Trade (11%).

*Note: In November 2006, Patriot acquired a branch located at 45 West End Avenue from another financial institution that initiated the bank's entrance into the state of New York and the New York County AA. However, given less than a two-month timeframe would not provide meaningful activity to measure performance, we excluded the NY County AA from our evaluation.*

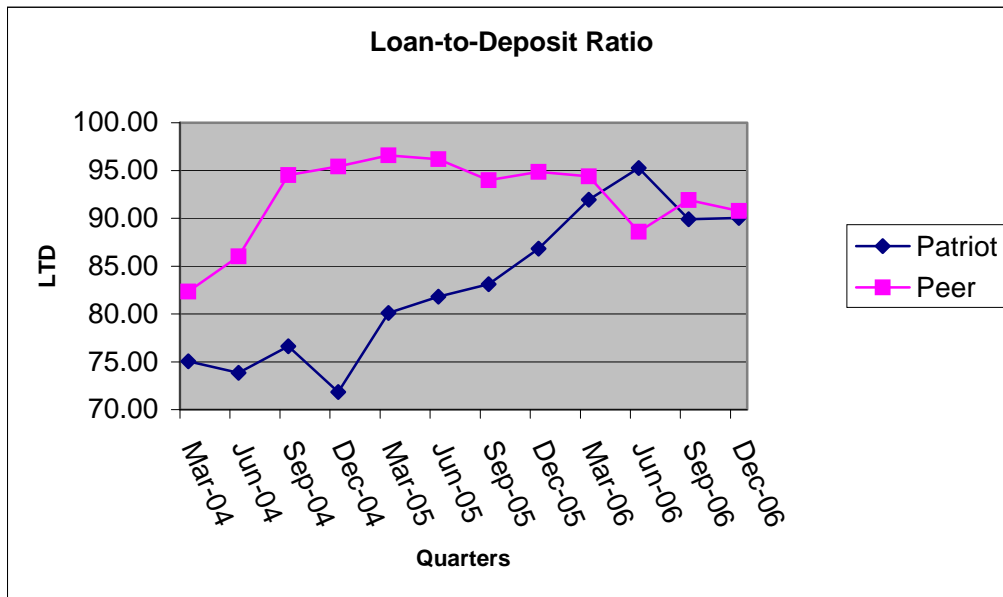
### **Community Contact**

During this examination we held a discussion with a local housing organization that assists low- and moderate-income individuals to obtain affordable housing. The organization was used to help us determine the community development needs within the bank's AA. The Fairfield County area of southwestern Connecticut is one of the costliest real estate markets in the country, and has one of the largest affordability gaps. At the same time, low- and moderate-income and minority communities are essentially "landlocked" and can not expand because they are surrounded by affluent areas. The greatest credit needs are in financing to build or redevelop affordable housing and mortgage lending for low- and moderate-income individuals. Predatory lending is an issue for low- and moderate-income, minority, and elderly individuals, primarily among unlicensed mortgage brokers.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### Loan-to-Deposit Ratio

*Patriot National Bank's loan-to-deposit ratio meets the standard for satisfactory performance given the bank's size, financial condition, and credit needs in the AA.* For the 12-quarters since the previous CRA examination, Patriot's average quarterly loan-to-deposit ratio was 83%. Performance compares reasonably to the 92% average of thirteen similarly situated banks. We also note improved absolute performance and comparative peer performance through the evaluation period, as illustrated in the following chart. Patriot's performance ranged from a low of 72% at December 31, 2004 to a high of 95% at June 30, 2006.



### Lending in Assessment Area

*Patriot National Bank meets the standard for satisfactory performance for lending within the assessment area.* We reviewed the distribution of loan originations within the bank's primary loan categories beginning January 1, 2005 to December 31, 2006. According to our sample, we concluded that 64% by number and 87% by dollar volume of loans and commitments were within the bank's AA.

<b>Lending in Fairfield County, CT AA</b> (dollar amounts in thousands)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside AA		Outside AA		Total	Inside AA		Outside AA		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgages	56	59%	39	41%	95	\$98,780	88%	\$13,176	12%	\$111,956
Construction	17	85%	3	15%	20	\$44,183	85%	\$8,060	15%	\$52,243
Commercial Mortgages	13	65%	7	35%	20	\$13,810	86%	\$2,260	14%	\$16,070
<b>Total</b>	86	64%	49	36%	135	\$156,773	87%	\$23,496	13%	\$180,269

Source: Home Mortgage data obtained from HMDA Loan Application Registers for 2005 and 2006. Construction and Commercial Mortgages data obtained from loan sample.

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

*Patriot National Bank’s lending to businesses of different sizes and borrowers of different income levels is overall satisfactory.* Lending to businesses of different sizes exhibits reasonable penetration. However, lending to borrowers of different income levels is poor, as penetration among low- and moderate-income families is significantly lower than the AA comparative percentage level. Given Patriot’s strategic focus and high volume of commercial lending activity over the evaluation period, greater weight was given toward lending to businesses of different sizes in arriving at the overall satisfactory performance rating. It should be noted that construction lending was excluded from our evaluation of borrower distribution due to lack of meaningful income information obtained in our sample.

Patriot National Bank meets the standard for satisfactory performance for lending to businesses of different sizes in the AA. From our sample of 20 commercial mortgages, we found that a substantial majority of the number of loans made and the dollar amount of loans made are to small businesses (e.g., businesses with annual revenue less than \$1 million). The proportion of loans made to businesses of different sizes compares reasonably to the distribution of businesses in the AA.

<b>Borrower Distribution of Commercial Mortgages to Businesses in Fairfield County, CT AA</b>			
Business Revenues (or Sales)	≤1,000,000	>\$1,000,000	Total
% of AA Businesses (non reporting entities excluded)	91%	9%	100%
% of Patriot’s Loans in AA by #	80%	20%	100%
% of Patriot’s Loans in AA by \$	75%	25%	100%

Source: 2007 Business Geodemographic data, and loan sample.

Performance for lending to borrowers of different income levels is poor. Data was compiled using 49 HMDA reportable home mortgages where borrower income was available. The proportion of loans made to low-income borrowers was 28% of the AA comparative level (ratio of “% of Number of Loans” to “% of AA” in chart below), and loans made to moderate-income borrowers was 35% of the AA comparative level. Such performance reflects poor penetration to both low- and moderate-income borrowers. Conversely, a substantial majority of home mortgages were made to upper income borrowers at a proportion nearly double the comparative level of the AA. Justifiable mitigating factors for such penetration variances can be attributed to the high cost of real estate and wide affordability gaps in the AA. Demographic data illustrates limited home ownership opportunity for low-income borrowers given a median family income of less than \$47,950 compared to the weighted average cost of median housing of \$297,989. Further, 6.93% of the population is below the poverty level, accounting for nearly one-third of the low-income borrowers. However, the median family income of \$76,720 for moderate-income families provides more reasonable income levels relative to median housing costs. In light of these factors, we gave more weight to moderate-income borrower penetration, in which performance was also significantly below AA levels as detailed in the following table. We also note limited distribution channels to low-and moderate-income individuals as another reasonable cause in performance given only one of the bank’s thirteen commercial branches within the AA is located in a low- or moderate-income census track.

Borrower Distribution of Residential Real Estate Loans in Fairfield County, CT AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans	% of AA	% of Number of Loans
Home Mortgages	21.6%	6.1%	17.3%	6.1%	19.6%	8.5%	41.6%	79.6%

Source: 2000 US Census data, and Home Mortgage data obtained from HMDA Loan Application Registers for 2005 and 2006.

### Geographic Distribution of Loans

***The geographic distribution of loans meets the standard for satisfactory performance.*** The overall distribution of home mortgage loans and construction loans is reasonable. For HMDA reportable home mortgages, Patriot’s loan originations exceed the level of owner occupied housing in low-income census tracks and is near the ratio for moderate-income census tracks. However, as illustrated in the following table, the bank’s construction loans show very poor dispersion in low-and moderate-income geographies. Of the 20 construction loans we sampled, no lending activity was originated in either low- or moderate-income geographies, despite an AA distribution of 20% on aggregate.

Geographic Distribution of Residential Real Estate Mortgage and Construction Loans in Fairfield County, CT AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Owner Occupied Units in AA	% of Number of Loans	% Owner Occupied Units in AA	% of Number of Loans	% Owner Occupied Units in AA	% of Number of Loans	% Owner Occupied Units in AA	% of Number of Loans
Home Mortgages	3.34%	7.14%	16.53%	12.50%	39.53%	8.93%	40.60%	71.43%
Construction		0.00%		0.00%		30.00%		70.00%

Source: 2000 US Census data. Home Mortgage data obtained from HMDA Loan Application Registers for 2005 and 2006. Construction data obtained from loan sample.

The distribution of commercial mortgages to businesses is reasonable. Based on the sample of 20 commercial mortgages to businesses, geographic distribution exceeds the level in low-income and is below but near the level of moderate-income census tracks. In aggregate, 40% of loans were made to businesses in low-moderate income tracks, comparing favorably to the aggregate low-moderate level of the AA of 28%.

Geographic Distribution of Commercial Mortgages to Businesses in Fairfield County, CT AA								
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
Commercial Real Estate	8.53%	25.00%	19.31%	15.00%	34.05%	30.00%	38.10%	30.00%

Source: 2007 Business Geodemographic data, and loan sample.

**Responses to Complaints**

There were no complaints regarding the bank’s CRA performance during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

*Patriot National Bank’s level of community development loans, services, and investments meets the standard for satisfactory performance.* Patriot’s community development (“CD”) performance demonstrates adequate responsiveness to the CD needs of its designated AA given the bank’s capacity and the need and availability of CD opportunities in the bank’s AA. The commercial branch network within the Fairfield County AA as of the evaluation date totals thirteen. Of which seven branches are in upper income tracks, five are in middle income tracks, and one is in a low income track.



### **Community Development Loans**

Patriot's level of CD lending is good when considering the opportunities available within the bank's assessment area. Patriot originated or renewed four CD loans during the evaluation period totaling \$10.7 million, representative of 15% of the bank's tier one capital. The CD loan proceeds were used to finance affordable housing and support community services targeted to low- and moderate-income individuals in the bank's AA. The loans reviewed comply with the CD definition and were responsive to the needs of the local community.

### **Qualified Investments and Donations**

During 2005 and 2006, Patriot made twenty contributions totaling \$64 thousand. These were spread amongst sixteen local community organizations or funds that provide community development services benefiting low- and moderate-income individuals or other CD initiatives within the AA. Contribution levels represent 0.88% of the combined \$7.3 million per-tax operating income earned in 2005 and 2006.

### **Community Development Services**

The level of CD services provided by the bank in the AA is good. During the evaluation period, six bank employees held positions of leadership in organizations qualifying under the definition of CD services; three employees held positions in more than one organization. In total, seven different qualifying organizations that provide affordable housing assistance or community services to low- and moderate-income individuals within the AA are being served by employees. In addition, numerous other employees participate in bank sponsored credit counseling seminars within the local communities.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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