

PATRIOT NATIONAL BANCORP INC
Form S-1
August 22, 2006

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As filed with the Securities and Exchange Commission on August 22, 2006

Registration No. 333-

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, DC 20549

Form S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Patriot National Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Connecticut
*(State or other jurisdiction
of incorporation or organization)*

6021
*(Primary Standard Industrial
Classification Code Number)*
900 Bedford Street
Stamford, Connecticut 06901
(203) 324-7500

06-1559137
*(I.R.S. Employer
Identification Number)*

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Charles F. Howell
President

Robert F. O'Connell
*Senior Executive Vice President and
Chief Financial Officer*

Patriot National Bancorp, Inc.
900 Bedford Street
Stamford, Connecticut 06901
(203) 324-7500

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public:

As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

| Title of Securities to be Registered | Amount to be Registered | Proposed Maximum Offering Price Per Security(1)(2) | Proposed Maximum Aggregate Offering Price(1)(2) | Amount of Registration Fee |
|--|-------------------------|--|---|----------------------------|
| Common Stock, \$2.00 par value per share | 1,265,000 shares | \$28.50 | \$36,052,500 | \$3,858 |

(1) Estimated solely for the purpose of determining the registration fee and calculated pursuant to Rule 457(c) of the Securities Act. Based upon the average of the high and low sale prices of the registrant's common stock on August 21, 2006 as reported by the Nasdaq Capital Market.

(2) Includes a total of 165,000 shares that the underwriter has the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion dated August 22, 2006

PRELIMINARY PROSPECTUS

**1,100,000 Shares
Common Stock**

PATRIOT NATIONAL BANCORP, INC.

We are offering shares of our common stock. Our common stock is listed on the NASDAQ Capital Market under the symbol "PNBK" and we have applied to have our common stock listed on the NASDAQ Global Market under the same symbol. Due in part to our common stock being thinly traded on the NASDAQ Capital Market, the last reported sale price of our common stock, which was \$28.50 per share on August 21, 2006, may not accurately reflect its value in a more liquid and efficient market. By comparison, the weighted average closing sale price for our common stock from September 21, 2005, the closing date of our 2005 Rights Offering, to August 21, 2006 was \$22.62. The public offering price of our common stock to be sold in this offering may, therefore, be less than the last reported sale price on the NASDAQ Capital Market. No determination has yet been made as to the price of the shares to be sold in this offering. The public offering price of our common stock to be sold in this offering will be determined based on negotiations with our underwriter.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 8.

| | Per Share | Total |
|--|------------------|--------------|
| Price to public | \$ | \$ |
| Underwriting discount(1) | \$ | \$ |
| Proceeds, before expenses, to Patriot National Bancorp, Inc. | \$ | \$ |

(1) Certain of our executive officers and directors and an advisor to our chairman have indicated an intention to purchase at least \$3 million of the shares to be sold in this offering at the public offering price. The underwriting discount for shares sold to our executive officers, directors and employees and advisors to our chairman will be 2% of the aggregate purchase price, up to an aggregate of \$10 million, while the underwriting discount for all other shares sold in this offering will be 6% of the aggregate purchase price.

We have granted the underwriter a 30-day option to purchase up to 165,000 additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

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The underwriter expects to deliver the shares to purchasers against payment in New York, New York on or about _____, 2006, subject to customary closing conditions.

Sandler O'Neill + Partners, L.P.

The date of this prospectus is _____, 2006.

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As a prospective investor, you should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized anyone to provide prospective investors with information different from that contained in this prospectus. If anyone provides you with additional, different or inconsistent information, you should not rely on it. This prospectus is not an offer to sell nor is it seeking an offer to buy these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information included in this prospectus is accurate as of any date other than the date of this prospectus. Our business, financial condition, results of operations, cash flows and/or future prospects may have changed since that date.

In this prospectus we rely on and refer to information and statistics regarding the banking industry, Fairfield County, Connecticut, Westchester County, New York and the greater New York City metropolitan area. We obtained this market data from independent publications or other publicly available information. Although we believe these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

Prospectus Summary

This summary highlights only some of the information contained in this prospectus and does not contain all the information you should consider in making your investment decision. You should read carefully the entire prospectus, including the "Risk Factors" section and the financial statements and notes to those financial statements appearing elsewhere in this prospectus, before making an investment decision. Unless otherwise indicated, all information in this prospectus assumes that the underwriter will not exercise its option to purchase additional shares to cover over-allotments.

In this prospectus, we frequently use the terms "we," "our" and "us" to refer to Patriot National Bancorp, Inc. and our subsidiary, Patriot National Bank.

Our Company

We are the bank holding company for Patriot National Bank, the largest publicly-held commercial bank headquartered in Fairfield County, Connecticut. We conduct our operations solely through the Bank. We and the Bank are headquartered at our main office in Stamford, Connecticut, approximately 40 miles east of New York City. The Bank began operations in 1994 and was reorganized as our subsidiary in 1999. The Bank has ten branch office locations serving customers located in the Fairfield County communities of Stamford, Greenwich, Old Greenwich, Norwalk, Wilton, Darien and Southport. In addition, we have loan production offices in Stamford, Connecticut, Melville (Long Island), New York and New York City, New York. During the fourth quarter of this year, we plan to open four additional branch offices in the Connecticut communities of Fairfield, Fairfield Center, Milford and Trumbull. In addition, in July 2006, we entered into an agreement to acquire a small bank branch office in New York City, New York. As of July 21, 2006, this branch had deposits of approximately \$4.1 million. Although this branch is located in New York City, the primary reason for this acquisition is to permit us to expand our branch locations into Westchester County, New York, which is adjacent to Fairfield County, Connecticut. We do not anticipate further branch office expansion in New York City.

The Bank offers a broad range of commercial and consumer banking services with an emphasis on serving the needs of small and medium-sized businesses, commercial real estate investors and builders, professionals such as accountants and attorneys, as well as individuals. The Bank offers commercial real estate and construction loans to area businesses and developers, commercial loans to area businesses, as well as one- to four-family residential mortgage loans, home improvement loans and home equity lines of credit to individuals. The Bank offers consumer and commercial deposit accounts such as checking accounts, insured money market accounts, time certificates of deposit, and savings accounts. As of June 30, 2006, on a consolidated basis, we had total assets of \$559.0 million, net loans of \$450.5 million, total deposits of \$472.6 million and total shareholders' equity of \$31.7 million.

Investment Highlights

Growth

The strategic and operational leadership of our management team has resulted in significant growth in our assets, loans, deposits and net income over the past four and one half years. From December 31, 2001 through June 30, 2006, we have grown:

Total assets from \$202.6 million to \$559.0 million;

Net loans from \$135.7 million to \$450.5 million;

Total deposits from \$183.3 million to \$472.6 million; and

Non-interest bearing deposits from \$17.0 million to \$50.9 million.

During this period of growth, we have also emphasized the importance of a disciplined credit culture and have been successful in maintaining strong asset quality. Net loan charge-offs from December 31, 2001 to June 30, 2006 totaled \$5,000. We had an aggregate of \$5.2 million of

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non-performing loans at June 30, 2006, which constituted 0.9% of total assets at such date. These non-performing loans included two loans in the aggregate amount of \$3.4 million that were adequately collateralized and in the process of collection, and one loan in the amount of \$1.1 million that was adequately collateralized and current as to principal and interest payments. The Bank is considered a well-capitalized institution under applicable regulations, with a total risk-based capital ratio of 10.70% and a Tier 1 risk-based capital ratio of 9.45% at June 30, 2006.

Market Overview

Our market is located within the greater New York City metropolitan area, and is highly dependent on the economy of New York City. Our primary market area encompasses the Fairfield County communities where our branches are located. From these branches, we also provide lending services in adjoining areas of Fairfield County and neighboring Westchester County, New York. In addition, we have established loan production offices in Melville (Long Island) and New York City, New York.

In 2005, the population of Fairfield County was estimated to be approximately 903,000 people, which represents approximately 25% of the population of Connecticut. The estimated median household income in 2004 was over \$73,000, more than 50% higher than the estimated median household income for the United States of approximately \$44,700. In June 2006, unemployment in Fairfield County was reported to be 3.9% compared to 4.1% for Connecticut and 4.6% for the United States.

Westchester County, New York shares similar demographics with neighboring Fairfield County. In 2005, the population of Westchester County was estimated to be approximately 941,000 people, which represents approximately 5% of the population of the greater New York City metropolitan area. The estimated median household income in 2004 was approximately \$70,100 compared to approximately \$44,700 estimated in the United States. In June 2006, unemployment in Westchester County was reported to be 3.9% compared to 4.9% for New York City, 4.6% for New York State and 4.6% for the United States.

As of June 30, 2006, the Bank had \$472.6 million of total deposits. As of June 30, 2005, the most recent date such information is available, the Bank had approximately 1.62% of the approximately \$22.7 billion of total deposits within Fairfield County. As of June 30, 2005, total deposits within Westchester County exceeded \$27.8 billion. Consequently, there are substantial opportunities for the Bank to continue to grow its market share of deposits within its primary market area.

Fairfield and Westchester Counties are home to a large number of Fortune 500 corporate headquarters, including Pitney Bowes, Clairiol, Xerox, GE Capital and Time Warner Cable in Connecticut, and IBM Corporation, Pepsico Incorporated, New York Life Insurance and Snapple Beverage Group/Motts, Inc. in New York. Many senior executives and employees of these and other businesses based in the greater New York City metropolitan area reside within our market area. Our market is also characterized by a large number of small and medium-sized businesses that have developed to meet the needs of the community. We are focused on serving these individuals and small to medium-size businesses.

Experienced Management Team

Our growth since 2001 is primarily due to our experienced team of banking executives:

Angelo De Caro, our Chairman and Chief Executive Officer, is a former partner and senior financial officer of Goldman Sachs & Co. Mr. De Caro served on the executive committees of Goldman Sachs Swiss Private Bank and Goldman Sachs Trust Services. Mr. De Caro has extensive experience in financial management and risk analysis and his responsibilities at

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Goldman Sachs included auditing, tax and financial controls. He has focused us on our strategic growth objectives with respect to both our loan portfolio and core deposits.

Charles F. Howell, our President, and the Chief Executive Officer of the Bank, has over 30 years of banking experience in Fairfield County, including prior service as the president of a bank and as the chief operating officer and chief lending officer at another bank.

Robert F. O'Connell, our Senior Executive Vice President and Chief Financial Officer, has experience as a CPA in a major national accounting firm and has served as a senior executive officer and CFO of four other banks over a 30-year period. He also has responsibility for operations, retail banking and human resources.

Philip W. Wolford, our Chief Operating Officer, has over 30 years of banking experience and has been a senior executive officer of three banks. Mr. Wolford served as the controller of a large New York City savings bank and has had responsibility for operations, information technology, compliance, retail banking and loan operations. He has been with the Bank since it opened in 1994.

Our other four senior officers have over 100 years of combined banking and mortgage banking experience. We have also hired several senior commercial lenders with considerable experience and business relationships from other banks and financial institutions in our market area, and we expect to hire additional experienced lenders as we continue to grow.

Growth Strategy

We continue to attract new customers by providing a targeted line of commercial and consumer financial services while maintaining our reputation for excellent service, professionalism and integrity. Our goal is to maintain our growth strategy from our base in Fairfield County, Connecticut. We will continue to emphasize growth over profitability for the foreseeable future as we pursue this strategy. We believe that by continuing to grow through branch expansion, we will be able to create long-term value for our shareholders. Our strategy for achieving our growth objectives includes the following:

Expand our geographical footprint. We are the largest, independently owned commercial bank headquartered in Fairfield County. We believe that Fairfield County and neighboring areas of Connecticut with similar demographics continue to offer attractive opportunities for additional branch expansion. Our management is very familiar with Fairfield County and regularly evaluates opportunities to establish new bank branches by reviewing market demographics with a view towards loan and deposit growth, customer accessibility, proximity to competitors, renovation costs, and suitability. Financial institution consolidation within Fairfield County in recent years has confused brand loyalties, disrupted banking relationships and inconvenienced customers with branch office relocations and consolidations. In some cases, we have been able to lease existing bank branch buildings, which is an efficient and cost-effective alternative to building new facilities. We have received regulatory approval to open four additional branches, three in Fairfield County and one in the neighboring town of Milford, in New Haven County, Connecticut, all of which we plan to bring into service during the fourth quarter of this year.

Fairfield County shares similar demographics with neighboring Westchester County, New York. We have provided lending services in Westchester County for many years from our base in Connecticut. We now intend to open full service branch locations in Westchester County. In July 2006, we entered into an agreement with another financial institution to acquire a small branch office and assume the lease at 45 West End Avenue, New York, New York. This acquisition, which we expect to complete before the end of 2006, subject to receipt of all required regulatory approvals, will allow us to establish additional bank branch offices in Westchester County, our primary reason for the New York City branch acquisition. We do not anticipate further branch office expansion in New York City. We have signed a letter of intent to lease a facility in Bedford, in Westchester County, New York. Initially, we plan to

operate this facility as a loan production office. Following the completion of our acquisition of the New York City bank branch office, we plan to apply during the first quarter of 2007 for regulatory approval to operate the Bedford loan production office as a full service bank branch office.

We typically establish loan production offices in areas where we have the opportunity to acquire lenders with a local following. We currently have loan production offices in Melville (Long Island) and New York City, New York. We may open additional loan production offices in other areas of metropolitan New York in the future. Except for the acquisition of a mortgage brokerage business in 1999 and our current agreement to acquire the small branch office in New York City, we have not historically supplemented our growth through acquisitions.

Increase our deposit balances. We focus on increasing our core deposits, which consist of non-interest-bearing demand accounts, NOW accounts, savings accounts, money market deposit accounts and certificates of deposit in amounts less than \$100,000. We have grown our core deposits from \$157.9 million at December 31, 2001 to \$351.6 million at June 30, 2006 with a weighted average interest rate of 2.8% as of June 30, 2006. We intend to continue to increase our core deposits by capturing deposits from new and existing loan customers, and by attracting new depositors who seek a high level of personalized banking services. We believe that our personalized service and our role in providing commercial real estate and construction loans in the local business community distinguishes us from most of our competitors, many of which are larger banks and other institutions with a regional or national focus.

Increase the number and size of our loans. We seek to expand and attract new lending relationships, particularly residential construction, commercial real estate and commercial business loans. Additional capital will allow us to retain a greater portion of loans originated and to better meet the lending needs of our borrowers. Our growth strategy is to continue to maintain a strong loan-to-deposit ratio.

Attract and retain experienced lending professionals. Our senior management team includes individuals with extensive experience and business contacts in the Fairfield County and metropolitan New York City areas. We seek to hire additional experienced commercial lenders with strong business relationships and knowledge of our market areas both to enhance our presence in existing markets as well as in new locations as we continue to grow. We also consider the availability of experienced lenders in connection with our plans to establish new branch locations. This strategy will be particularly important as we expand on our current lending operations in Westchester County with investments in new branch office locations. During the six months ended June 30, 2006, we hired four experienced lenders from local competitors, and a fifth lender joined us in August, 2006. All of these new employees are from our market area and have extensive lending experience, business contacts and relationships in the region. We intend to identify similarly credentialed individuals as we open new branch offices in Westchester County. We have also increased our credit analysis and administrative functions to support the current and anticipated expansion of our lending sales staff.

Office and Other Information

Our principal executive offices are located at 900 Bedford Street, Stamford, Connecticut 06901, and our telephone number is (203) 324-7500. Our Internet address is www.pnbk.com. The information contained on our web site is not part of this prospectus.

The Offering

| | |
|---|---|
| <i>Common stock offered by us</i> | 1,100,000 shares. ⁽¹⁾ |
| <i>Common stock to be outstanding immediately after this offering</i> | 4,339,494 shares. ⁽²⁾ |
| <i>Net proceeds</i> | The net proceeds from this offering are expected to be approximately \$ million based on the assumptions set forth under "Use of Proceeds" without giving effect to any exercise of the underwriter's over-allotment option. |
| <i>Use of proceeds</i> | We currently intend to contribute substantially all of the net proceeds of this offering to the Bank. The Bank intends to utilize the proceeds to enhance capital to further its branch expansion program and for general corporate purposes. We believe that by continuing to grow the Bank, we will be able to create long-term value for our shareholders. The net proceeds of this offering will be invested initially in primarily short-term investments. |
| <i>Dividend policy</i> | We historically have paid cash dividends. In the quarter ended June 30, 2006, we declared a quarterly cash dividend of \$0.045 per share of common stock. We intend to continue to pay dividends, but our payment of dividends in the future will depend on a number of factors. We cannot assure you that we will continue to pay dividends or that the amount of dividends we pay will not be reduced in the future. See "Dividend Policy." |
| <i>NASDAQ symbol</i> | Our common stock is listed on the NASDAQ Capital Market under the symbol "PNBK." We have applied to have our common stock listed on the NASDAQ Global Market under the symbol "PNBK." |

-
- (1) Certain of our executive officers and directors and an advisor to our chairman have indicated an intention to purchase at least \$3 million of the shares to be sold in this offering at the public offering price. At our request, the underwriter has advised us that it will reserve shares for this purpose. Any reserved shares which are not purchased will be offered by the underwriter to the general public on the same basis as the other shares offered by this prospectus.
- (2) The number of shares of common stock that will be outstanding after this offering includes 3,239,494 shares outstanding as of August 15, 2006, but does not include (i) 165,000 shares of common stock issuable pursuant to the underwriter's over-allotment option; and (ii) 65,000 shares of common stock reserved for issuance upon exercise of stock options with a weighted-average exercise price of \$10.13, which have been granted and remained outstanding as of August 15, 2006.

Risk Factors

Before investing you should carefully consider the matters set forth under "Risk Factors" beginning on page 8 of this prospectus for a discussion of risks related to an investment in our common stock.

Selected Consolidated Financial and Other Data

We have derived the selected consolidated financial and other data for the years ended December 31, 2005 and 2004 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated financial and other data for the years ended December 31, 2003, 2002 and 2001 from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data as set forth below as of June 30, 2006 and 2005, and for the six months ended June 30, 2006 and June 30, 2005, have been derived from our unaudited financial statements which are included elsewhere in this prospectus. We have prepared the unaudited financial statements on a basis consistent with our audited annual financial statements. In our opinion, the unaudited financial statements include all normal recurring adjustments necessary for a fair presentation of our results of operations and financial condition for these periods. Our operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2006. You should read the selected consolidated financial information below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes related to those financial statements included elsewhere in this prospectus.

| | Six Months Ended June 30, | | Years Ended December 31, | | | | |
|--|---------------------------|------|--------------------------|------|------|------|------|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 2001 |

(dollars in thousands, except share and per share data)

Selected Operating Data:

| | | | | | | | |
|------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Interest and dividend income | \$ 17,193 | \$ 11,403 | \$ 25,149 | \$ 18,678 | \$ 15,215 | \$ 12,605 | \$ 13,723 |
| Interest expense | 7,614 | 4,495 | 10,270 | 7,009 | 5,588 | 4,765 | 6,867 |
| Net interest income | 9,579 | 6,908 | 14,879 | 11,670 | 9,626 | 7,840 | 6,856 |
| Provision for loan losses | 924 | 360 | 1,110 | 556 | 563 | 468 | 250 |
| Noninterest income | 1,212 | 1,532 | 3,229 | 2,702 | 4,814 | 4,114 | 3,510 |
| Noninterest expense | 8,434 | 7,008 | 14,634 | 12,257 | 11,659 | 9,813 | 8,676 |
| Net income | 907 | 638 | 1,407 | 926 | 1,341 | 1,052 | 876 |

Per Share Data:

| | | | | | | | |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Basic income per share | \$ 0.28 | \$ 0.26 | \$ 0.52 | \$ 0.38 | \$ 0.56 | \$ 0.44 | \$ 0.37 |
| Diluted income per share | 0.28 | 0.25 | 0.51 | 0.37 | 0.55 | 0.43 | 0.36 |
| Dividends per share | 0.085 | 0.075 | 0.155 | 0.135 | 0.115 | 0.095 | 0.060 |
| Weighted average shares outstanding Basic | 3,230,649 | 2,488,247 | 2,696,676 | 2,449,679 | 2,400,879 | 2,400,525 | 2,400,488 |
| Weighted average shares outstanding Diluted | 3,257,349 | 2,537,133 | 2,738,718 | 2,502,691 | 2,443,236 | 2,427,314 | 2,426,501 |
| Common shares outstanding at end of period | 3,230,649 | 2,489,391 | 3,230,649 | 2,486,391 | 2,408,607 | 2,400,525 | 2,400,525 |
| Book value per share | 9.82 | 8.06 | 9.71 | 7.95 | 7.80 | 7.73 | 7.25 |
| Tangible book value per share(1) | 9.54 | 7.69 | 9.42 | 7.57 | 7.41 | 7.34 | 6.86 |

As of December 31,

| | June 30, 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|--|------------------|------|------|------|------|------|
|--|------------------|------|------|------|------|------|

Balance Sheet Data:

| | | | | | | |
|----------------------------|----------|----------|----------|----------|----------|----------|
| Cash and due from banks | \$ 8,542 | \$ 7,221 | \$ 6,670 | \$ 4,024 | \$ 5,386 | \$ 7,544 |
| Federal funds sold | 13,600 | 6,500 | 37,500 | 15,000 | 3,000 | 12,700 |
| Short term investments | 169 | 2,247 | 11,460 | 10,431 | 3,349 | 6,789 |
| Investment securities | 75,896 | 80,991 | 78,259 | 92,331 | 61,721 | 35,817 |
| Loans, net | 450,452 | 364,244 | 263,875 | 214,421 | 170,795 | 135,680 |
| Total assets | 559,006 | 470,641 | 405,047 | 342,469 | 248,497 | 202,569 |
| Total deposits | 472,629 | 419,075 | 367,005 | 289,992 | 217,911 | 183,264 |
| Total borrowings | 51,248 | 17,248 | 16,248 | 31,301 | 10,293 | 839 |
| Total shareholders' equity | 31,735 | 31,375 | 19,756 | 18,780 | 18,545 | 17,406 |

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| | At or for the Six Months Ended June 30, | | At or for the Year Ended December 31, | | | | |
|--|---|------|---------------------------------------|------|------|------|------|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 2001 |

(dollars in thousands, except share and per share data)

Selected Financial Ratios and Other Data(2):

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| Return on average assets | 0.36% | 0.31% | 0.33% | 0.26% | 0.46% | 0.47% | 0.46% |
| Return on average equity | 5.67 | 6.36 | 6.00 | 4.74 | 7.09 | 5.82 | 5.10 |
| Interest rate spread(3) | 3.30 | 3.08 | 3.13 | 3.02 | 3.10 | 3.31 | 3.11 |
| Net interest margin(4) | 3.83 | 3.45 | 3.54 | 3.35 | 3.41 | 3.67 | 3.75 |
| Non-interest expense to average assets | 3.31 | 3.42 | 3.41 | 3.52 | 4.13 | 4.59 | 4.75 |
| Efficiency ratio(5) | 78.16 | 83.03 | 80.82 | 85.28 | 80.74 | 82.09 | 83.69 |
| Tangible capital to tangible assets(6) | 5.52 | 4.61 | 6.48 | 4.66 | 5.23 | 7.12 | 8.17 |

Regulatory Capital Ratios(7):

| | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| Tier I capital to average total assets | 7.53% | 6.44% | 8.56% | 6.79% | 7.51% | 6.99% | 8.15% |
| Tier I capital to total risk-weighted assets | 9.59 | 8.86 | 11.45 | 9.04 | 10.00 | 9.13 | 9.61 |
| Total capital to total risk-weighted assets | 10.84 | 10.49 | 12.70 | 10.70 | 11.87 | 10.39 | 10.74 |

Asset Quality Ratios:

| | | | | | | | |
|--|--------|--------|--------|-------|--------|--------|-------|
| Non-performing loans(8) as a percent of gross loans | 1.14% | 0.82% | 0.60% | 1.51% | 0.14% | 0.79% | 2.14% |
| Non-performing assets as a percent of total assets | 0.93 | 0.60 | 0.47 | 1.00 | 0.09 | 0.56 | 1.46 |
| Allowance for loan losses as a percent of gross loans | 1.21 | 1.26 | 1.25 | 1.31 | 1.35 | 1.37 | 1.38 |
| Allowance for loan losses as a percent of total non-performing loans | 106.06 | 153.27 | 207.60 | 86.12 | 931.43 | 172.76 | 64.12 |
| Number of full-service customer facilities | 10 | 10 | 10 | 9 | 7 | 4 | 4 |

- (1) Represents the result of total shareholders' equity minus goodwill, divided by the number of shares outstanding
- (2) All ratios are annualized where appropriate.
- (3) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
- (4) Represents net interest income as a percent of average interest-earning assets.
- (5) Represents non-interest expense divided by the sum of net interest income and noninterest income.
- (6) Represents total consolidated common equity, less intangibles, divided by total consolidated assets, less intangibles.
- (7) See note 14 to our audited consolidated financial statements for additional information about our regulatory capital positions and requirements and the regulatory capital positions and requirements of the Bank.
- (8) Consists of loans past due 90 days or more and still accruing, and loans placed on non-accrual status.

Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. You should also refer to the other information in this prospectus, including our financial statements and the related notes included elsewhere in this prospectus. The risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment in our common stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

The shares of common stock offered through this prospectus are not savings accounts, deposits or other obligations of a bank and are not insured by the Federal Deposit Insurance Corporation, or FDIC, or any other governmental agency.

Risks Related to our Business

We intend to continue our emphasis on growth over earnings for the foreseeable future.

We have actively sought growth of our institution in recent years, by opening additional branches, initiating internal growth programs, completing one acquisition of a mortgage brokerage company and contracting to acquire a small branch office in New York City. We may not be able to sustain our historical rate of growth or may not even be able to continue to grow at all. Various factors, such as economic conditions and competition, may impede or prohibit us from opening new branches. In addition, we may not be able to obtain the financing necessary to fund additional growth and we may not be able to find suitable candidates for acquisition.

Sustaining our growth has placed significant demands on our management as well as on our administrative, operational and financial resources. We have received regulatory approval to open four new branch offices, which we currently plan to bring into service during the fourth quarter of 2006. We expect our acquisition of the small branch office in New York City, which had deposits of approximately \$4.1 million at July 21, 2006, will close before the end of 2006, subject to receipt of all required regulatory approvals. We expect to open additional branch offices in Connecticut and Westchester County, New York in the near future. In August 2006, we signed a letter of intent to lease a facility in Bedford, New York. Integrating these new branch offices, particularly the four branch offices scheduled to open during the fourth quarter of 2006, will place increased demands on the time and resources of our management, and may temporarily distract management's attention from our day-to-day business. We cannot assure you that we will successfully integrate new branch offices into our operations, or that we will achieve anticipated benefits from opening new branch offices or achieve earnings results in the future similar to those that we have achieved in the past.

For us to continue to manage our growth, we must continue to:

attract and retain qualified management and experienced bankers;

find suitable markets for expansion;

find suitable, affordable branch office locations;

attract funding to support additional growth;

maintain our asset quality;

maintain adequate regulatory capital; and

maintain adequate controls.

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Although we believe that our earnings will increase as we build our franchise, earnings are expected to continue to be adversely affected by the costs of opening new branches and the time necessary to build a customer base at each new branch.

If we are unable to continue our historical levels of growth, or if our growth comes at greater financial expense than has been incurred in the past, we may not be able to achieve our financial goals and our profitability may be adversely affected.

We will be expanding into a new geographic market in which our current senior management has limited experience.

We intend to expand into Westchester County and the surrounding counties in New York State. In July 2006, we entered into an agreement with another financial institution to acquire a small branch office in New York City, New York, which had deposits of approximately \$4.1 million at July 21, 2006. We expect this acquisition will close before the end of 2006, subject to receipt of all required regulatory approvals. This acquisition will allow us to establish additional bank branch offices in Westchester County, New York, which is the primary reason for the acquisition. We do not anticipate further branch expansion in New York City. We have signed a letter of intent to lease a facility in Bedford, in Westchester County, New York. Initially, we plan to operate this facility as a loan production office. Following the completion of our acquisition of the New York City bank branch office, we plan to apply during the first quarter of 2007 for regulatory approval to operate the Bedford loan production office as a full service bank branch office.

The vast majority of our current deposits and loans are derived from and made to customers who live and work in Fairfield County, Connecticut. Although we believe that the demographics for Westchester County, New York closely resemble those of Fairfield County, Connecticut, we do not currently conduct significant deposit activity in New York State. Our senior management team includes several individuals with substantial banking experience in Connecticut, but with less experience in New York. Our ability to compete effectively in New York State will depend in part on our ability to hire and retain key employees who know the Westchester County market better than we do.

We have no experience opening bank branch offices in Westchester County, New York.

Historically, our investment in capital equipment to open a new branch office has ranged between \$315,000 and \$450,000. However, total branch operating costs also include a variety of variable costs, including the prevailing rental rates in the local branch office area, the size of the branch, the availability of facilities that are ready to be operated as bank branches, and the number of employees. We have not opened branches in Westchester County in the past and we may not be able to estimate accurately the variable costs associated with opening branch offices in this area. If we underestimate these variable costs, then the branches that we establish in these areas may prove to be more costly than anticipated and, as a further consequence, our branch expansion program may be delayed or reduced in scope, or both, which may have an adverse effect on our business and results of operations.

Because we intend to increase our commercial real estate, construction and commercial business loan originations, our lending risk will increase, and downturns in the real estate market could adversely affect our earnings.

Commercial real estate, construction and commercial business loans generally have more risk than residential mortgage loans. Both commercial real estate and construction loans, for example, often involve larger loan balances concentrated with single borrowers or groups of related borrowers as compared to single-family residential loans. Construction loans are secured by the property under construction, the value of which is uncertain prior to completion. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and the related loan-to-value ratios.

Speculative construction loans involve additional risk because the builder does not have a contract for the sale of the property at the time of construction.

Because the repayment of commercial real estate, construction and commercial business loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the real estate market or the local economy. As of June 30, 2006, 76.3% of our total loan portfolio was secured by real estate located in Fairfield County, Connecticut and Westchester County, New York. As a result, a downturn in the real estate market, especially within our market area, could adversely impact the value of properties securing these loans. Our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on defaulted loans. As our commercial real estate, construction and commercial business loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase. The additional capital provided through the net proceeds of this offering will enable the Bank to increase the size of individual and relationship loans, which may exacerbate these risks.

Our business is subject to various lending and other economic risks that could adversely impact our results of operations and financial condition.

Changes in economic conditions, particularly an economic slowdown in Fairfield County, Connecticut and the New York metropolitan area, could hurt our financial performance. Our business is directly affected by political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in governmental monetary and fiscal policies, and inflation, all of which are beyond our control. A deterioration in economic conditions, in particular an economic slowdown within Fairfield County, Connecticut and/or the New York metropolitan area, could result in the following consequences, any of which may hurt our business materially:

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for our products and services may decline; and

assets and collateral associated with our loans, especially real estate, may decline in value, thereby reducing a customer's borrowing power.

We may suffer losses in our loan portfolio despite our underwriting practices. We seek to mitigate the risks inherent in our loan portfolio by adhering to specific underwriting practices. These practices include analysis of a borrower's prior credit history, financial statements, tax returns and cash flow projections, valuation of collateral based on reports of independent appraisers and verification of liquid assets. Although we believe that our underwriting criteria are appropriate for the various kinds of loans we make, we may incur losses on loans that meet our underwriting criteria, and these losses may exceed the amounts set aside as reserves in our allowance for loan losses.

Our allowance for loan losses may not be adequate to cover actual losses.

Like all financial institutions, we maintain an allowance for loan losses to provide for loan defaults and non-performance. Our allowance for loan losses may not be adequate to cover actual loan losses, and future provisions for loan losses could materially and adversely affect our operating results. Our allowance for loan losses is based on an evaluation of the risks associated with our loans receivable as well as our prior experience. A substantial portion of our loans are unseasoned and lack an established record of performance. To date, we have experienced negligible losses. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, that may be beyond our control, and these losses may exceed current estimates. Federal regulatory agencies, as an integral part of their examination process, review our loans and assess the adequacy of

the allowance for loan losses. While we believe that our allowance for loan losses is adequate to cover current losses, we cannot assure you that we will not need to increase our allowance for loan losses or that regulators will not require us to increase this allowance. Either of these occurrences could materially and adversely affect our earnings and profitability.

Our business is subject to interest rate risk and variations in interest rates may negatively affect our financial performance.

We are unable to predict fluctuations of market interest rates, which are affected by many factors, including:

inflation;

recession;

a rise in unemployment;

tightening money supply; and

domestic and international disorder and instability in domestic and foreign financial markets.

Changes in the interest rate environment may reduce our profits. We realize income from the differential or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. We are vulnerable to a decrease in interest rates because our interest-earning assets generally have shorter durations than our interest-bearing liabilities. As a result, material and prolonged decreases in interest rates would decrease our net interest income. In contrast, an increase in the general level of interest rates may adversely affect the ability of some borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially and adversely affect our net interest spread, asset quality, levels of prepayments and cash flow as well as the market value of our securities portfolio and overall profitability.

Fee income derived from mortgage brokerage activities is also affected by interest rate fluctuations. Generally, increases in interest rates often lead to decreases in home refinancing activity, thus reducing the number of mortgage loans we originate.

Our investment portfolio includes securities which are sensitive to interest rates and variations in interest rates may adversely impact our profitability.

At June 30, 2006, our securities portfolio aggregated \$72.1 million, all of which was classified as available-for-sale, and was comprised of mortgage-backed securities which are insured or guaranteed by U.S. government agencies or government-sponsored enterprises, U.S. government agency securities and money market preferred equity securities. These securities amounted to approximately 12.9% of our total assets and are sensitive to interest rate fluctuations. The unrealized gains or losses in our available-for-sale portfolio are reported as a separate component of shareholders' equity. As a result, future interest rate fluctuations may impact shareholders' equity, causing material fluctuations from quarter to quarter. Failure to hold our securities until payments are received on mortgage-backed securities or until maturity on other investments or until market conditions are favorable for a sale could adversely affect our earnings and profitability.

We are dependent on our management team, and the loss of our senior executive officers or other key employees could impair our relationship with our customers and adversely affect our business and financial results.

Our success is dependent upon the continued services and skills of Angelo De Caro, Charles F. Howell, Robert F. O'Connell, Philip W. Wolford and other senior officers including Martin G. Noble, our chief lender, Marcus Zavattaro, our residential lending sales manager, and John Kantzas, a founder and an executive vice president. While we have employment agreements containing non-competition provisions with Messrs. Howell, O'Connell and Zavattaro, these agreements do not prevent any of them from terminating their employment with us. The unexpected loss of services of one or more of these key personnel could have an adverse impact on our business because of their skills, knowledge of our market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

Our success also depends, in part, on our continued ability to attract and retain experienced commercial lenders and residential mortgage originators, as well as other management personnel. The loss of the services of several of such key personnel could adversely affect our growth strategy and prospects to the extent we are unable to replace such personnel. In the past year, we have hired several experienced commercial loan officers who have strong business relationships in order to expand and enhance our current deposit and commercial banking operations. Competition for commercial lenders and residential mortgage originators is strong within the commercial banking and mortgage banking industries, and we may not be successful in retaining or attracting additional personnel necessary to maintain our growth plans.

A breach of information security could negatively affect our earnings.

Increasingly, we depend upon data processing, communication and information exchange on a variety of computing platforms and networks, and over the internet to conduct our business. We cannot be certain that all of our systems are entirely free from vulnerability to attack, despite safeguards we have instituted. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. If information security is breached, information can be lost or misappropriated, resulting in financial loss or costs to us or damages to others. These costs or losses could materially exceed the amount of insurance coverage, if any, which would have an adverse effect on our results of operations and financial condition. In addition, the Bank's reputation could be harmed, which also could materially adversely affect our financial condition and results of operations.

Changing regulation of corporate governance and public disclosure.

Recently enacted laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ Global Market rules, are adding to the responsibilities that companies such as ours have. These laws, regulations and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could make compliance more difficult and result in higher costs due to ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, during our fiscal year ending December 31, 2007, we will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our external auditors' audit of that assessment. In order to prepare for this, we will need to commit significant financial and managerial

resources beginning in 2006. If we do not effectively comply with these laws, regulations and standards, our reputation may be harmed.

Risks Related to the Offering

We may sell the shares of common stock in this offering at a price below the recent trading price of our common stock and, as a result, the market price of our common stock may decline after the stock offering.

The price per share at which we sell our common stock in this offering may be less than the market price of our common stock on the date the offering is completed. Our common stock is thinly traded and, as a result, the current market price may not accurately reflect the current market value of our common stock. The weighted average closing sale price of our common stock since September 21, 2005, the closing date of our 2005 Rights Offering, is \$22.62 per share. The last reported sale price of our common stock on the NASDAQ Capital Market on August 21, 2006 was \$28.50. If the public offering price is less than the current market price for our common stock, some purchasers in this offering may be inclined to immediately sell shares of common stock to try to realize a profit. Any such sales, depending on the volume and timing, is likely to cause the market price of our common stock to decline. Also, because stock prices generally fluctuate over time, we cannot assure you that you will be able to sell shares after this offering at a price equal to or greater than the actual purchase price. You should consider these possibilities in deciding whether to purchase shares of common stock in this offering and the timing of any sale of those shares after the offering.

The trading volume in our common stock has been low, and the sale of a substantial number of shares in the public market could depress the price of our stock and make it difficult for you to sell your shares.

Our common stock currently trades on the NASDAQ Capital Market, but we have applied to transfer to the NASDAQ Global Market and expect to be listed on the Global Market prior to the closing of the offering. Our common stock is thinly traded. Thinly traded stock can be more volatile than stock trading in an active public market. We cannot predict the extent to which an active public market for our common stock will develop or be sustained after this offering. In recent years, the stock market has experienced a high level of price and volume volatility, and market prices for the stock of many companies have experienced wide price fluctuations that have not necessarily been related to operating performance.

We cannot predict what effect future sales of our common stock in the market, or the availability of shares of our common stock for sale in the market, will have on the market price of our common stock. So, we cannot assure you that sales of substantial amounts of our common stock in the market, or the potential for large amounts of market sales, would not cause the price of our common stock to decline.

We have broad discretion in the use of proceeds of this offering.

We have not designated the anticipated net proceeds of this offering for specific uses. Accordingly, our management will have considerable discretion in the application of the net proceeds of this offering and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. See "Use of Proceeds."

Future common stock offerings may reduce the ownership percentage of our current shareholders.

In certain circumstances, our board of directors has the authority, without any vote of our shareholders, to issue shares of our authorized but unissued stock, as we are doing in this offering. In the future, we may issue additional securities, through public or private offerings, in order to raise

additional capital. Any such issuance would dilute the percentage of ownership interest of existing shareholders.

Risks Related to the Ownership of our Common Stock

We may be unable to pay dividends in the future.

Our shareholders may receive dividends out of legally available funds if, and when, they are declared by our board of directors. Our policy has been to pay dividends out of cash in excess of the needs of the business. Our most recent quarterly cash dividend was at a rate of \$0.045 per share.

Federal Reserve Board policy restricts our ability to pay dividends, and we cannot assure you that we will pay dividends on our common stock in the future. Federal Reserve Board policy states that bank holding companies should pay cash dividends on common stock only out of net income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. The policy provides that a bank holding company should not maintain a level of cash dividends that undermines its ability to serve as a source of strength to its banking subsidiaries. In addition, the terms of the junior subordinated debt we issued in connection with the issuance of trust preferred securities by a statutory trust formed by us contains restrictions on our ability to pay dividends. We may incur additional indebtedness in the future that may prohibit or further restrict our ability to declare and pay dividends. Our ability to declare and pay dividends on the common stock may be restricted in the future due to state corporation laws, our financial condition and results of operations, capital requirements, covenants contained in our various financing agreements, management's assessment of future capital needs and other factors considered by our board of directors.

Our principal source of funds to pay dividends is cash dividends that we receive from Patriot National Bank. The Office of the Comptroller of the Currency regulates the Bank's dividend payments and must approve dividend payments in advance if the total of all dividends declared by the Bank's board of directors in any year will exceed (1) the total of the Bank's net profits for that year, plus (2) the Bank's retained net profits of the preceding two years, less any required net transfers to surplus. See "Supervision and Regulation Payment of Dividends."

Our executive officers, directors and advisors to our Chairman own sufficient shares of our common stock to significantly affect the results of any shareholder vote.

Our executive officers and directors beneficially own approximately 31.5% of our common stock. After giving effect to the proposed purchase by certain executive officers and directors of approximately \$1 million of our common stock to be sold in this offering, our executive officers and directors will beneficially own 24.6% of our common stock after completion of this offering at an assumed public offering price of \$ per share. Mr. De Caro, our chairman, beneficially owns approximately 22.9% of our common stock. After giving effect to his proposed purchase of approximately \$200,000 of our common stock to be sold in this offering, at an assumed public offering price of \$ per share, Mr. De Caro will beneficially own % of our common stock after completion of this offering. In addition, two shareholders who serve as advisors to our chairman beneficially own 5.8% and 4.6%, respectively, of our common stock. One of these shareholders, Donald C. Opatrny, has indicated an intention to purchase \$2 million of our common stock to be sold in this offering. After completion of this offering, and after giving effect to Mr. Opatrny's proposed purchase at an assumed public offering price of \$ per share, Mr. Opatrny will beneficially own % of our common stock, and the other advisor will beneficially own % of our common stock. As a result, our executive officers, directors and advisors to the chairman have the ability to significantly influence the outcome of matters requiring a shareholder vote, including the election of our board of directors, amendments to our organizational documents, or approval of any merger, sale of assets or other major corporate transaction. The

interests of these individuals may differ from yours and these individuals may be able to delay or prevent us from entering into transactions that would result in a change in control, including transactions in which our shareholders might otherwise receive a premium over the then current market price for their shares. See "Security Ownership of Certain Beneficial Owners and Management" and "Description of Capital Stock."

Anti-takeover provisions in our certificate of incorporation, our shareholder rights plan, and employment and change of control agreements may adversely affect the price of our common stock.

We have in place several measures that could have the effect of discouraging take-over attempts. Several senior executive officers have employment agreements or change of control agreements that require lump sum payments and the immediate vesting of unvested stock grants and stock options upon a change of control. Our certificate of incorporation allows our board to issue, without shareholder approval, preferred stock having such voting rights, preferences and special rights as the board may determine. The issuance of such preferred stock could make it more difficult for a third party to acquire us. In addition, in April 2004, our board adopted a shareholder rights plan that could make it more difficult for a person to acquire a controlling interest in our common stock. Under the shareholder rights plan, a dividend of one common stock purchase right was distributed on each outstanding share of our common stock. Each right entitles a shareholder to buy 8.152 shares of our common stock at a price of \$60. The rights remain attached to the common stock until they become exercisable upon certain triggering events, including the acquisition of more than 15% of our common stock by any person or the commencement of a tender offer or exchange offer for our common stock. We are entitled to redeem the rights at \$0.001 per right at any time before the trigger date. These measures could make it more difficult for a third party to acquire control of our company, even if the change in control might be beneficial to our shareholders. This could discourage potential takeover attempts and could adversely affect the market price of our common stock.

Your shares are not an insured deposit.

Your investment in our common stock will not be a bank deposit and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be capable of affording the loss of your entire investment.

Risks related to our industry

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry is intense. The Fairfield County, Connecticut and the greater New York City metropolitan areas, including the Westchester County area, have a high concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as private banking and trust services. Many of these competitors have substantially greater resources and lending limits than we do and may offer certain services that we do not or cannot provide. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which reduces net interest income. We expect competition to increase in the future as a result of legislative, regulatory and technological changes. Our profitability depends upon our continued ability to successfully compete in our market area.

Government regulation may have an adverse effect on our profitability and growth.

We are subject to extensive regulation, supervision and examination by the Office of the Comptroller of the Currency, or the OCC, as our chartering authority, by the FDIC, as insurer of deposits, and by the Federal Reserve Board as regulator of our holding company. Changes in state and federal banking laws and regulations or in federal monetary policies could adversely affect our ability to maintain profitability and continue to grow. For example, new legislation or regulation could limit the manner in which we may conduct our business, including our ability to obtain financing, attract deposits, make loans and achieve satisfactory interest spreads. Many of these regulations are intended to protect depositors, the public and the FDIC, not shareholders. In addition, the burden imposed by federal and state regulations may place us at a competitive disadvantage compared to competitors who are less regulated. The laws, regulations, interpretations and enforcement policies that apply to us have been subject to significant, and sometimes retroactively applied, changes in recent years, and may change significantly in the future. Future legislation or government policy may also adversely affect the banking industry or our operations.

Cautionary Statement Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. The presentations, and certain of the other disclosure in this prospectus and in the documents incorporated by reference, including any statements preceded by, followed by or which include the words "may," "could," "should," "will," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "assume" or similar expressions constitute forward-looking statements.

These forward-looking statements, implicitly and explicitly, include the assumptions underlying the statements and other information with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business, including our expectations and estimates with respect to our revenues, expenses, earnings, return on equity, return on assets, efficiency ratio, asset quality and other financial data and capital and performance ratios.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, these statements involve risks and uncertainties which are subject to change based on various important factors (some of which are beyond our control). The following factors, among others, could cause our financial performance to differ materially from our goals, plans, objectives, intentions, expectations, and other forward-looking statements:

The effects of opening new branches;

Adverse changes in the economic condition of Fairfield County or the greater New York City metropolitan area;

Adverse changes in the local real estate market, as most of our loans are concentrated in Fairfield County, Connecticut and Westchester County, New York, and the substantial majority of these loans have real estate as collateral;

The strength of the United States economy in general and the strength of the regional and local economies in which we conduct operations;

Geopolitical conditions, including acts or threats of terrorism, actions taken by the United States or other governments in response to acts or threats of terrorism and/or military conflicts which could impact business and economic conditions in the United States and abroad;

The effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;

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Inflation, interest rate, market and monetary fluctuations;

Our timely development of new products and services in a changing environment, including the features, pricing and quality compared to the products and services of our competitors;

The effects of any decision by us to engage in any business in which we have not historically been permitted to engage;

The willingness of users to substitute competitors' products and services for our products and services;

The impact of changes in financial services policies, laws and regulations, including laws, regulations and policies concerning taxes, banking, securities and insurance, and the application thereof by regulatory bodies;

Technological changes;

Changes in consumer spending and savings habits;

Regulatory or judicial proceedings; and

The other risks set forth under "Risk Factors."

If one or more of the factors affecting our forward-looking information and statements proves incorrect, then our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking information and statements contained in this prospectus. Therefore, we caution you not to place undue reliance on our forward-looking information and statements.

We do not intend to update our forward-looking information and statements, whether written or oral, to reflect change. All forward looking statements attributable to us are expressly qualified by these cautionary statements.

Use of Proceeds

We estimate that the net proceeds from the sale of our common stock in this offering will be approximately \$ million after deducting the underwriting discount and our estimated offering expenses. If the underwriter exercises its over-allotment option in full, we estimate that our net proceeds will be approximately \$ million. In each case, this assumes a public offering price of \$ per share. We have also assumed that \$3 million of the shares will be sold to our executive officers, directors and an advisor to our chairman at an underwriting discount of 2% while the underwriting discount for all other shares to be sold in this offering will be 6%. The amount of net proceeds would increase up to \$280,000 if our executive officers, directors and employees and advisors to our chairman purchase more than \$3 million of shares in the offering, up to an aggregate of \$10 million, due to the lower underwriting discount on shares sold to these purchasers. No determination has been made as to the public offering price and no assurance can be made as to whether the public offering price will be higher or lower than the price used for this estimate.

We currently intend to contribute substantially all of the net proceeds of this offering to the Bank. The Bank intends to utilize the proceeds to enhance capital to further its branch expansion program and for general corporate purposes.

Our management will retain broad discretion in the allocation of the net proceeds of this offering. Until we designate the use of net proceeds, we will invest them temporarily in liquid short-term investments. The precise amounts and timing of our use of the net proceeds will depend upon market conditions and the availability of other funds, among other factors. From time to time, we may engage

in additional capital financings as we determine to be appropriate based upon our needs and prevailing market conditions. These additional capital financings may include the sale of other securities.

Dividend Policy

Our policy has been to pay dividends out of funds in excess of the needs of the business. We have declared cash dividends to our shareholders on a quarterly basis since the second quarter of 2001 and have increased the cash dividends paid per share from time to time. In the second quarter of 2006, our board of directors increased the quarterly cash dividend to \$0.045 per share.

Our ability to pay future dividends on our common stock depends on the Bank's ability to pay dividends to us. In accordance with OCC rules and regulations, the Bank may continue to pay dividends only if the total amount of all dividends that will be paid, including the proposed dividend, by the Bank in any calendar year does not exceed the total of the Bank's retained net income of that year to date, combined with the retained net income of the preceding two years, unless the proposed dividend is approved by the OCC. In addition, the OCC and/or the FDIC may impose further restrictions on dividends. We currently intend to continue to pay cash dividends, subject to compliance with Federal Reserve Board policy, OCC rules and regulations, state corporation laws, our financial condition and results of operations, capital requirements, covenants contained in our various financing agreements, management's assessment of future capital needs and other factors considered by our board of directors.

Market Price of Common Stock

The following table sets forth, for the fiscal quarters indicated, the high and low sales prices of our common stock, as reported on the NASDAQ Capital Market, and the cash dividends declared.

| | High and Low Sales Prices Common Stock | | Cash Dividends Declared |
|---|--|----------|-------------------------------|
| | High | Low | |
| Fiscal Year 2004 | | | |
| First Quarter | \$ 16.25 | \$ 12.26 | \$ 0.030 |
| Second Quarter | 15.25 | 14.03 | 0.035 |
| Third Quarter | 14.99 | 13.51 | 0.035 |
| Fourth Quarter | 18.60 | 13.64 | 0.035 |
| Fiscal Year 2005 | | | |
| First Quarter | \$ 18.40 | \$ 17.00 | \$ 0.035 |
| Second Quarter | 19.96 | 18.05 | 0.040 |
| Third Quarter | 19.45 | 18.01 | 0.040 |
| Fourth Quarter | 21.64 | 18.50 | 0.040 |
| Fiscal Year 2006 | | | |
| First Quarter | \$ 26.05 | \$ 20.00 | \$ 0.040 |
| Second Quarter | 30.24 | 23.75 | 0.045 |
| Third Quarter (Through August 21, 2006) | 30.50 | 27.51 | N/A |

On August 21, 2006, there were approximately 670 holders of record of our common stock. On August 21, 2006, the most recent practicable date before the date of this prospectus, the high and low sales prices per share of our common stock on the NASDAQ Capital Market were \$28.50 and \$28.50, respectively.

Capitalization

The following table shows our capitalization as of June 30, 2006 on an actual and an as adjusted basis to give effect to the receipt and application of the net proceeds from the offering. The as adjusted capitalization assumes that 1,100,000 shares of common stock are sold by us at a price per share of \$ and that the net proceeds from the offering, after deducting the estimated offering expenses payable by us, are approximately \$ million (based upon the assumptions set forth under the caption "Use of Proceeds").

| | June 30, 2006 | |
|--|---------------|---------------------------------|
| | Actual | As Adjusted for the Offering |
| (in thousands, except per share and share data) | | |
| Borrowings: | | |
| Federal Home Loan Bank borrowings | \$ 43,000 | \$ 43,000 |
| Junior subordinated debt owed to unconsolidated trust | 8,248 | 8,248 |
| | <u>51,248</u> | <u>51,248</u> |
| Total borrowings(1) | \$ 51,248 | \$ 51,248 |
| Shareholders' Equity: | | |
| Preferred stock, no par value per share; 1,000,000 shares authorized; no shares issued and outstanding | | |
| Common stock, \$2.00 par value per share; 60,000,000 shares authorized; 3,230,649 shares issued and outstanding, actual; 4,339,494 shares issued and outstanding, as adjusted(2) | \$ 6,461 | \$ |
| Additional paid-in capital | 21,709 | |
| Retained earnings | 4,940 | 4,940 |
| Accumulated other comprehensive loss net unrealized loss on available for sale securities, net of taxes | (1,375) | |
| | <u>31,735</u> | <u></u> |
| Total shareholders' equity | \$ 31,735 | \$ |
| Bancorp capital ratios(3) | | |
| Tangible capital to tangible assets(4) | 5.52% | % |
| Tier 1 capital (to average assets) | 7.53 | |
| Tier 1 capital (to risk weighted assets) | 9.59 | |
| Total capital (to risk weighted assets) | 10.84 | |

(1) In addition to the indebtedness reflected above, we had total deposits of \$472.6 million at June 30, 2006.

(2) The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of August 15, 2006 and excludes 65,000 shares of our common stock issuable upon the exercise of outstanding options on such date, at a weighted average exercise price of \$10.13. As of August 15, 2006, we did not have any shares available for future grant under our stock option plan. After giving effect to the issuance of an aggregate of 8,000 shares of common stock upon exercise of stock options after June 30, 2006 and the issuance of 845 shares of common stock to five outside directors on July 13, 2006, there were 3,239,494 shares of common stock outstanding at August 15, 2006.

(3) See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity Capital" and "Supervision and Regulation." The as adjusted ratios assume the initial deployment of the net proceeds of this offering in short-term assets with a 20%

risk-weighting under applicable regulations.

- (4) Represents total consolidated common equity, less intangibles, divided by total consolidated assets, less intangibles.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary

We are the bank holding company for the Bank, the largest publicly-held commercial bank headquartered in Fairfield County, Connecticut. We and the Bank are headquartered in Stamford, Connecticut, approximately 40 miles east of New York City. The Bank has ten branch office locations serving customers located in the Fairfield County communities of Stamford, Greenwich, Old Greenwich, Norwalk, Wilton, Darien and Southport. In addition, we have loan production offices in Stamford, Connecticut, Melville (Long Island), New York and New York City, New York.

We have received regulatory approval to open four additional branches in Fairfield, Fairfield Center and Trumbull in Fairfield County, and Milford in New Haven County, Connecticut, which we plan to bring into service during the fourth quarter of this year. Based on our experience in opening new branch offices, capital expenditures have ranged between \$315,000 and \$450,000. The capital expenditures for the new locations could be significantly higher. In addition, in July 2006, we entered into an agreement with another financial institution to acquire a small branch office and assume the lease at 45 West End Avenue, New York, New York. The acquisition of the New York City branch, which we expect to complete before the end of 2006, subject to receipt of all required regulatory approvals, will allow us to expand into Westchester County, New York by establishing new bank branches. This is the primary reason for the branch acquisition. We do not anticipate further branch expansion in New York City. We have signed a letter of intent to lease a facility in Bedford, in Westchester County, New York. Initially, we plan to operate this facility as a loan production office. Following the completion of our acquisition of the New York City bank branch office, we plan to apply during the first quarter of 2007 for regulatory approval to operate the Bedford loan production office as a full service bank branch office. We plan to continue to open additional branches in Fairfield County, Connecticut and Westchester County, New York in the future.

The Bank offers a broad range of commercial and consumer banking services with an emphasis on serving the needs of small and medium-sized businesses, commercial real estate investors and builders, professionals such as accountants and attorneys, as well as individuals. We offer consumer and commercial deposit accounts such as checking accounts, insured money market accounts, time certificates of deposit, and savings accounts and also offer commercial real estate and construction loans to area businesses and developers, commercial loans to area businesses, as well as home mortgages, home improvement loans and home equity lines of credit to individuals. The Bank also solicits and processes conventional mortgage applications from consumers on behalf of permanent investors and originates loans for sale. Revenues are generated from loan brokerage and application processing fees received from permanent investors and gains and origination fees from loans sold.

June 30, 2006 compared to December 31, 2005

Our total assets increased \$88.4 million, or 19%, to \$559.0 million at June 30, 2006 from \$470.6 million at December 31, 2005. The increase in the total assets was primarily attributable to an increase in net loans of \$86.3 million, or 24%, to \$450.5 million at June 30, 2006 from \$364.2 million at December 31, 2005, which increase resulted directly from our strategy to grow our total loan portfolio. As part of this strategy, we hired four additional lenders in the six months ended June 30, 2006, and one additional lender joined us in August, 2006. We also expect expenses to increase as a result of hiring these new lenders. The available for sale securities portfolio decreased \$6.6 million, or 8%, to \$72.1 million at June 30, 2006 from \$78.7 million at December 31, 2005. Loan growth was funded primarily through an increase in deposits and borrowings. Deposits increased \$53.5 million to \$472.6 million at June 30, 2006 from \$419.1 million at December 31, 2005. Interest-bearing deposits increased \$51.5 million, or 14%, and non-interest bearing deposits increased \$2.1 million, or 4% at June 30, 2006 as compared to December 31, 2005. Borrowings increased \$34.0 million to \$51.2 million

at June 30, 2006 from \$17.2 million at December 31, 2005. Total shareholders' equity increased \$361,000 to \$31.7 million at June 30, 2006 from \$31.4 million at December 31, 2005.

Critical Accounting Policies

In the ordinary course of business, we have made a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our only critical accounting policy, which is the policy that is most important to the presentation of our financial results. This policy requires management's most difficult, subjective and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed this critical accounting policy and estimates with our Loan Committee and our Audit Committee.

We believe the allowance for loan losses is a critical accounting policy that requires the most significant judgments and estimates used in preparation of our consolidated financial statements. Refer to the discussion below under the caption "Allowance for Loan Losses" on pages 27 and 42 and note 1 to the audited consolidated financial statements on page F-9 for a detailed description of our estimation process and methodology related to the allowance for loan losses.

Financial Condition

Our total assets increased \$88.4 million, or 19%, to \$559.0 million at June 30, 2006 from \$470.6 million at December 31, 2005. Cash and cash equivalents increased \$6.3 million, or 40%, to \$22.3 million at June 30, 2006 as compared to \$16.0 million at December 31, 2005 primarily due to a high volume of customer deposits at the end of the quarter which were deposited to our correspondent accounts and invested in federal funds sold. Cash and due from banks and federal funds sold increased \$1.3 million and \$7.1 million, respectively, while short term investments decreased \$2.1 million at June 30, 2006 as compared to December 31, 2005.

Investments

The following table is a summary of the investment portfolio at fair value as of the dates indicated:

| | June 30, 2006 | December 31, 2005 |
|---|--------------------------|------------------------------|
| | (in thousands) | |
| U.S. Government agency and sponsored agency Obligations | \$ 16,318 | \$ 16,477 |
| Mortgage-backed securities | 49,828 | 56,195 |
| Money market preferred equity securities | 6,000 | 6,000 |
| Total investments | \$ 72,146 | \$ 78,672 |

Available for sale securities decreased \$6.6 million, or 8%, to \$72.1 million at June 30, 2006 from \$78.7 million at December 31, 2005. This decrease was due to principal payments on mortgage-backed securities.

Federal Home Loan Bank Stock

The increase in the FHLB stock of \$1.4 million is attributable to the increase in FHLB advances; the Bank's investment in FHLB stock is based partially on the amount of FHLB advances outstanding.

The following table presents the maturity distribution of available for sale investment securities at June 30, 2006 and the weighted average yield of such securities. The weighted average yields were calculated based on the amortized cost and effective yields to maturity of each security.

| | <u>One year or less</u> | <u>Over one through five years</u> | <u>Over five through ten years</u> | <u>Over ten years</u> | <u>No maturity</u> | <u>Total(1)</u> | <u>Weighted Average Yield</u> |
|---|-----------------------------|--|--|---------------------------|--------------------|------------------|---------------------------------------|
| (dollars in thousands) | | | | | | | |
| U.S. Government agency and sponsored agency obligations | \$ | \$ 17,000 | \$ | \$ | \$ | \$ 17,000 | 3.59% |
| Mortgage-backed securities | | | | | 51,365(2) | 51,365 | 4.33 |
| Money market preferred equity securities | | | | | 6,000 | 6,000 | 3.44 |
| Total | \$ | \$ 17,000 | \$ | \$ | \$ 57,365 | \$ 74,365 | 4.09% |
| Weighted average yield | | % 3.59% | | % | % 4.24% | 4.09% | |

(1) Reflects amortized cost as opposed to fair value. See note 3 to our audited consolidated financial statements and note 2 to our unaudited consolidated financial statements.

(2) Our mortgage-backed securities generally have original terms to maturity of 10 or more years. However, original terms to maturity do not reflect the expected average lives of the mortgage-backed securities. We expect the average lives of our mortgage-backed securities to be substantially less than their contractual terms because of, among other things, amortization and prepayments.

The following table presents a summary of investments for any issuer that exceeds 10% of shareholders' equity at June 30, 2006.

| | <u>Amortized Cost</u> | <u>Fair Value</u> |
|--|---------------------------|-----------------------|
| (in thousands) | | |
| Available for sale securities: | | |
| U.S. Government agency and sponsored agency obligations | \$ 17,000 | \$ 16,318 |
| U.S. Government agency and sponsored agency mortgage backed securities | 51,365 | 49,828 |

Home Loan Bank of Boston amortizing advance rate. There are no adjustment period or lifetime interest rate caps. Loans are secured by first mortgages that generally do not exceed 75% of the property's appraised value. At June 30, 2006, the largest outstanding commercial real estate loan was \$3.4 million which is secured by a first mortgage on an office/warehouse facility in Norwalk, Connecticut and is performing according to its original terms as of such date.

On a very selective basis, we also originate fixed-rate commercial real estate loans. The amount of fixed-rate commercial real estate loans in our portfolio at June 30, 2006 was \$23.9 million, or 16% of total commercial real estate loans. The longest term of any fixed-rate commercial real estate loan in the portfolio was 25 years.

Loans secured by commercial real estate generally have larger balances and involve a greater degree of risk than one- to four-family residential mortgage loans. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the property. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. As of June 30, 2006, three loans totaling \$4.5 million, or 3% of our commercial real estate loans, were non-accrual loans.

To monitor cash flows on income properties, we require borrowers and loan guarantors, if any, to provide annual financial statements. We generally require a minimum debt service coverage ratio of 1.25. In reaching a decision on whether to make a commercial real estate loan, we consider the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. In addition, with respect to commercial real estate rental properties, we will consider the term of the leases and the quality of the tenants. Loan size for a borrower is generally limited to 85% of our legal lending limit. We require title insurance on all commercial real estate loans. An environmental survey or environmental insurance is generally required for commercial real estate loans secured by office buildings, shopping centers, or industrial properties or properties that had previous industrial uses.

One- to Four-Family Residential Loans. We originate residential mortgage loans to enable borrowers to purchase or refinance existing homes or to construct new residential dwellings in our market area. We include in our portfolio adjustable-rate mortgage loans with terms up to 30 years. Borrower demand for adjustable-rate loans versus fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, the difference between the interest rates and loan fees offered for fixed-rate mortgage loans and the initial period interest rates and loan fees for adjustable-rate loans. The relative number of adjustable-rate versus fixed-rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment and the effect each has on our interest rate risk. The loan fees charged, interest rates and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions. At June 30, 2006, we had an aggregate of \$94.4 million, or 20.6% of total loans, invested in residential real estate loans.

Our adjustable-rate mortgage loans are generally based on a 30-year amortization schedule. Interest rates and payments on our adjustable-rate mortgage loans adjust annually after either of a three- or five-year initial fixed period. The maximum amount by which the interest rate may be increased or decreased is generally 2% per adjustment period and the lifetime interest rate cap is generally 6% over the initial interest rate of the loan.

While one- to four-family residential real estate loans are normally originated with up to 30-year terms; such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and

sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans.

We generally make adjustable rate mortgage loans with a loan-to-value ratio of up to 80% only when secured by first liens on owner-occupied one- to four-family residences with a maximum debt ratio of 38%, or 42% including property taxes. We require all properties securing mortgage loans in excess of \$250,000 to be appraised by an independent appraiser. We require title insurance on all first mortgage loans. Borrowers must obtain hazard insurance, or flood insurance for loans secured by property located in a flood zone, before closing the loan.

Construction Loans. We originate loans to individuals and builders to finance the construction of residential dwellings. To a significantly lesser extent, we also make construction loans for commercial development projects, including condominiums, apartment buildings, and owner-occupied properties used for businesses. Our construction loans generally provide for the payment of interest only during the construction phase, which is usually 18 to 24 months. At the end of the construction phase, the loan generally converts to a permanent mortgage loan if owner-occupied, or is repaid upon sale if made to a builder. We generally limit the amount of a construction loan to 80% of our legal lending limit. Loans generally can be made with a maximum loan to value ratio of 65% of the "as completed" appraised value or 75% of the cost of the project, whichever is less. At June 30, 2006, we had an aggregate of \$165.9 million, or 36.3% of total loans, invested in construction. At June 30, 2006, the largest outstanding residential construction loan commitment was for \$5.5 million, of which \$3.0 million was outstanding at June 30, 2006, and is performing as to its original terms as of such date. At June 30, 2006, there were no outstanding commercial construction loans. Before making a commitment to fund a construction loan, we require an appraisal of the property by an independent licensed appraiser. We also will require additional inspections of the property before disbursement of funds during the term of the construction loan.

Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the development, although we generally require that an interest reserve be established at closing. If the estimate of value proves to be inaccurate, we may be confronted, at or before the maturity of the loan, with a project having a value which is insufficient to assure full repayment. As a result of the foregoing, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay principal and interest. If we are forced to foreclose on a project before or at completion due to a default, there can be no assurance that we will be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. We generally limit speculative construction loans (loans for which there is not a contract for sale at the time of construction financing) to two for any one borrower at any one time. We also have internal guidelines which limit speculative construction loans to not more than 35% of the total loan portfolio. We may exceed the guidelines from time to time due to the uncertainty of forecasting cash flows on specific loan projects. At June 30, 2006, speculative construction loans constituted 30% of the total loan portfolio.

Commercial Loans. We make commercial business loans to a variety of small businesses primarily in our market area. We offer a variety of commercial lending products, the maximum amount of which is limited by our in-house loans-to-one-borrower limit of 85% of our legal lending limit. At June 30, 2006, we had an aggregate of \$15.8 million, or 3.5% of total loans, invested in commercial loans.

Commercial loans are secured by business assets other than real estate, such as accounts receivable, business equipment and inventory. We originate lines of credit to finance the working capital needs of businesses to be repaid by seasonal cash flows or to provide a period of time during which the business can borrow funds for planned equipment purchases. These lines of credit generally have a one-year term. We also offer time notes, stand-by letters of credit and Small Business Administration guaranteed loans. Time notes are short-term loans and will only be granted on the basis of a defined source of repayment of principal and interest from a specific foreseeable event.

When making commercial loans, we consider the financial statements of the borrower, the borrower's payment history of both corporate and personal debt, the debt service capabilities of the borrower, the projected cash flows of the business, the viability of the industry in which the borrower operates and the value of the collateral.

Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of the business itself. Loans are generally made on a recourse basis with the personal guarantee of the business principal. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Home Equity and Consumer Loans. We offer home equity loans and lines of credit as well as consumer loans. At June 30, 2006, we had an aggregate of \$27.0 million, or 5.9% of total loans, invested in home equity and consumer loans.

Home equity loans and lines of credit have adjustable rates of interest that are indexed to the Wall Street Journal prime rate. We offer home equity loans with maximum combined loan-to-value ratios of 75%. A home equity line of credit may be drawn down by the borrower for an initial period of ten years from the date of the loan agreement. During this period, the borrower has the option of paying, on a monthly basis, either principal and interest or only interest. If not renewed, the borrower has to pay back the amount outstanding under the line of credit over a term not to exceed 15 years, beginning at the end of the ten-year line of credit period.

We also offer consumer loans, primarily as an accommodation to existing customers. The procedures for underwriting consumer loans include an assessment of the applicant's payment history on other debts and ability to meet existing obligations and payments on the proposed loans. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Home equity loans and lines of credit, and consumer loans generally entail greater risk than do other loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, loan collections depend on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory, underwriting standards and loan origination procedures established by our board of directors and management. Every loan is underwritten by a credit analyst other than the loan origination officer and at least three signatures are required for every loan. The Bank's credit committee has the authority to

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changes in both rates and volume.

- (2) All ratios are annualized where appropriate.
- (3) Includes non-accruing loans.
- (4) Yields are calculated at historical cost and excludes the effects of unrealized gain or loss on available for sale securities.

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All ratios are annualized where appropriate.

- (3) Includes non-accruing loans.
- (4) Yields are calculated at historical cost and excludes the effects of unrealized gain or loss on available for sale securities.

Borrowings

Borrowings increased \$1.0 million to \$17.2 million at December 31, 2005 compared to December 31, 2004.

Borrowings are comprised of Federal Home Loan Bank advances and junior subordinated debentures.

The following table sets forth short-term borrowing amounts along with the respective interest rates and maturities at December 31, 2005:

Federal Home Loan Bank advances:

| <u>Amount</u> | <u>Maturity</u> | <u>Rate</u> | <u>Average amount outstanding</u> |
|---------------|-----------------|-------------|-----------------------------------|
| \$5,000,000 | 03/13/2006 | 4.490% | \$ 273,973 |
| 1,000,000 | 05/01/2006 | 2.490% | 1,000,000 |
| <hr/> | | | |
| \$6,000,000 | | 4.156% | \$ 1,273,973 |
| <hr/> | | | |

The maximum amount of short term borrowings outstanding under Federal Home Loan Bank advances during 2005 was \$15,000,000.

We issued trust preferred securities in 2003. These securities are shown as junior subordinated debt on our consolidated balance sheets and \$8.2 million of principal remained outstanding on December 31, 2005. These securities bear interest at the three-month LIBOR plus 3.15%, mature on March 26, 2033 and can be redeemed at our election beginning in 2008. The trust preferred securities supplement our Tier 1 capital based on applicable regulatory guidelines. These securities are described in greater detail in note 7 to our audited consolidated financial statements.

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The competence, experience or integrity of the acquiring person indicates that it would not be in the interest of the depositors or of the public to permit the acquisition of control by such person.

The BHCA provides that a company may not acquire control of a bank, directly or indirectly, without the prior approval of the Federal Reserve Board. Any company that acquires control of a bank becomes a "bank holding company" subject to registration, examination and regulation by the Federal Reserve Board. Under federal regulations, the term "company" is defined to include banks, corporations, partnerships, associations, and certain trusts and other entities. "Control" is deemed to exist if a company has voting control, directly or indirectly, of at least 25% of any class of a bank's voting stock. Control may be found to exist if a company controls in any manner the election of a majority of the directors of the bank or has the power to exercise a controlling influence over the management or policies of the bank. In addition, a bank holding company must obtain Federal Reserve Board approval prior to acquiring voting control of more than 5% of any class of voting stock of a bank or another bank holding company.

An acquisition of control of a bank that requires the prior approval of the Federal Reserve Board under the BHCA is not subject to the notice requirements of the Change in Bank Control Act. Accordingly, the prior approval of the Federal Reserve Board under the BHCA would be required (a) before any bank holding company could acquire 5% or more of our common stock and (b) before any other company could acquire 25% or more of our common stock.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Patriot National Bancorp, Inc. and Subsidiary
Stamford, Connecticut

We have audited the accompanying consolidated balance sheets of Patriot National Bancorp, Inc. and Subsidiary (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Patriot National Bancorp, Inc. and Subsidiary as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

New Haven, Connecticut
March 8, 2006

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an affiliation of separate and independent legal entities.

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| | <u>2005</u> | <u>2004</u> |
|---|-----------------------|-----------------------|
| Total liabilities and shareholders' equity | \$ 470,641,162 | \$ 405,046,955 |

See Notes to Consolidated Financial Statements.

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| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--|----------------|--------------|----------------|
| Cash paid for: | | | |
| Interest | \$ 10,265,152 | \$ 7,020,278 | \$ 5,569,011 |
| Income taxes | \$ 1,234,761 | \$ 850,970 | \$ 1,102,971 |
| Supplemental Disclosure of Noncash Investing and Financing Activities | | | |
| Unrealized holding losses on available for sale securities arising during the period | \$ (1,146,631) | \$ (136,065) | \$ (1,419,317) |
| Accrued dividends declared on common stock | \$ 129,226 | \$ 87,024 | \$ 72,258 |

See Notes to Consolidated Financial Statements.

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PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Patriot National Bancorp, Inc. (the "Company"), a Connecticut corporation, is a bank holding company that was organized in 1999. On December 1, 1999, all the issued and outstanding shares of Patriot National Bank (the "Bank") were converted into Company common stock and the Bank became a wholly owned subsidiary of the Company. The Bank is a nationally chartered commercial bank whose deposits are insured under the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. The Bank provides a full range of banking services to commercial and consumer customers through its main office in Stamford, Connecticut, and nine branch offices in Fairfield County, Connecticut. The Bank's customers are concentrated in Fairfield County, Connecticut and Westchester County, New York. The Bank also conducts mortgage brokerage operations through offices in Connecticut and New York through its Residential Lending Group.

On March 11, 2003, the Company formed Patriot National Statutory Trust I (the "Trust") for the purpose of issuing trust preferred securities and investing the proceeds in subordinated debentures issued by the Company, and on March 26, 2003, the first series of trust preferred securities were issued. In accordance with FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities," ("FIN 46R") the Trust is not included in the Company's consolidated financial statement.

The following is a summary of the Company's significant accounting policies:

Significant group concentrations of credit risk

Most of the Company's activities are with customers located within Fairfield County, Connecticut and Westchester County, New York. Note 3 discusses the types of securities in which the Company invests. Note 4 discusses the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer.

Principles of consolidation and basis of financial statement presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, the Bank, and the Bank's wholly owned subsidiary, PinPat Acquisition Corporation (currently inactive); and have been prepared in accordance with accounting principles generally accepted in the United States of America and general practices within the banking industry. All significant intercompany balances and transactions have been eliminated. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities, as of the balance sheet date and reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the evaluation of goodwill for impairment.

Cash and cash equivalents

Cash and due from banks, Federal funds sold and short-term investments are recognized as cash equivalents in the consolidated financial statements. Federal funds sold generally mature in one day. For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash flows from loans and

deposits are reported net. The Company maintains amounts due from banks and Federal funds sold which, at times, may exceed Federally insured limits. The Company has not experienced any losses from such concentrations. The short-term investment represents an investment in a money market mutual fund of a single issuer.

Investments in debt and marketable equity securities

Management determines the appropriate classification of securities at the date individual investment securities are acquired, and the appropriateness of such classification is reassessed at each balance sheet date.

Debt securities, if any, that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and are recorded at amortized cost. "Trading" securities, if any, are carried at fair value with unrealized gains and losses recognized in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income, net of taxes.

Purchase premiums and discounts are recognized in interest income using the interest method over the lives of the securities. Declines in the fair value of available for sale and held to maturity securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

The sale of a held to maturity security within three months of its maturity date or after collection of at least 85% of the principal outstanding at the time the security was acquired is considered a maturity for purposes of classification and disclosure.

Loans held for sale

Loans held for sale are those loans the Company has the intent to sell in the foreseeable future, and are carried at the lower of aggregate cost or market value. Gains and losses on sales of loans are recognized at the trade dates, and are determined by the difference between the sales proceeds and the carrying value of the loans. Loans are sold with servicing released.

Loans receivable

Loans receivable are stated at their current unpaid principal balances and are net of the allowance for loan losses, net deferred loan origination fees and purchased loan premiums and discounts. The Company has the ability and intent to hold its loans for the foreseeable future or until maturity or payoff.

Management considers all nonaccrual loans and restructured loans to be impaired. In most cases, loan payments that are past due less than 90 days, based on contractual terms, are considered minor collection delays, and the related loans are not considered to be impaired. The Company considers consumer installment loans to be pools of smaller balance homogeneous loans, which are collectively evaluated for impairment.

A loan is classified as a restructured loan when certain concessions have been made to the original contractual terms, such as reductions in interest rates or deferral of interest or principal payments, due to the borrower's financial condition.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are recorded as adjustments to the allowance for loan losses. A loan is impaired when it is probable the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are considered impaired. For impaired loans, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. A risk rating system is utilized to measure the general component of the allowance for loan losses. Under this system, each loan is assigned a risk rating between one and nine, which has a corresponding loan loss factor assigned, with a rating of "one" being the least risk and a rating of "nine" reflecting the most risk or a complete loss. Risk ratings are assigned based upon the recommendations of the credit analyst and the originating loan officer and confirmed by the loan committee at the initiation of the transactions and are reviewed and changed, when necessary, during the life of the loan. Loan loss reserve factors are multiplied against the balances in each risk rating category to arrive at the appropriate level for the allowance for loan losses. Loans assigned a risk rating of "six" or above are monitored more closely by the credit administration officers and loan committee.

The unallocated portion of the allowance reflects management's estimate of probable but undetected losses inherent in the portfolio; such estimates are influenced by uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's

financial condition, difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors.

The Company's real estate loans are collateralized by real estate located principally in Fairfield County, Connecticut and Westchester County, New York, and accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio is susceptible to changes in regional real estate market conditions.

Interest and fees on loans

Interest on loans is accrued and included in operating income based on contractual rates applied to principal amounts outstanding. The accrual of interest income is discontinued whenever reasonable doubt exists as to its collectibility and generally is discontinued when loans are past due 90 days, based on contractual terms, as to either principal or interest. When the accrual of interest income is discontinued, all previously accrued and uncollected interest is reversed against interest income. The accrual of interest on loans past due 90 days or more, including impaired loans, may be continued if the loan is well secured, and it is believed all principal and accrued interest income due on the loan will be realized, and the loan is in the process of collection. A nonaccrual loan is restored to an accrual status when it is no longer delinquent and collectibility of interest and principal is no longer in doubt. Interest collected on nonaccrual loans and impaired loans is recognized only to the extent cash payments are received, and may be recorded as a reduction to principal if the collectibility of all loan principal is unlikely.

Loan origination fees and direct loan origination costs are deferred and amortized as an adjustment to the loan's yield, generally over the contractual life of the loan, utilizing the interest method.

Loan brokerage activities

The Company receives loan brokerage fees for soliciting and processing conventional loan applications on behalf of permanent investors. Brokerage fee income is recognized upon closing of loans for permanent investors.

Transfers of financial assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets and no condition both constrains the transferee from taking advantage of that right and provides more than a trivial benefit for the transferor, and (3) the transferor does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates the transferor to repurchase or redeem the assets before maturity or (b) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Other real estate owned

Other real estate owned, if any, consists of properties acquired through, or in lieu of, loan foreclosure or other proceedings and is initially recorded at fair value at the date of foreclosure, which establishes a new cost basis. After foreclosure, the properties are held for sale and are carried at the lower of cost or fair value less estimated costs of disposal. Any write-down to fair value at the time of acquisition is charged to the allowance for loan losses. Properties are evaluated regularly to ensure the recorded amounts are supported by current fair values, and valuation allowances are recorded as necessary to reduce the carrying amount to fair value less estimated cost of disposal. Revenue and expense from the operation of other real estate owned and valuation allowances are included in operations. Costs relating to the development and improvement of the property are capitalized, subject to the limit of fair value of the collateral. Gains or losses are included in operations upon disposal.

Premises and equipment

Premises and equipment are stated at cost for purchased assets, and at the lower of fair value or the net present value of the minimum lease payments required over the term of the lease for assets under capital leases, net of accumulated depreciation and amortization. Leasehold improvements are capitalized and amortized over the shorter of the terms of the related leases or the estimated economic lives of the improvements. Depreciation is charged to operations using the straight-line method over the estimated useful lives of the related assets which range from three to ten years. Amortization of premises under capital leases is charged to operations using the straight-line method over the life of the lease. Gains and losses on dispositions are recognized upon realization. Maintenance and repairs are expensed as incurred and improvements are capitalized.

Impairment of assets

Long-lived assets, which are held and used by the Company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to noninterest expense.

Goodwill

Goodwill represents the cost in excess of net assets of businesses acquired and is tested for impairment annually, or more frequently under prescribed conditions.

Income taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets

are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Related party transactions

Directors and officers of the Company and the Bank and their affiliates have been customers of and have had transactions with the Bank, and it is expected that such persons will continue to have such transactions in the future. Management believes that all deposit accounts, loans, services and commitments comprising such transactions were made in the ordinary course of business, and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers who are not directors or officers. In the opinion of management, the transactions with related parties did not involve more than normal risks of collectibility or favored treatment or terms, or present other unfavorable features. Note 15 contains details regarding related party transactions.

Earnings per share

Basic earnings per share represents income available to common stockholders and is computed by dividing net income by the weighted-average number of common shares outstanding. Diluted earnings per share reflects additional common shares that would have been outstanding if potential dilutive common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate to outstanding stock options and warrants, and are determined using the treasury stock method.

Stock compensation plans

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Company's stock option plan, and stock warrants issued, have no intrinsic value at the grant date, and under Opinion No. 25 no compensation cost is recognized for them. The Company has elected to continue with the accounting methodology in Opinion No. 25 and, as a result, provides pro forma disclosures of net income and earnings per share and other disclosures, as if the fair value based method of accounting had been applied. There is no proforma disclosure required for 2005 and 2004, because no compensation cost related to stock options and warrants was attributed to those periods. See "Recent Accounting Pronouncements" below for developments regarding accounting for stock compensation plans.

Comprehensive income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

Fair values of financial instruments

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments:

Cash and due from banks, federal funds sold, short-term investments and accrued interest and dividends receivable

The carrying amount is a reasonable estimate of fair value.

Securities

Fair values, excluding restricted Federal Reserve Bank stock and Federal Home Loan Bank stock, are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. The carrying values of the Federal Reserve Bank stock and Federal Home Loan Bank stock approximate fair value based on the redemption provisions of the related stock.

Loans receivable

For variable rate loans which reprice frequently, and have no significant changes in credit risk, fair value is based on the loans' carrying value. The fair value of fixed rate loans is estimated by discounting the future cash flows using the year end rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits

The fair value of demand deposits, regular savings and certain money market deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit and other time deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities on such deposits.

Borrowings

For variable rate borrowings which reprice frequently, and short-term borrowings, fair value is based on carrying value. The fair value of fixed rate borrowings is estimated by discounting the future cash flows using current interest rates for similar available borrowings with the same remaining maturities.

Off-balance-sheet instruments

Fair values for the Company's off-balance-sheet instruments (lending commitments and standby letters of credit) are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Recent accounting pronouncements

In December 2003, the Accounting Standards Executive Committee of the AICPA issued Statement of Position No. 03-3 ("SOP 03-3"), "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 addresses the accounting for differences between contractual cash flows and the cash flows expected to be collected from purchased loans or debt securities if those differences are attributable, in part, to credit quality. SOP 03-3 requires purchased loans and debt securities to be recorded initially at fair value based on the present value of the cash flows expected to be collected with no carryover of any valuation allowance previously recognized by the seller. Interest income should be recognized based on the effective yield from the cash flows expected to be collected. To the extent that the purchased loans or debt securities experience subsequent deterioration in credit quality, a valuation allowance would be established for any additional cash flows that are not expected to be received. However, if subsequently more cash flows are expected to be received than originally estimated, the effective yield would be adjusted on a prospective basis. SOP 03-3 was effective for loans and debt securities acquired after December 31, 2004. This Statement had no impact on the Company's financial statements.

On September 30, 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") Emerging Issues Task Force ("EITF") Issue No. 03-1-1 delaying the effective date of paragraphs 10-20 of EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments," which provides guidance for determining the meaning of "other-than-temporarily impaired" and its application to certain debt and equity securities within the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and investments accounted for under the cost method. The guidance requires that investments which have declined in value due to credit concerns or solely due to changes in interest rates must be recorded as other-than-temporarily impaired unless the Company can assert and demonstrate its intention to hold the security for a period of time sufficient to allow for a recovery of fair value up to or beyond the cost of the investment which might mean maturity. The delay of the effective date of EITF 03-1 was superseded by the issuance on November 3, 2005 of FSP 115-1, "The Meaning of Other-Than-Temporarily Impaired and Its Application to Certain Investments." This FSP nullified paragraphs 10-18 of EITF 03-1, carried forward certain requirements of EITF 03-1 relating to cost method investments, carried forward certain

PATRIOT NATIONAL BANCORP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

| | Number of Shares | Common Stock | Additional Paid-In Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|--|------------------------|-----------------|----------------------------------|----------------------|---|---------------|
| Balance at December 31, 2004 | 2,486,391 | \$ 4,972,782 | \$ 11,830,173 | \$ 3,346,718 | \$ (393,239) | \$ 19,756,434 |
| Comprehensive income | | | | | | |
| Net income | | | 638,276 | | 638,276 | |
| Unrealized holding loss on available for sale securities, net of taxes | | | | | (176,789) | (176,789) |
| Total comprehensive income | | | | | | 461,487 |
| Dividends | | | | (186,705) | | (186,705) |
| Issuance of capital stock | 3,000 | 6,000 | 24,330 | | | 30,330 |
| Balance at June 30, 2005 | 2,489,391 | \$ 4,978,782 | \$ 11,854,503 | \$ 3,798,289 | \$ (570,028) | \$ 20,061,546 |
| Balance at December 31, 2005 | 3,230,649 | \$ 6,461,298 | \$ 21,709,224 | \$ 4,308,242 | \$ (1,104,149) | \$ 31,374,615 |
| Comprehensive income | | | | | | |
| Net income | | | | 906,735 | | 906,735 |
| Unrealized holding loss on available for sale securities, net of taxes | | | | | (271,534) | (271,534) |
| Total comprehensive income | | | | | | 635,201 |
| Dividends | | | | (274,605) | | (274,605) |
| Balance at June 30, 2006 | 3,230,649 | \$ 6,461,298 | \$ 21,709,224 | \$ 4,940,372 | \$ (1,375,683) | \$ 31,735,211 |

See accompanying notes to consolidated financial statements.

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| | Six Months Ended June 30, | |
|--|------------------------------|--------------|
| | _____ | _____ |
| Income Taxes | \$ 934,020 | \$ 487,941 |
| Supplemental disclosure of noncash investing and financing activities: | | |
| Unrealized holding loss on available for sale securities arising during the period | \$ (437,957) | \$ (285,144) |
| Accrued dividends declared on common stock | \$ 145,379 | \$ 99,576 |
| | _____ | _____ |

See accompanying notes to consolidated financial statements.

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Prior to April 1, 2006, Bancorp had two reportable segments: commercial banking and mortgage brokerage activities. The operations of the mortgage broker have been fully integrated into the operations of the commercial bank. The activities of the former mortgage broker segment have expanded to include the products and services of the former commercial banking segment and developed such that they are indistinguishable from the lending activities of the commercial bank. Any such separate financial disclosures would be consistent with those presented in the financial statements.

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1,100,000 Shares

Common Stock

PATRIOT NATIONAL BANCORP, INC.

PROSPECTUS

, 2006

Sandler O'Neill + Partners, L.P.

PART II INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table shows the costs and expenses, payable in connection with the sale and distribution of the securities being registered. We will pay all of these amounts. All amounts except the Securities and Exchange Commission registration fee are estimated.

| | | |
|---|-----------|----------------|
| SEC registration fee | \$ | 3,858 |
| NASDAQ Global Market listing fee | | 100,000 |
| NASD filing fee | | 1,700 |
| Accounting fees and expenses | | 100,000 |
| Legal fees and expenses | | 175,000 |
| Printing fees and expenses | | 75,000 |
| Transfer Agent fees and expenses | | 30,000 |
| Blue sky fees and expenses (including legal fees) | | 50,000 |
| Financial advisor fees and expenses | | 186,000 |
| Miscellaneous | | 3,442 |
| Total | \$ | 725,000 |

Item 14. Indemnification of Directors and Officers.

Section 33-771 of the Connecticut Business Corporation Act as amended permits the indemnification of directors and other individuals as long as such individual's behavior conforms to certain standards. Section 33-636 provides that a corporation's certificate of incorporation may limit personal liability and make indemnification obligatory under certain circumstances.

Section VII of our Certificate of Incorporation, as amended, provides that we shall, to the fullest extent permitted under the Connecticut Business Corporation Act, indemnify anyone that we have the power to indemnify against any expenses, liabilities or other matters referred to in or covered by the Act. This indemnification is not exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of shareholders or disinterested directors, or otherwise. Both action in an official capacity and action in another capacity while holding office may be subject to indemnification. A person's right to indemnification does not cease solely because that person ceases to be a director, officer, employee or agent, or because that person dies.

Our Certificate of Incorporation does not provide for indemnification for expenses, penalties or other payments incurred in an administrative proceeding instituted by a bank regulatory agency resulting in civil monetary penalties or requiring payments to us. Director liability for breach of a duty to the company or its shareholders for monetary damages is limited to the amount of compensation for serving the corporation during the year of any violation, unless the breach:

involved a knowing and culpable violation of law;

enabled the director or an associate to receive an improper personal economic gain;

demonstrated a lack of good faith and conscious disregard for the duty;

constituted a sustained and unexcused pattern of inattention amounting to abdication of duty; or

created liability for an unlawful distribution under Section 33-757 of the Connecticut Business Corporation Act.

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Section VII also stipulates that no amendment to or repeal of Section VII shall apply to the liability or alleged liability of any eligible individual with respect to any acts or missions occurring prior to such amendment or repeal.

We carry Directors' and Officers' insurance that covers our directors and officers against some liabilities they may incur when acting in their official capacities.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities.

Since July 1, 2003, we have issued and sold the following unregistered securities:

(a)

Issuances of stock.

On September 9, 2003, we issued 400 shares of our common stock to a former director pursuant to a consulting agreement. These shares were valued at a price per share of \$11.15 for a total of \$4,460.

From December 31, 2003 through September 30, 2004, we issued an aggregate of 85,266 shares of our common stock upon exercise of warrants issued by the Bank in 1994 to persons who assisted the Bank in meeting its pre-opening expenses at an exercise price of \$6.00 per share for aggregate consideration of \$511,596.

As of August 15, 2006, we had sold an aggregate of 45,000 shares of restricted common stock to our directors under the 1999 Patriot National Bank Stock Option Plan, at a weighted average exercise price of \$10.13 per share, for aggregate consideration of \$456,316.

On October 26, 2005, we issued an aggregate of 1,375 shares of restricted common stock to six directors pursuant to our policy to award shares of common stock to outside directors. These shares were valued at approximately \$19.118 per share for a total of \$26,250.

On July 13, 2006, we issued an aggregate of 845 shares of restricted common stock to five directors pursuant to our policy to award shares of common stock to outside directors. These shares were valued at approximately \$29.50 per share for a total of \$25,000.

(b)

Grants and exercises of stock options.

As of August 15, 2006, we had outstanding under the 1999 Patriot National Bank Stock Option Plan options to purchase 65,000 shares of common stock, all of which options were exercisable as of that date. We had issued an aggregate of 45,000 shares under the plan. No shares of common stock remain available for future grants under this plan.

We did not engage an underwriter in connection with any of the sales of securities described above. Sales of common stock to employees have been made in reliance upon the exemption for the registration requirements afforded by Section 4(2) of the Securities Act and Rule 701 thereunder as sales of an issuer's securities pursuant to a written contract relating to the compensation of such individuals. Sales of shares of common stock were made in reliance upon Section 4(2) of the Securities Act, and/or Regulation D promulgated thereunder. At the time of issuance, all of the foregoing shares of common stock were deemed to be restricted securities for the purposes of the Securities Act, and the certificates representing those securities bore legends to that effect.

Item 16. Exhibits and Financial Statement Schedules.

See the Exhibit Index immediately following the signature page hereof.

Item 17. Undertakings.

- (a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.
- (b) The undersigned registrant hereby undertakes:
- (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-1 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of Stamford, State of Connecticut, on August 22, 2006.

PATRIOT NATIONAL BANCORP, INC.

(Registrant)

By: /s/ ANGELO DE CARO

 Angelo De Caro
Chairman & Chief Executive Officer

POWER OF ATTORNEY

We, the undersigned officers and directors of Patriot National Bancorp, Inc., hereby severally constitute and appoint Charles F. Howell, Robert F. O'Connell and Philip W. Wolford, and each of them singly, our true and lawful attorneys, with full power to them in any and all capacities, to sign any amendments to this Registration Statement on Form S-1 (including pre-and post-effective amendments and registration statements filed pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact may do or cause to be done by virtue hereof.

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

| Signature | Title | Date |
|---|---|-----------------|
| _____ /s/ ANGELO DE CARO Angelo De Caro | Chairman and Chief Executive Officer (Principal Executive Officer) | August 22, 2006 |
| _____ /s/ CHARLES F. HOWELL Charles F. Howell | Vice Chairman and President | August 22, 2006 |
| _____ /s/ ROBERT F. O'CONNELL Robert F. O'Connell | Senior Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer) | August 22, 2006 |
| _____ /s/ MICHAEL A. CAPODANNO Michael A. Capodanno | Senior Vice President and Controller (Principal Accounting Officer) | August 22, 2006 |
| _____ /s/ PHILIP W. WOLFORD Philip W. Wolford | Chief Operating Officer and Director | August 22, 2006 |

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/s/ JOHN J. FERGUSON

Director

August 22, 2006

John J. Ferguson

/s/ BRIAN A. FITZGERALD

Director

August 22, 2006

Brian A. Fitzgerald

/s/ JOHN A. GEOGHEGAN

Director

August 22, 2006

John A. Geoghegan

/s/ L. MORRIS GLUCKSMAN

Director

August 22, 2006

L. Morris Glucksman

/s/ MICHAEL F. INTRIERI

Director

August 22, 2006

Michael F. Intrieri

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Exhibit Index

| Exhibit Number | Description of Exhibit |
|-------------------|--|
| 1(1) | Form of Underwriting Agreement by and between the Registrant and Sandler O'Neill & Partners, L.P. |
| 2 | Agreement and Plan of Reorganization dated as of June 28, 1999 between the Registrant and Patriot National Bank. Filed as Exhibit 2 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 3.1 | Certificate of Incorporation of the Registrant, as amended by the Certificate of Amendment of Certificate of Incorporation of the Registrant, filed on September 27, 2004, as further amended by the Certificate of Amendment of Certificate of Incorporation of the Registrant, filed on June 30, 2006. |
| 3.2 | By-laws of the Registrant. Filed as Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 4.1 | Rights Agreement, dated April 19, 2004, by and between Registrar and Transfer Company and the Registrant. Filed as Exhibit 4.1 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 5(1) | Opinion of Tyler Cooper & Alcorn, LLP. |
| 10.1 | 1999 Stock Option Plan of Patriot National Bank. Filed as Exhibit 10.1 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 10.2 | 2001 Stock Appreciation Rights Plan of Registrant. Filed as Exhibit 10.2 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 10.3 | Employment Agreement, dated as of October 23, 2000, as amended by a First Amendment, dated as of March 21, 2001, among the Registrant, Patriot National Bank and Charles F. Howell. Filed as Exhibit 10.3 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 10.4 | Second Amendment to Employment Agreement among the Registrant, Patriot National Bank and Charles F. Howell, dated as of May, 2002. Filed as Exhibit 10.4 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 10.5 | Employment Agreement, dated as of October 23, 2003, among the Registrant, Patriot National Bank and Charles F. Howell. Filed as Exhibit 10.5 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |
| 10.6 | Amended and Restated Employment Agreement, dated as of November 3, 2003, among the Registrant, Patriot National Bank and Robert F. O'Connell. Filed as Exhibit 10.6 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference. |

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- 10.7 Amended and Restated Senior Management Change of Control Agreement, dated as of November 3, 2003, between Robert F. O'Connell and Patriot National Bank. Filed as Exhibit 10.7 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference.
 - 10.8 Senior Management Change of Control Agreement, dated as of May 1, 2001, between Martin G. Noble and Patriot National Bank. Filed as Exhibit 10.8 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference.
 - 10.9 Employment Agreement, dated as of January 1, 2006, between Marcus Zavattaro and Patriot National Bank. Filed as Exhibit 10(a)(8) to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005 (File No. 0-29599) on March 30, 2006 and incorporated herein by reference.
 - 10.10 License Agreement, dated July 1, 2003, between Patriot National Bank and L. Morris Glucksman. Filed as Exhibit 10.10 to the Company's Registration Statement on Form SB-2 (File No. 333-124312) on April 25, 2005 and incorporated herein by reference.
 - 10.11 Amendment No. 1 to the Amended and Restated Change of Control Agreement, dated March 30, 2006, between Robert F. O'Connell and Patriot National Bank. Filed as Exhibit 10(a)(11) to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005 (File No. 0-29599) on March 30, 2006 and incorporated herein by reference.
 - 10.12 2005 Director Stock Award Plan. Filed as Exhibit 10(a)(12) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 (File No. 0-29599) on August 14, 2006 and incorporated herein by reference.
 - 21 Subsidiaries of the Registrant.
 - 23.1 Consent of McGladrey & Pullen, LLP, Independent Auditors.
 - 23.2(1) Consent of Tyler Cooper & Alcorn, LLP. Included in Exhibit 5.
 - 24 Power of Attorney. Contained on the signature page hereto.
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(1) To be filed by amendment.

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