PATRIOT NATIONAL BANCORP INC
Form 10QSB
May 14, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 2003 Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.
(Exact name of small business issuer as specified in its charter)

Connecticut	06-1559137
(State of incorporation)	(I.R.S. Employer Identification Number)

900 Bedford Street, Stamford, Connecticut 06901
(Address of principal executive offices)

(203) 324-7500
(Issuer's telephone number)

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Common stock, $2.00 par value per share, 2,400,725 shares issued and outstanding as of the close of business April 30, 2003.

Transitional Small Business Disclosure Format (check one): Yes _____ No X

Table of Contents

2

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC
CONSOLIDATED BALANCE SHEETS

	March 31, 2003 (Unaudited)	Dece
ASSETS		
Cash and due from banks	$ 3,243,644	$ 5
Federal funds sold	11,200,000	3
Short term investments	10,118,640	3
Cash and cash equivalents	24,562,284	11
Available for sale securities (at fair value)	49,538,270	60
Federal Reserve Bank stock	481,050	
Federal Home Loan Bank stock	1,077,300	
Loans receivable (net of allowance for loan losses: 2003 $2,536,675; 2002 $2,372,454)	177,292,052	170
Accrued interest receivable	1,229,637	1
Premises and equipment, net	879,365	
Deferred tax asset, net	867,769	
Goodwill	930,091	
Other assets	774,162	
Total assets	$ 257,631,980	$248
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing deposits	$ 22,909,178	$ 25
Interest bearing deposits	196,141,472	192
Total deposits	219,050,650	217
Securities sold under agreements to repurchase	5,700,000	5
Federal Home Loan Bank borrowings	4,000,000	4
Trust preferred securities	8,000,000	
Capital lease obligation	210,161	
Collateralized borrowings	324,444	
Accrued expenses and other liabilities	1,679,566	1
Total liabilities	238,964,821	229

Shareholders' equity		
Common stock, $2 par value: 5,333,333 shares authorized; shares issued and outstanding: 2003 - 2,400,725; 2002 - 2,400,525	4,801,450	4
Additional paid-in capital	11,485,449	11
Retained earnings	1,993,650	1
Accumulated other comprehensive income - net unrealized gain on available for sale securities, net of tax	386,610	
Total shareholders' equity	18,667,159	18
Total liabilities and shareholders' equity..................	$ 257,631,980	$248

See accompanying notes to consolidated financial statements.

3

PATRIOT NATIONAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31, 2003	2002
Interest and Dividend Income		
Interest and fees on loans	$ 2,898,001	$ 2,385,004
Interest and dividends on investment securities	524,215	505,614
Interest on federal funds sold	11,000	41,687
Total interest and dividend income	3,433,216	2,932,305
Interest Expense		
Interest on deposits	1,061,893	1,147,354
Interest on securities sold under agreements to repurchase	29,632	--
Interest on Federal Home Loan Bank borrowings	47,950	352
Interest on trust preferred securities	4,901	--
Interest on capital lease obligation	7,930	12,129
Interest on collateralized borrowings	3,995	5,920
Total interest expense	1,156,301	1,165,755
Net interest income	2,276,915	1,766,550
Provision for Loan Losses	165,000	74,000
Net interest income after provision for loan losses	2,111,915	1,692,550
Non-Interest Income		
Mortgage brokerage referral fees	932,783	656,042
Loan processing fees	178,346	124,798
Fees and service charges	70,427	72,845
Gain (loss) on sale of investment securities	125,165	(31,275)

Other income	35,870	21,406
Total non-interest income	1,342,591	843,816
Non-Interest Expenses		
Salaries and benefits	1,887,589	1,408,351
Occupancy and equipment expense, net	270,424	262,069
Data processing and other outside services	192,236	170,532
Professional services	89,667	70,838
Advertising and promotional expenses	69,322	56,996
Forms, printing and supplies	44,078	36,902
Regulatory assessments	27,125	24,324
Directors' fees and expenses	29,162	24,200
Other non-interest expenses	246,393	172,371
Total non-interest expenses	2,855,996	2,226,583
Income before income taxes	598,510	309,783
Provision for Income Taxes	233,000	111,000
Net income	$ 365,510	$ 198,783
Basic income per share	$ 0.15	$ 0.08
Diluted income per share	$ 0.15	$ 0.08
Dividends per share	$ 0.025	$ 0.020

See accompanying notes to consolidated financial statements

4

PATRIOT NATIONAL BANCORP, INC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31, 2003	2002
Net income:	$ 365,510	$ 198,783
Unrealized holding losses on securities:		
Unrealized holding losses arising during the period, net of taxes	(184,488)	(152,447
Comprehensive income	$ 181,022	$ 46,336

See accompanying notes to consolidated financial statements.

PATRIOT NATIONAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Mont March 2003
Cash Flows from Operating Activities	
Net income	$ 365,510
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and accretion of investment premiums and discounts, net	94,816
Originations of loans held for sale	--
Proceeds from sales of loans held for sale	--

Provision for loan losses	165,000
(Gain) loss on sale of investment securities	(125,165)
Depreciation and amortization	86,386
Loss on disposal of bank premises and equipment	2,037
Changes in assets and liabilities:	
Decrease in deferred loan fees	(10,283)
Decrease in accrued interest receivable	81,816
Increase in other assets	(313,226)
Decrease in accrued expenses and other liabilities	(68,297)
Net cash provided by operating activities	278,594
Cash Flows from Investing Activities	
Purchases of available for sale securities	--
Proceeds from sales of available for sale securities	3,840,709
Principal repayments on available for sale securities	4,972,173
Proceeds from maturities of available for sale securities	2,000,000
Purchase of Federal Home Loan Bank Stock	(456,000)
Net (increase) decrease in loans	(6,651,830)
Purchases of bank premises and equipment	(185,489)
Proceeds from sale of bank premises and equipment	6,900
Net cash provided by investing activities	3,526,463
Cash Flows from Financing Activities	
Net decrease in demand, savings and money market deposits	(3,180,504)
Net increase in time certificates of deposits	4,319,894
Increase in FHLB borrowings	--
Proceeds from issuance of trust preferred securities	8,000,000
Principal payments on capital lease obligation	(33,070)
Decrease in collateralized borrowings	(25,000)
Dividends paid on common stock	(60,018)
Proceeds from issuance of common stock	1,200
Net cash provided by financing activities	9,022,502
Net increase in cash and cash equivalents	12,827,559

PATRIOT NATIONAL BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
(Unaudited)

Three Mo
Mar
2003

Cash and cash equivalents	
Beginning	11,734,725
Ending	$ 24,562,284
Supplemental Disclosures of Cash Flow Information	
Cash paid for:	
Interest	$ 1,151,523
Income Taxes	$ 60,014
Supplemental disclosure of noncash investing and financing activities:	
Unrealized holding loss on available for sale securities arising during the period	$ (297,561
Accrued dividends declared on common stock	$ 60,018

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) The Consolidated Balance Sheet at December 31, 2002 has been derived from the audited financial statements of Patriot National Bancorp, Inc.

("Bancorp") at that date, but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

(2) The accompanying unaudited financial statements and related notes have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and related notes should be read in conjunction with the audited financial statements of Bancorp and notes thereto for the year ended December 31, 2002.

The information furnished reflects, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results of the interim periods presented. The results of operations for the three months ended March 31, 2003 are not necessarily indicative of the results of operations that may be expected for all of 2003.

(3) Bancorp is required to present basic income per share and diluted income per share in its income statements. Basic income per share amounts are computed by dividing net income by the weighted average number of common shares outstanding. Diluted income per share assumes exercise of all potential common stock in weighted average shares outstanding, unless the effect is antidilutive. Bancorp is also required to provide a reconciliation of the numerator and denominator used in the computation of both basic and diluted income per share. The following is information about the computation of income per share for the three months ended March 31, 2003 and 2002.

Quarter ended March 31, 2003

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	$ 365,510	2,400,725	$ 0.15
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	36,834	--
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	$ 365,510	2,437,559	$ 0.15

Quarter ended March 31, 2002

	Net Income	Shares	Amount

Basic Income Per Share			
Income available to common shareholders	$ 198,783	2,400,525	$ 0.08
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	24,831	--
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	$ 198,783	2,425,356	$ 0.08

(4) Bancorp has two reportable segments, the commercial bank and the mortgage broker. The commercial bank provides its commercial customers with products such as commercial mortgage and construction loans, working capital loans, equipment loans and other business financing arrangements, and provides its consumer customers with residential mortgage loans, home equity loans and other consumer installment loans. The commercial bank segment also attracts deposits from both consumer and commercial customers, and invests such deposits in loans, investments and working capital. The commercial bank's revenues are generated primarily from net interest income from its lending, investment and deposit activities.

The mortgage broker solicits and processes conventional mortgage loan 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.

Information about reportable segments and a reconciliation of such information to the consolidated financial statements for the three months ended March 31, 2003 and 2002 is as follows (in thousands):

Quarter ended March 31, 2003

	Bank	Mortgage Broker	Consolidated Totals
Net interest income	$ 2,277	$ --	$ 2,277
Non-interest income	243	1,100	1,343
Non-interest expense	1,970	886	2,856
Provision for loan losses ...	165	--	165
Income before taxes	385	214	599
Assets	256,550	1,082	257,632

9

Quarter ended March 31, 2002

	Bank	Mortgage Broker	Consolidated Totals

Net interest income	$ 1,767	$ --	$ 1,767
Non-interest income	40	804	844
Non-interest expense	1,590	637	2,227
Provision for loan losses ...	74	--	74
Income before taxes	143	167	310
Assets	201,904	1,028	202,932

(5) Certain 2002 amounts have been reclassified to conform with the 2003 presentation. Such reclassifications had no effect on net income.

(6) Other comprehensive income which is comprised solely of the change in unrealized gains and losses on available for sale securities is as follows:

	2003	
	Before-Tax Amount	Taxes
Unrealized holding loss arising during the period	$(172,396)	$ 65,510
Less reclassification adjustment for gains recognized in income	(125,165)	47,563
Unrealized holding loss on available for sale securities, net of taxes	$(297,561)	$ 113,073

	2002	
	Before-Tax Amount	Taxes
Unrealized holding loss arising during the period	$(286,503)	$ 115,375
Add reclassification adjustment for losses recognized in income	31,275	(12,594)
Unrealized holding loss on available for sale securities, net of taxes	$(255,228)	$ 102,781

(7) At the end of the first quarter of 2003, Bancorp created a statutory trust of which Bancorp owns 100% of the capital stock. The trust issued $8.0 million in preferred securities to investors at an initial rate of 4.41%, which rate may adjust quarterly based on changes to LIBOR. The duration of the trust is 35 years with early redemption at par at the Company's option after five years, or earlier in the event of certain regulatory or tax changes. The proceeds from the issuance of the preferred securities were used to purchase junior subordinated debt from Bancorp. Bancorp primarily invested the funds from the issuance of the debt in the Bank, which in turn used the proceeds to fund general operations of the Bank. The securities qualify for up to 25% of Bancorp's Tier 1 Capital with the remainder qualifying as Tier 2 Capital.

Item 2. Management's Discussion and Analysis or Plan of Operation

(a) Plan of Operation

Not applicable since Bancorp had revenues from operations in each of the last two fiscal years.

(b) Management's Discussion and Analysis of Financial Condition and Results of Operations

SUMMARY

Bancorp had net income of $366,000 ($0.15 basic income per share and $0.15 diluted income per share) for the quarter ended March 31, 2003, compared to net income of $199,000 ($0.08 basic income per share and $0.08 diluted income per share) for the quarter ended March 31, 2002.

Total assets increased $9.1 million from $248.5 million at December 31, 2002 to $257.6 million at March 31, 2003. Cash and cash equivalents increased $12.8 million to $24.5 million at March 31, 2003 from $11.7 million at December 31, 2002. The available for sale securities portfolio decreased $11.1 million to $49.5 million at March 31, 2003 from $60.6 million at December 31, 2002. The net loan portfolio increased $6.5 million from $170.8 million at December 31, 2002 to $177.3 million at March 31, 2003. Deposits increased $1.1 million to $219.0 million at March 31, 2003 from $217.9 million at December 31, 2002. Total shareholders' equity increased $122,000 to $18.7 million at March 31, 2003 from $18.5 million at December 31, 2002.

FINANCIAL CONDITION

Assets

Bancorp's total assets increased $9.1 million from $248.5 million at December 31, 2002 to $257.6 million at March 31, 2003. Cash and cash equivalents increased $12.8 million to $24.5 million at March 31, 2003. Cash and due from banks decreased $2.1 million; federal funds sold increased $8.2 million and short term investments increased $6.8 million. The increases in federal funds sold and short term investments is due primarily to the closing at the end of March of the trust preferred securities offering of $8.0 million; these funds were reinvested in mortgage backed securities in the beginning of April. Available for sale securities decreased $11.1 million due to principal repayments on mortgage backed securities, redemptions and calls on bonds and money market preferred equities, as well as the sale of a mutual fund investment.

Loans

Bancorp's net loan portfolio increased $6.5 million from $170.8 million at December 31, 2002 to $177.3 million at March 31, 2003. Increases in commercial loans of $2.3 million, construction loans of $2.5 million, commercial real estate of $1.2 million and home equity loans of $1.2 million were partially offset by decreases in residential real estate loans of $1.1 million. At March 31, 2003, the net loan to deposit ratio was 80.9% and the net loan to total assets ratio was 68.8%. At December 31, 2002, the net loan to deposit ratio was 78.4% and the net loan to total assets ratio was 68.7%. Based on loan applications in process management anticipates strong loan growth during the remainder of 2003.

Critical Accounting Policies

In the ordinary course of business, Bancorp has made a number of estimates and assumptions relating to reporting results of operations and financial condition in preparing its 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. The Company believes the following discussion addresses Bancorp's only critical accounting policy, which is the policy that is most important to the portrayal of Bancorp's financial results and 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.

Allowance for Loan Losses

The allowance for loan losses, a material estimate susceptible to significant change in the near-term, is established as losses are estimated to have occurred through a provision for loan losses charged against operations and is maintained at a level that management considers adequate to absorb losses in the loan portfolio. Management's judgment in determining the adequacy of the allowance is inherently subjective and is based on the evaluation of individual loans, the known and inherent risk characteristics and size of the loan portfolios, the assessment of current economic and real estate market conditions, estimates of the current value of underlying collateral, past loan loss experience, review of regulatory authority examination reports and evaluations of specific loans and other relevant factors.

The allowance for loan losses is maintained at a level that management believes is adequate to absorb probable losses on existing loans based on an evaluation of the collectibility of loans and prior loan loss experience. A risk rating system is utilized to measure the adequacy 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 one being the least risk and nine reflecting the most risk or a complete loss. Risk ratings are

assigned by the originating loan officer or 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. Loan quality control is continually monitored by management subject to oversight by the board of directors through its members who serve on the loan committee and the adequacy of the allowance for loan losses is presented to and reviewed by the board of directors on a quarterly basis. The methodology for determining the adequacy of the allowance for loan losses is consistently applied; however, revisions may be made to the methodology and assumptions based on historical information related to charge-off and recovery experience and management's evaluation of the current loan portfolio.

Based upon this evaluation, management believes the allowance for loan losses of $2.5 million at March 31, 2003, which represents 1.41% of gross loans outstanding, is adequate, under prevailing economic conditions, to absorb losses on existing loans which may become uncollectible. At December 31, 2002, the allowance for loan losses was $2.4 million or 1.37% of gross loans outstanding.

Analysis of Allowance for Loan Losses

	March 31,	
(Thousands of dollars)	2003	2002
Balance at beginning of period	$ 2,373	$ 1,894
Charge-offs	(1)	--
Recoveries	--	10

Net (charge-offs) recoveries	(1)	10
Provision charged to operations	165	74
Balance at end of period	$ 2,537	$ 1,978
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(0.00%)	0.01%

Non-Accrual, Past Due and Restructured Loans

The following table presents non-accruing and past due loans:

(Thousands of dollars)	March 31, 2003	December 31, 2002
Loans delinquent over 90 days still accruing	$ 846	$1,172
Non-accruing loans	150	201
Total	$ 996	$1,373
% of Total Loans	0.55%	0.79%
% of Total Assets	0.39%	0.56%

Potential Problem Loans

At March 31, 2003, Bancorp had no loans other than those disclosed in the table above, as to which management has significant doubts as to the ability of the borrower to comply with the present repayment terms.

Deposits

Total deposits increased $1.1 million from $217.9 million at December 31, 2002 to $219.0 million at March 31, 2003. Noninterest bearing deposits decreased $2.6 million due primarily to lower levels of volatile commercial demand deposit accounts. Interest bearing deposits increased $3.7 million. Money market fund accounts and certificates of deposit increased $2.4 million and $4.3 million, respectively. NOW accounts and savings accounts decreased $1.4 million and $1.6 million, respectively.

Trust Preferred Securities

As indicated in Note 7, the Company created a statutory trust which issued $8.0 million in preferred securities to investors. Management elected to create the trust for the reason that it provides an inexpensive means of raising new capital to support core growth and leverage without diluting the rights of existing shareholders. In addition to the favorable regulatory treatment of these securities, there are favorable tax reasons that support this decision. The proceeds of the trust will be used to fund general operations of the Bank.

RESULTS OF OPERATIONS

Interest and dividend income and expense

Bancorp's interest and dividend income increased $501,000 or 17.1% for the quarter ended March 31, 2003 as compared to the same period in 2002. Interest and fees on loans

increased 21.5% or $513,000 from $2.4 million for the quarter ended March 31, 2002 to $2.9 million for the quarter ended March 31, 2003; this increase is the result of the increase in the loan portfolio despite a lower interest rate environment.

Bancorp's interest expense decreased 0.8% or $9,000 for the quarter ended March 31, 2003 as compared to the same period in 2002. Increases in interest bearing deposits and borrowings were offset by a lower interest rate environment. Included in interest expense for the three months ended March 31, 2003 was $48,000 relating to FHLB Advances, $30,000 relating to securities sold under agreements to repurchase transactions entered into during the second quarter of 2002, and $5,000 relating to the placement of trust preferred securities at the end of the first quarter of 2003.

Non-interest income

Non-interest income increased 59.1% or $499,000 to $1.3 million for the quarter ended March 31, 2003 as compared to $844,000 for the comparable period last year. The continued favorable interest rate environment for borrowers has resulted in the maintenance of an historical high mortgage brokerage and referral fees. Mortgage brokerage and referral fees increased 42.2% or $277,000 to $933,000 for the quarter ended March 31, 2003 as compared to $656,000 for the same period last year. Loan processing fees increased 42.9% or $53,000 to $178,000 for the quarter ended March 31, 2003 compared to $125,000 for the same period in 2002. During the first quarter of 2003 Bancorp recorded gains on sales of investment securities of $125,000 as compared to a loss of $31,000 recorded in the first quarter of 2002. Included in the results for the first quarter of 2003 is a gain of $117,000 on an investment security for which Bancorp recorded a write-down in 2001 made for the permanent impairment of a debt security due to the deterioration in the financial condition of the issuer; in March 2003 Bancorp received the proceeds from a tender offer made by the issuer at a price of 100% of par for the above security under a comprehensive refinancing plan.

Non-interest expenses

Non-interest expenses increased 28.3% or $629,000 to $2.9 million for the quarter ended March 31, 2003 from $2.2 million for the quarter ended March 31, 2002. Salaries and benefits expense increased 34.0%, or $479,000, to $1.9 million for the quarter ended March 31, 2003 from $1.4 million for the quarter ended March 31, 2002, due primarily to higher levels of commissions and production related incentive compensation accruals. Other non-interest expenses increased $74,000 or 42.9% to $246,000 for the quarter ended March 31, 2003 from $172,000 for the quarter ended March 31, 2002; $50,000 of this increase is due to increases in loan processing expenses as a result of increased loan volumes due to the low interest rate environment.

Bancorp has received regulatory approval to establish three additional branch locations which will result in additional capital expenditures as well as increases in salaries and benefits and occupancy and equipment expenses. The first of the three branches opened in April 2003; management anticipates that the second branch will open in the second quarter of 2003, and the third branch in the third quarter of 2003.

Income Taxes

Bancorp recorded income tax expense of $233,000 for the quarter ended March 31, 2003 as compared to $111,000 for the quarter ended March 31, 2002. This change is related primarily to the change in pre-tax income. The effective tax rates for the quarters ended March 31, 2003 and March 31, 2002 were 38.9% and 35.8%.

LIQUIDITY

Bancorp's liquidity ratio was 28.8% and 32.8% at March 31, 2003 and 2002, respectively. The liquidity ratio is defined as the percentage of liquid assets to total assets. The following categories of assets as described in the accompanying consolidated balance sheets are considered liquid assets: cash and due from banks, federal funds sold, short term investments and available for sale securities. Liquidity is a measure of Bancorp's ability to generate adequate cash to meet financial obligations. The principal cash requirements of a financial institution are to cover downward fluctuations in deposit accounts and increases in its loan portfolio. Management believes Bancorp's short-term assets have sufficient liquidity to cover loan demand, potential fluctuations in deposit accounts, the costs related to opening new branch offices and to meet other anticipated cash requirements.

CAPITAL

The following table illustrates Bancorp's regulatory capital ratios at March 31, 2003 and December 31, 2002 respectively:

	March 31, 2003	December 31, 2002
Leverage Capital	9.50%	6.99%
Tier 1 Risk-based Capital	11.92%	9.13%
Total Risk-based Capital	14.14%	10.39%

The following table illustrates the Bank's regulatory capital ratios at March 31, 2003 and December 31, 2002 respectively:

	March 31, 2003	December 31, 2002
Leverage Capital	9.85%	6.98%
Tier 1 Risk-based Capital	12.38%	9.11%
Total Risk-based Capital	13.63%	10.36%

Capital adequacy is one of the most important factors used to determine the safety and soundness of individual banks and the banking system. Based on the above ratios, both Bancorp and the Bank are considered to be "well capitalized" at March 31, 2003 under applicable regulations. To be considered "well-capitalized," an institution must generally have a leverage capital ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6% and a total risk-based capital ratio of at least 10%.

The increase in capital ratios is due primarily to the formation in the first quarter of 2003 of a statutory trust as indicated in Note 7.

IMPACT OF INFLATION AND CHANGING PRICES

Bancorp's consolidated financial statements have been prepared in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. Notwithstanding this, inflation can directly affect the value of loan collateral, in particular, real estate. Inflation, or disinflation, could significantly affect Bancorp's earnings in future periods.

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements contained in Bancorp's public reports, including this report, and in particular in this "Management's Discussion and Analysis of Financial Condition and Results of Operation," may be forward looking and subject to a variety of risks and uncertainties. These factors include, but are not limited to, (1) changes in prevailing interest rates which would affect the interest earned on Bancorp's interest earning assets and the interest paid on its interest bearing liabilities, (2) the timing of repricing of Bancorp's interest earning assets and interest bearing liabilities, (3) the effect of changes in governmental monetary policy, (4) the effect of changes in regulations applicable to Bancorp and the conduct of its business, (5) changes in competition among financial service companies, including possible further encroachment of non-banks on services traditionally provided by banks and the impact of recently enacted federal legislation, (6) the ability of competitors which are larger than Bancorp to provide products and services which it is impracticable for Bancorp to provide, (7) the effects of Bancorp's opening of branches, and (8) the effect of any decision by Bancorp to engage in any business not historically permitted to it. Other such factors may be described in Bancorp's future filings with the SEC.

Item 3. Controls and Procedures

Based on an evaluation of Bancorp's disclosure controls and procedures performed by Bancorp's Chief Executive Officer and its Chief Financial Officer within 90 days of the filing of this report, Bancorp's Chief Executive Officer and Chief Financial Officer concluded that Bancorp's disclosure controls and procedures have been effective.

As used herein, "disclosure controls and procedures" means controls and other procedures of Bancorp that are designed to ensure that information required to be disclosed by Bancorp in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms issued by the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Bancorp in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to Bancorp's management, including its principal executive officer or officers and its principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Since the date of the evaluation described above, there were no significant changes in Bancorp's internal controls or in other factors that could significantly affect these controls, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION.

Item 2. Changes in Securities

(a) Not applicable

(b) Not applicable

(c) On January 2, 2003, Bancorp issued 200 shares of its Common Stock upon exercise of certain warrants that were granted by Patriot National Bank (the "Bank") in 1994 in connection with its organization to persons who assisted the Bank in meeting its pre-opening expenses. The exercise price per share of these warrants is $6.00. The obligations under these warrants were assumed by Bancorp at the time the Bank became a wholly owned subsidiary of Bancorp.

The total amount received by Bancorp for these shares was $1,200. No underwriter was used in connection with the sale of these 200 shares nor were any underwriting discounts or commissions paid. Bancorp claims an exemption from registration for the sale of these shares under Rule 504 under the Securities Act of 1933, on the basis that the aggregate exercise price for all of the warrants issued to individuals involved in the organization of the Bank is less than $1,000,000.

(d) Not applicable

Item 6. Exhibits and Reports on Form 8-K

(a)

No.	Description
99	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) The issuer filed no reports on Form 8-K during the first quarter of 2003.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PATRIOT NATIONAL BANCORP, INC.
(Registrant)

By: /s/ Robert F. O'Connell
Robert F. O'Connell,
Senior Executive Vice President
Chief Financial Officer

(On behalf of the registrant and as chief financial officer)

May 14, 2003

CERTIFICATION
BY CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14

I, Angelo De Caro, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Patriot National Bancorp, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Angelo De Caro

Angelo De Caro,
Chairman and Chief Executive Officer
(Principal executive officer)

May 14, 2003

CERTIFICATION
BY CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14

I, Robert F. O'Connell, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Patriot National Bancorp, Inc;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the

registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

(c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether there were any significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ Robert F. O'Connell

Robert F. O'Connell,
Senior Executive Vice President
(Principal financial officer)

May 14, 2003