PATRIOT NATIONAL BANCORP INC
Form 10QSB
November 14, 2002

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

FORM 10-QSB

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

For the Quarter Ended September 30, 2002 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, 2,400,525 shares issued and outstanding as of the close of business October 31, 2002.

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

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC
CONSOLIDATED BALANCE SHEETS

	September 30, 2002	Decembe 200
	(Unaudited)	
ASSETS		
Cash and due from banks	$ 6,412,472	$ 7,54
Federal funds sold	4,000,000	12,70
Short term investments	4,157,721	6,78
Cash and cash equivalents	14,570,193	27,03
Available for sale securities (at fair value)	67,775,063	34,71
Federal Reserve Bank stock	481,050	48
Federal Home Loan Bank stock	621,300	61
Loans receivable (net of allowance for loan losses: 2002 $2,146,454; 2001 $1,894,454)	150,192,620	135,68
Accrued interest receivable	1,266,199	1,07
Premises and equipment, net	858,997	1,10
Deferred tax asset, net	553,839	66
Goodwill	930,091	93
Other assets	249,551	26
Total assets	$237,498,903	$202,56
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits:		
Noninterest bearing deposits	$ 18,122,715	$ 16,96
Interest bearing deposits	189,304,984	166,30
Total deposits	207,427,699	183,26
Securities sold under agreements to repurchase	5,700,000	
Federal Home Loan Bank borrowings	4,000,000	
Capital lease obligation	275,197	36
Collateralized borrowings	374,444	47
Accrued expenses and other liabilities	1,456,847	1,06
Total liabilities	219,234,187	185,16
Shareholders' equity		

Common stock, $2 par value: 5,333,333 shares authorized; 2,400,525 shares issued and outstanding	4,801,050	4,80
Additional paid-in capital	11,484,649	11,48
Retained earnings	1,520,331	86
Accumulated other comprehensive income - net unrealized gain on available for sale securities, net of tax	458,686	25
Total shareholders' equity	18,264,716	17,40
Total liabilities and shareholders' equity	$237,498,903	$202,56

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 2002	2001	Nine Se 2002
Interest and Dividend Income			
Interest and fees on loans	$ 2,602,775	$ 2,766,458	$ 7,426,23
Interest and dividends on investment securities	693,260	487,690	1,667,41
Interest on federal funds sold	50,412	77,319	131,95
Total interest and dividend income	3,346,447	3,331,467	9,225,60
Interest Expense			
Interest on deposits	1,145,068	1,590,378	3,373,63
Interest on other borrowings	82,606	107	122,89
Interest on capital lease obligation	10,101	14,200	33,36
Interest on collateralized borrowings	5,183	8,572	16,55
Total interest expense	1,242,958	1,613,257	3,546,44
Net interest income	2,103,489	1,718,210	5,679,15
Provision for Loan Losses	84,000	78,000	242,00
Net interest income after provision for loan losses	2,019,489	1,640,210	5,437,15
Non-Interest Income			
Mortgage brokerage referral fees	846,231	690,743	2,173,50
Loan processing fees	148,415	115,072	395,46
Fees and service charges	84,697	61,373	228,49
Gains and origination fees from loans sold .	--	19,320	249,36
Loss on impaired investment security	--	--	--
Gain (loss) on sale of investment securities	5,542	--	(25,73
Other income	16,323	17,643	56,69

Total non-interest income	1,101,208	904,151	3,077,78
Non-Interest Expenses			
Salaries and benefits	1,691,463	1,393,808	4,602,02
Occupancy and equipment expenses, net	245,589	242,463	750,47
Data processing and other outside services .	156,499	156,920	470,27
Professional services	83,696	86,045	260,32
Advertising and promotional expenses	104,184	80,270	259,62
Forms, printing and supplies	36,404	37,739	115,23
Regulatory assessments	24,774	22,032	73,42
Directors' fees and expenses	22,927	13,900	98,02
Other operating expenses	210,495	237,902	580,37
Total non-interest expenses	2,576,031	2,271,079	7,209,77
Income before income taxes	544,666	273,282	1,305,16
Provision for Income Taxes	207,000	102,069	481,00
Net income	$ 337,666	$ 171,213	$ 824,16
Basic income per share	$ 0.140	$ 0.070	$ 0.34
Diluted income per share	$ 0.140	$ 0.070	$ 0.34
Dividends per share	$ 0.025	$ 0.020	$ 0.07

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Sep
	2002	2001	2002
Net income	$ 337,666	$ 171,213	$ 824,16
Unrealized holding gains on securities:			
Unrealized holding gains arising during the period, net of taxes	105,946	270,415	202,57
Comprehensive income	$ 443,612	$ 441,628	$ 1,026,73

See accompanying notes to consolidated financial statements.

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

	Nine Months E September 2002
Cash Flows from Operating Activities	
Net income	$ 824,166
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization and accretion of investment premiums and discounts, net	38,807
Originations of loans held for sale	(208,000)
Proceeds from sales of loans held for sale	208,000
Gain on sale of loans	(249,365)
Provision for loan losses	242,000
Loss on impaired investment security	--
Loss on sale of investment securities	25,733
Depreciation and amortization	309,360
Changes in assets and liabilities:	
Increase in deferred loan fees	171,509
(Increase) decrease in accrued interest receivable	(186,749)
Decrease (increase) in other assets	15,914
Increase in accrued expenses and other liabilities	384,622
Net cash provided by operating activities	1,575,997
Cash Flows from Investing Activities	
Purchases of available for sale securities	(55,062,997)
Proceeds from sales of available for sale securities	11,375,386
Principal repayments on available for sale securities	5,876,966
Proceeds from maturities of available for sale securities	5,000,000
Proceeds from maturities of held to maturity securities	--
Purchase of Federal Reserve Bank Stock	--
Purchase of Federal Home Loan Bank Stock	(3,400)
Net increase in loans	(16,226,093)
Proceeds from sale of loan receivable	1,549,365
Purchases of bank premises and equipment	(65,929)
Net cash used in investing activities	(47,556,702)
Cash Flows from Financing Activities	
Net increase in demand, savings and money market deposits	21,228,748
Net increase (decrease) in time certificates of deposits	2,935,011
Increase in FHLB borrowings	4,000,000
Increase in securities sold under agreements to repurchase	5,700,000
Principal payments on capital lease obligation	(89,638)
Decrease in collateralized borrowings	(100,000)

Dividends paid on common stock	(156,034)	
Proceeds from issuance of common stock	--	
Net cash provided by (used in) financing activities	33,518,087	
Net decrease in cash and cash equivalents	(12,462,618)	

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

	Nine Months Ended September 30, 2002	200
Cash and cash equivalents		
Beginning	27,032,811	33,06
Ending	$14,570,193	$23,16
Supplemental Disclosures of Cash Flow Information		
Cash paid for:		
Interest	$ 3,563,632	$ 5,30
Income Taxes	$ 554,360	$ 73
Supplemental disclosure of noncash investing and financing activities:		
Transfer of held to maturity securities to available for sale securities	$ --	$11,79
Unrealized holding gain on available for sale securities arising during the period	$ 311,028	$ 60
Dividends declared on common stock	$ 60,013	$ 4

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

(1) The Consolidated Balance Sheet at December 31, 2001 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, 2001.

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 and nine months ended September 30, 2002 are not necessarily indicative of the results of operations that may be expected for all of 2002.

(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 and nine months ended September 30, 2002 and 2001.

Quarter ended September 30, 2002

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	$ 337,666	2,400,525	$ 0.14
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	25,152	--
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	$ 337,666	2,425,677	$ 0.14

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Quarter ended September 30, 2001

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	$ 171,213	2,400,525	$ 0.07
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	25,970	--
Diluted Income Per Share			

	Net Income	Shares	Amount
Income available to common shareholders plus assumed conversions	$ 171,213	2,426,495	$ 0.07

Nine months ended September 30, 2002

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	$ 824,166	2,400,525	$ 0.34
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	25,127	--
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	$ 824,166	2,425,652	$ 0.34

Nine months ended September 30, 2001

	Net Income	Shares	Amount
Basic Income Per Share			
Income available to common shareholders	$ 686,935	2,400,476	$ 0.29
Effect of Dilutive Securities			
Warrants/Stock Options outstanding	--	26,731	--
Diluted Income Per Share			
Income available to common shareholders plus assumed conversions	$ 686,935	2,427,207	$ 0.28

(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.

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Information about reportable segments and a reconciliation of such information to the consolidated financial statements for the three and nine months ended September 30, 2002 and 2001 is as follows (in thousands):

Quarter ended September 30, 2002

	Bank	Mortgage Broker	Consolidated Totals

	Bank	Mortgage Broker	Consolidated Totals
Net interest income	$ 2,103	$ --	$ 2,103
Non-interest income	69	1,032	1,101
Non-interest expense	1,779	797	2,576
Provision for loan losses	84	--	84
Income before taxes	310	235	545
Assets	236,473	1,026	237,499

Quarter ended September 30, 2001

	Bank	Mortgage Broker	Consolidated Totals
Net interest income	$ 1,718	$ --	$ 1,718
Non-interest income	60	844	904
Non-interest expense	1,594	677	2,271
Provision for loan losses	78	--	78
Income before taxes	106	167	273
Assets	197,159	1,061	198,220

Nine months ended September 30, 2002

	Bank	Mortgage Broker	Consolidated Totals
Net interest income	$ 5,679	$ --	$ 5,679
Non-interest income	426	2,652	3,078
Non-interest expense	5,143	2,067	7,210
Provision for loan losses	242	--	242
Income before taxes	720	585	1,305
Assets	236,473	1,026	237,499

Nine months ended September 30, 2001

	Bank	Mortgage Broker	Consolidated Totals
Net interest income	$ 5,212	$ --	$ 5,212
Non-interest income	71	2,403	2,474
Non-interest expense	4,515	1,888	6,403
Provision for loan losses	180	--	180
Income before taxes	588	515	1,103
Assets	197,159	1,061	198,220

(5) Certain 2001 amounts have been reclassified to conform with the 2002 presentation. Such reclassifications had no effect on net income.

(6) In June 2001, the Financial Accounting Standards Board issued SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with

this statement. This impairment test uses a fair value approach rather than the undiscounted cash flows approach previously required by SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The goodwill impairment test under SFAS No. 142 requires a two-step approach, which is performed at the reporting unit level, as defined in SFAS No. 142. Step one identifies potential impairments by comparing the fair value of the reporting unit to its carrying amount. Step two, which is only performed if there is a potential impairment, compares the carrying amount of the reporting unit's goodwill to its implied value, as defined in SFAS No. 142. If the carrying amount of the reporting unit's goodwill exceeds the implied value of that goodwill, an impairment loss is recognized in an amount equal to that excess.

Bancorp adopted the provisions of SFAS No. 142 effective January 1, 2002 and, as a result, goodwill is no longer amortized, and is evaluated for impairment under SFAS No. 142. Based on Bancorp's initial goodwill impairment test, no impairment losses have been recognized related to goodwill upon the adoption of SFAS No. 142. Bancorp will perform the required annual impairment reviews as of October 31 of each year. In addition, the following represents the effect of adopting SFAS No. 142 on Bancorp's net income and earnings per share for all periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Reported net income	$ 337,666	$ 171,213	$ 824,166	$ 686,935
Add goodwill amortization	--	31,003	--	92,933
Adjusted net income	$ 337,666	$ 202,216	$ 824,166	$ 779,868
Basic earnings per share				
Reported net income	$ 0.14	$ 0.07	$ 0.34	$ 0.29
Goodwill amortization ..	--	0.01	--	0.04
Adjusted net income	$ 0.14	$ 0.08	$ 0.34	$ 0.33
Diluted earnings per share				
Reported net income	$ 0.14	$ 0.07	$ 0.34	$ 0.28
Goodwill amortization ..	--	0.01	--	0.04
Adjusted net income ...	$ 0.14	$ 0.08	$ 0.34	$ 0.32

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

	Three Months Ended September 30, 2002			Ni Se
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount
Unrealized holding gain arising during the period	$ 176,422	$ (67,040)	$ 109,382	$ 285,295
Reclassification adjustment for (losses) gains recognized in income	(5,542)	2,106	(3,436)	25,733
Unrealized holding gain on available for sale securities, net of taxes	$ 170,880	$ (64,934)	$ 105,946	$ 311,028

	Three Months Ended September 30, 2001			Ni Se
	Before Tax Amount	Tax Effect	Net of Tax Amount	Before Tax Amount
Unrealized holding gain arising during the period	$ 452,728	$(182,313)	$ 270,415	$ 333,112
Adjustment for unrealized losses of held to maturity securities transferred to available for sale securities	--	--	--	154,147
Reclassification adjustment for losses recognized in income	--	--	--	117,679
Unrealized holding gain on available for sale securities, net of taxes	$ 452,728	$(182,313)	$ 270,415	$ 604,938

(8) During the nine months ended September 30, 2002 the Bank entered into borrowing transactions with the following existing terms:

	Amount	Rate	Maturity
Securities sold under agreements to repurchase:			
	$2,900,000	1.84%	11/21/2002
	$2,800,000	2.69%	05/23/2003
Federal Home Loan Bank Advances:			
	$2,000,000	4.48%	05/13/2005
	$2,000,000	5.11%	05/14/2007

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 $338,000 ($0.14 basic income per share and $0.14 diluted income per share) for the quarter ended September 30, 2002, compared to net income of $171,000 ($0.07 basic income per share and $0.07 diluted income per share) for the quarter ended September 30, 2001. For the nine-month period ended September 30, 2002, net income was $824,000 as compared to $687,000 for the same period last year.

Total assets increased $34.9 million from $202.6 million at December 31, 2001 to $237.5 million at September 30, 2002. Cash and cash equivalents decreased $12.4 million to $14.6 million at September 30, 2002 from $27.0 million at December 31, 2001. The available for sale securities portfolio increased $33.1 million to $67.8 million at September 30, 2002 from $34.7 million at December 31, 2001. The net loan portfolio increased $14.5 million from $135.7 million at December 31, 2001 to $150.2 million at September 30, 2002. Deposits increased $24.1 million to $207.4 million at September 30, 2002 from $183.3 million at December 31, 2001. Total shareholders' equity increased $900,000 to $18.3 million at September 30, 2002 from $17.4 million at December 31, 2001.

FINANCIAL CONDITION

Assets

Bancorp's total assets increased $34.9 million from $202.6 million at December 31, 2001 to $237.5 million at September 30, 2002. Cash and cash equivalents decreased $12.4 million to $14.6 million at September 30, 2002. Cash and due from banks decreased $1.1 million, federal funds sold decreased $8.7 million and short term investments decreased $2.6 million. This net decrease along with the increase in deposits and borrowings funded the increases in available for sale securities and loans. Available for sale securities increased $33.1 million; $9.7 million of this increase represents an interest rate leveraging strategy which was funded by Federal Home Loan Bank borrowings and securities sold under agreements to repurchase.

Loans

Bancorp's net loan portfolio increased $14.5 million from $135.7 million at December 31, 2001 to $150.2 million at September 30, 2002. Increases in residential real estate loans of $12.0 million, commercial real estate loans of

$4.3 million, construction loans of $1.7 million and consumer loans of $0.6 million were partially offset by decreases in commercial loans of $2.9 million and home equity loans of $1.2 million. At September 30, 2002, the net loan to deposit ratio was 72.4% and the net loan to total assets ratio was 63.2%. At December 31, 2001, the net loan to deposit ratio was 74.0% and the net loan to total assets ratio was 67.0%. Based on loan applications in process and Bancorp's hiring of additional loan officers, management anticipates strong loan growth during the last quarter of 2002.

Allowance for Loan Losses

The provision for loan losses is a charge against income and an addition to the allowance for loan losses. Management's judgement in determining the adequacy of the allowance is based on an evaluation of individual loans, the risk characteristics and size of the loan portfolio, an 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 other relevant factors.

Based upon this evaluation, management believes the allowance for loan losses of $2.1 million at September 30, 2002, 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, 2001, the allowance for loan losses was $1.9 million or 1.38% of gross loans outstanding.

Analysis of Allowance for Loan Losses

(Thousands of dollars)	September 30, 2002	September 30, 2001
Balance at beginning of period	$1,894	$1,645
Charge-offs	0	(2)
Recoveries	10	1
Net recoveries (charge-offs)	10	(1)
Provision charged to operations	242	180
Balance at end of period	$2,146	$1,824
Ratio of net recoveries (charge-offs) during the period to average loans outstanding during the period.	0.01%	0.00%

Non-Accrual, Past Due and Restructured Loans

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

(Thousands of dollars)	September 30, 2002	December 31, 2001
Loans delinquent over 90 days still accruing	$ 109	$1,300

Non-accruing loans	337	1,654
Total	$ 446	$2,954
% of Total Loans	0.29%	2.14%
% of Total Assets	0.19%	1.46%

The decrease in loans delinquent over 90 days and still accruing is due primarily to the renewal, extension or payoff of the loans so classified. The decrease in non-accruing loans is due to the sale of a $1.3 million residential real estate loan for which the Bank realized a gain of $249,000 and the payoff of another loan in the amount of $204,000 for which the Bank recovered $22,000 in delinquent interest.

Potential Problem Loans

At September 30 2002, 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 $24.1 million from $183.3 million at December 31, 2001 to $207.4 million at September 30, 2002. Noninterest bearing deposits increased $1.1 million due to higher levels of both commercial and personal demand deposit accounts. Interest bearing deposits increased $23.0 million. Money market fund accounts and certificates of deposit increased $46.7 million and $2.9 million, respectively. The increase in money market fund deposits is due to competitive pricing as well as to an inflow of funds from the stock market and mutual funds; some of this increase was funded by funds shifted from certificates of deposit due to the uncertainty in interest rates. Super NOW accounts, formerly priced at a premium rate, decreased $22.0 million; volatile lawyer trust deposit accounts decreased $1.6 million and savings accounts decreased $3.0 million; some of these decreases were transfers that resulted in the increase in the money market fund product.

RESULTS OF OPERATIONS

Interest and dividend income and expense

Bancorp's interest and dividend income increased $15,000 or 0.5% for the quarter ended September 30, 2002 as compared to the same period in 2001. This increase is due to the growth in interest earning assets which was largely offset by a lower interest rate environment. For the nine months ended September 30, 2002, interest and dividend income was $9.2 million which represents a decrease of $1.3 million compared to interest and dividend income of $10.5 million for the same period last year. Although interest earning assets increased, interest income decreased for the nine months ended September 30, 2002 due to the lower interest rate environment in 2002 as compared to 2001 when interest rates were declining.

Bancorp's interest expense decreased 23.0% or $370,000 for the quarter ended

September 30, 2002 compared to the same period in 2001. Despite an increase in interest bearing liabilities, interest expense decreased due to the expiration of premium priced deposit accounts and a lower interest rate environment cited earlier. For the nine months ended September 30, 2002, interest expense decreased $1.8 million or 33.3% to $3.5 million as compared to $5.3 million for the nine months ended September 30, 2001. The decrease in interest expense for the nine months ended September 30, 2002 is also due to the lower interest rate environment despite the increase in interest bearing liabilities. Included in interest expense for the three and nine months ended September 30, 2002 is $83,000 and $123,000 respectively, due to FHLB Advances and securities sold under agreements to repurchase transactions entered into during the second quarter of 2002.

Non-interest income

Non-interest income increased 21.8% or $197,000 to $1.1 million for the quarter ended September 30, 2002 as compared to $904,000 for the comparable period last year. The continued favorable interest rate environment for borrowers has resulted in the maintenance of historical high mortgage brokerage and referral fees. Mortgage brokerage and referral fees increased 22.5% or $155,000 to $846,000 for the quarter ended September 30, 2002 as compared to $691,000 for the same period last year. Loan processing fees increased 29.0% or $33,000 to $148,000 for the quarter ended September 30, 2002 compared to $115,000 for the same period in 2001. Increases in deposit accounts and transaction volume resulted in an increase in fees and service charges of $24,000 or 38.0% to $85,000 for the quarter ended September 30, 2002 compared to $61,000 for the same period last year.

For the nine months ended September 30, 2002, non-interest income increased $604,000 or 24.4% to $3.1 million as compared to $2.5 million for the same period last year.

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Mortgage broker and referral fees increased $258,000 or 13.4% to $2.2 million for the nine months ended September 30, 2002 from $1.9 million for the nine months ended September 30, 2001 due to the continued favorable interest rate environment for borrowers. Included in non-interest income for the nine months ended September 30, 2002 is a gain of $249,000 from the sale of a nonperforming loan. Fees and service charges increased 21.8%, or $40,000, to $228,000 for the nine months ended September 30, 2002, from $188,000 for the nine months ended September 30, 2001; this increase is the result of increases in account and transaction volumes. Included in non-interest income for the nine months ended September 30, 2001 was a charge of $118,000 representing a write down provision made for the permanent impairment of a debt security.

Non-interest expenses

Non-interest expenses increased 13.4% or $305,000 to $2.6 million for the quarter ended September 30, 2002 from $2.3 million for the quarter ended September 30, 2001. Salaries and benefits expense increased 21.4%, or $297,000, to $1.7 million for the quarter ended September 30, 2002 from $1.4 million for the quarter ended September 30, 2001, due primarily to higher levels of commissions and production related incentive compensation accruals. Advertising and promotional expenses increased 29.8% or $24,000 to $104,000 for the quarter ended September 30, 2002 from $80,000 for the comparable period last year due to an increased level of promotional campaigns. Directors' fees increased $9,000 from $14,000 for the quarter ended September 30, 2001 to $23,000 for the quarter ended September 30, 2002 due to per meeting fee increases and an increase in the number of committee meetings. Other operating expenses decreased $28,000 or 11.5% to $210,000 for the quarter ended September 30, 2002 from $238,000 for the quarter ended September 30, 2001; $31,000 of this decrease is due to the cessation of the amortization of goodwill as required by SFAS No. 142.

For the nine months ended September 30, 2002, non-interest expenses increased $807,000 or 12.6% to $7.2 million from $6.4 million for the same period last year for similar reasons previously cited. Salaries and benefits increased $758,000 or 19.7% to $4.6 million for the nine months ended September 30, 2002 from $3.8 million for the same period last year; this increase is due to higher levels of production related incentive compensation accruals, staffing additions made during the second half of 2001 for the Norwalk Office and compensation adjustments made during the fourth quarter of 2001. Occupancy and equipment expense, net increased $59,000 to $750,000 for the nine months ended September 30, 2002 from $691,000 for the same period last year; this increase is a result of increases in depreciation of leasehold improvements as well as furniture and equipment due primarily to the Norwalk Office which opened in August 2001 and a payment for a lease buyout for the Hauppauge location which relocated to Melville. Directors' fees increased $53,000 to $98,000 for the nine months ended September 30, 2002 from $45,000 for the same period last year due to compensation payments made to directors upon the attainment of certain years of service and not standing

for reelection, per meeting fee increase and an increase in the number of committee meetings. Increased levels of promotional campaigns for the nine months ended September 30, 2002 resulted in an increase of $53,000 to $260,000 in advertising and promotional expenses as compared to $207,000 for the same period last year. Other operating expenses decreased $139,000 to $580,000 for the nine months ended September 30, 2002 as compared to $719,000 for the same period last year. Included in the decrease in other non-interest expense is $93,000 due to the cessation of the amortization of goodwill as required by SFAS No. 142.

Bancorp has received regulatory approval to establish an additional branch location which will result in additional capital expenditures as well as an increase in salaries and benefits and occupancy and equipment expenses. Management anticipates that the new branch will open early in 2003. Management has filed applications for two additional branch locations.

Income Taxes

Bancorp recorded income tax expense of $207,000 for the quarter ended September 30, 2002 as compared to $102,000 for the quarter ended September 30, 2001. For the nine months ended September 30, 2002, income tax expense was $481,000 as compared to $417,000 for the same period last year. These changes are related primarily to the changes in pre-tax income. The effective tax rates for the quarters ended September 30, 2002 and September 30, 2001 were 38.0% and 37.4%, respectively; the effective tax rates for the nine months ended September 30, 2002 and September 30, 2001 were 36.8% and 37.7%, respectively.

LIQUIDITY

Bancorp's liquidity ratio was 34.7% and 30.6% at September 30, 2002 and 2001, 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.

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CAPITAL

The following table illustrates the Bank's regulatory capital ratios at September 30, 2002 and December 31, 2001 respectively:

	September 30, 2002	December 31, 2001
Leverage Capital	7.27%	8.11%
Tier 1 Risk-based Capital.....	9.81%	9.57%
Total Risk-based Capital	11.06%	10.69%

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, the Bank is considered to be "well capitalized" at September 30, 2002 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%. Bancorp is also considered to be "well capitalized" under the regulatory framework specified by the Federal Reserve Bank. Bancorp's actual and required ratios are not substantially different from those shown above.

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 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 third quarter of 2002.

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)

November 14, 2002

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CERTIFCATION
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 registrants 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)

November 14, 2002

CERTIFCATION
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 registrants 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)

November 14, 2002

EXHIBIT INDEX

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.