PATRIOT NATIONAL BANCORP INC
Form SB-2/A
July 05, 2005

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As filed with the Securities and Exchange Commission on July 5, 2005

Registration No. 333-124312

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 2
to

Form SB-2

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Patriot National Bancorp, Inc.

(Name of Small Business Issuer in Its Charter)

Connecticut	**6021**	**06-1559137**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

900 Bedford Street
Stamford, Connecticut 06901
(203) 324-7500

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

Charles F. Howell	**Robert F. O'Connell**
President	*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)

Copies to:

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(860) 725-6200	

Approximate date of commencement of proposed sale to the public:

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

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 July 5, 2005

PRELIMINARY PROSPECTUS

Shares of Common Stock (Maximum)
Shares of Common Stock (Minimum)
(par value $2.00 per share)

PATRIOT NATIONAL BANCORP, INC.

We are distributing non-transferable rights to subscribe for and purchase up to $ (shares) of our common stock to persons who owned shares of our common stock as of the close of business on the record date, , 2005. You will receive the right to subscribe for one share of common stock, at a subscription price of $, for each shares of common stock that you owned on , 2005. If you exercise all of your rights, you may also have the opportunity to purchase additional shares of common stock at the same purchase price.

You will be able to exercise your rights to purchase shares of common stock only during a limited period. If you do not exercise your rights before 5:00 p.m., Eastern Time, on , 2005, the rights will expire. We may decide to extend the rights offering, at our discretion, for up to 20 calendar days.

We intend to enter into agreements with certain institutions and high net worth individuals ("standby purchasers"), pursuant to which such standby purchasers will agree to purchase up to $ (shares) of our common stock, if such shares are available following the completion of this offering. Such standby purchasers are expected to require that we agree to sell and guarantee the availability of at least $ (shares) of our common stock to such standby purchasers following the completion of this offering.

Our common stock is listed on the NASDAQ SmallCap Market under the symbol "PNBK." On June 30, 2005, the last sale price of our common stock as reported on the NASDAQ SmallCap Market was $19.26 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 10.

Neither the Securities and Exchange Commission nor any state regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The securities offered hereby are not savings accounts, deposits or other debt obligations of a bank or savings association and are not insured by the Federal Deposit Insurance Corporation, the FDIC, or any governmental agency or otherwise.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Minimum(3):			
Price Per Share	$	$	$
Total	$	$	$
Maximum(4):			
Price Per Share	$	$	$
Total	$	$	$

(1)

As compensation for its services, we have agreed to pay Sandler O'Neill & Partners, L.P. ("Sandler O'Neill") upon completion of the offering a fee of 1% of the aggregate purchase price of the shares of our common stock sold in the offering pursuant to the exercise of rights by any of our directors, officers or employees; a fee of 3% of the aggregate purchase price of the shares of our common stock sold in the offering pursuant to the exercise of the rights by other persons; and a fee of 6.5% of the aggregate value of common stock committed to be purchased by the standby purchasers, except we have agreed to pay a fee of 4.25% of the aggregate value of the common stock committed to be purchased by not more than one standby purchaser to be identified and selected by us. We have also agreed to reimburse Sandler O'Neill for its reasonable out-of-pocket expenses pertaining to its engagement, including legal fees, and have agreed to indemnify Sandler O'Neill against certain liabilities arising out of its engagement, including certain liabilities arising under the Securities Act of 1933, as amended.

(2)

Before deducting expenses payable by us, estimated at $.

(3)

The total minimum price to the public, underwriting discounts and commissions and total minimum proceeds to us assume the purchase of shares as follows: by our directors, officers and employees, by other holders of rights and by the standby purchasers.

(4)

The total maximum price to the public, underwriting discounts and commissions and total maximum proceeds to us assume the purchase of shares as follows: by our directors, officers and employees, by other holders of rights and by the standby purchasers.

Sandler O'Neill & Partners, L.P.

The date of this prospectus is , 2005.

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You should rely only on the information contained in this prospectus. We have not, and Sandler O'Neill has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and Sandler O'Neill is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. It may not contain all the information that may be important to you. You should read the entire prospectus carefully before making an investment decision, especially the information presented under the heading "Risk Factors" and our Consolidated Financial Statements and the related notes included elsewhere in this prospectus.

Our Company

General

We are the bank holding company for Patriot National Bank, the Bank, the largest publicly-held commercial bank headquartered in Fairfield County, Connecticut. We conduct our operations solely through the Bank. Both 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 nine branch office locations serving customers located in the Fairfield County communities of Stamford, Greenwich, Old Greenwich, Norwalk, Wilton and Darien, and has received approval to open an additional branch in Southport, Connecticut. In addition, our Residential Lending Group has mortgage origination offices in Stamford and Melville (Long Island), New York.

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 March 31, 2005, on a consolidated basis, we had total assets of $413.7 million, net loans of $293.5 million, total deposits of $366.2 million and total shareholders' equity of $19.4 million.

Financial Highlights

We have achieved significant growth in assets, loans, deposits and net income over the past five years. From December 31, 1999 through March 31, 2005, we have grown:

- Total assets from $177.2 million to $413.7 million;
- Net loans from $107.8 million to $293.5 million;
- Total deposits from $162.7 million to $366.2 million; and
- Non-interest bearing deposits from $12.6 million to $39.4 million.

During this period of growth, we have emphasized the importance of a disciplined credit culture and have been successful in maintaining strong asset quality. We have had minimal net loan charge-offs since 1999. We had an aggregate of $5.2 million of non-performing loans at March 31, 2005, which constituted 1.26% of total assets at such date. Our non-performing loans as of such date included three loans totaling $3.6 million that are well collateralized and in the process of collection, two of which totaling $3.5 million are current as to principal and interest. The Bank is considered a well-capitalized institution under applicable regulations, with a total risk-based capital ratio of 10.35% and a Tier 1 risk-based capital ratio of 9.10% at March 31, 2005.

Market Overview

Our primary market area encompasses the southwestern Fairfield County communities where our branches are located. We also serve adjoining areas of Fairfield County and neighboring Westchester County, New York and, through our Residential Lending Group, Long Island, New York. Our market is located within the greater New York City metropolitan area, and is highly dependent on the economy of New York City. In 2004, the population of Fairfield County was approximately 906,000 people, which represents approximately 25% of the population of Connecticut. From 2004 through 2009, the population of Fairfield County is expected to increase by approximately 3.2%. The median household income in 2004 was over $73,000, more than 50% higher than the median household income for the United States. In October 2004, unemployment in Fairfield County was reported to be 3.5%, compared to 4.2% for Connecticut and 5.1% for the United States.

As of March 31, 2005, the Bank had $366.2 million of total deposits. As of June 30, 2004, the most recent date such information is available, the Bank had approximately 1.32% of the total deposits within Fairfield County. Consequently, there are substantial opportunities for the Bank to continue to grow its market share of deposits within its primary market area.

Fairfield County is home to a large number of Fortune 500 corporate headquarters, including Pitney Bowes, Clairol, Xerox, GE Capital, Champion-International and Time Warner Cable, as well as the U.S. headquarters of several international companies, including UBS and Diageo-Guinness. Many senior executives and employees of these and other businesses based in New York City 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.

Growth Strategy

Our goal is to continue to be the largest, independently owned commercial bank headquartered in Fairfield County. Our focus is on growing our core deposit base which will be utilized to fund our loan growth. We plan 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. We believe that the impact of recent and ongoing bank consolidations in Fairfield County provides a significant opportunity for us to continue to grow our community-focused banking business. Our strategy for achieving these objectives includes the following:

Expand our geographical footprint. We intend to continue to establish new branches in Fairfield County. As a result of the financial institution consolidation which has occurred within Connecticut, our market area includes several unused bank buildings and facilities, the availability of which has provided us in the past, and may provide us in the future, with an efficient and cost-effective alternative to building new facilities. Our management is very familiar with our market area, and regularly evaluates opportunities to lease existing facilities by reviewing market demographics with a view towards deposit growth, geographic location and customer accessibility, proximity to competitors, renovation costs, and suitability. We also intend to potentially expand into Westchester County and surrounding counties in New York, although under current law this would require us to establish a de novo bank or acquire a branch of an existing bank. While we have no current acquisition arrangements, we intend to consider potential acquisition opportunities as they arise. Except for the acquisition of our Residential Lending Group, we have not historically supplemented our growth through acquisitions.

Increase our deposit balances. Our focus is on increasing our core deposits, which consist of savings accounts, money market deposit accounts, non-interest-bearing demand accounts and certificates of deposit in amounts less than $100,000. We have grown our core deposits from $127.9 million at December 31, 1999 to $294.0 million at March 31, 2005 with a weighted average interest rate of 1.90% as of March 31, 2005. We intend to continue to increase our core deposits by attracting new customers 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.

Attract and retain experienced lending professionals. Our senior management team includes individuals with extensive experience and business contacts in the Fairfield County area. We seek to hire additional experienced commercial lenders with strong business relationships and knowledge of our market area in order to expand and enhance our current commercial banking and loan operations. We also consider the availability of experienced lenders in connection with our plans to establish new branch locations within our market area.

Increase the number and size of our loans. We seek to expand and attract new lending relationships, particularly residential construction, commercial real estate and, to a lesser extent, commercial business loans. Additional capital will allow us to lend higher amounts and to better meet the lending needs of our borrowers. As we grow, our goal is to increase our loan-to-deposit ratio by shifting the mix of earning assets to a greater percentage of higher yielding loans.

Offer new products and services. We plan to increase the banking products and financial services we offer in order to diversify our revenue base, increase our fee income, and strengthen our customer relationships. We seek to exploit opportunities to cross-sell these additional services to our existing customers and to attract new customers. In 1999, we acquired a residential mortgage brokerage company which conducted business in Connecticut, New York and New Jersey. This business is now conducted through a division of the Bank. Our residential mortgage brokerage business has generated significant non-interest (fee) income in each year following the acquisition, although the division's performance in 2004 was adversely affected by increases in market rates of interest which resulted in a significant decrease in the volume of refinance transactions.

Experienced Management Team

Our growth since 1999 is primarily due to our hiring of an experienced team of banking executives, all of whom have considerable experience in community banking in Fairfield County, Connecticut. Our management team is led by Angelo De Caro, our Chairman and Chief Executive Officer, who 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 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. Our President, and the Chief Executive Officer of the Bank, Charles F. Howell, 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. Our Senior Executive Vice President and Chief Financial Officer, Robert F. O'Connell, 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 28-year period. He also has responsibility for operations, retail banking and human resources. Our Chief Operating Officer, Philip W. Wolford, has 31 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. 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.

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 Rights Offering

Common Stock Offered	We are offering a minimum of shares and a maximum of shares of our common stock in the offering. We are offering our shareholders as of , 2005, the record date, the right to subscribe for and purchase up to shares of our common stock pursuant to the exercise of subscription rights. Each subscription right includes a basic subscription right and an oversubscription privilege for shareholders who exercise their basic subscription right in full, subject to availability and proration by us under certain circumstances. In this prospectus we refer to your basic subscription right as the "Basic Subscription Right" and to your oversubscription privilege as the "Oversubscription Privilege." In addition, in the event that there is not a sufficient number of shares of common stock remaining upon completion of the offering to satisfy the minimum number of shares we are required to sell to the standby purchasers, we will issue up to an additional shares of common stock to the standby purchasers. See "The Rights Offering."
Basic Subscription Right	Each of our shareholders will receive one Basic Subscription Right for every shares of common stock held on the record date. We will not issue fractional rights; the number of Basic Subscription Rights we offer to each shareholder will be rounded up or down to the nearest whole number.
Oversubscription Privilege	If you fully exercise your Basic Subscription Rights, subject to certain limits, you may also subscribe for up to two additional shares of common stock that other shareholders do not purchase for each Basic Subscription Right you hold. Shares of common stock available for purchase pursuant to the Oversubscription Privilege will be prorated if the number of oversubscribed shares exceeds the number of shares of common stock available. We will prorate in proportion to the number of shares of common stock each holder has subscribed for pursuant to the Basic Subscription Rights. The total number of shares that a shareholder may purchase in the offering as a result of the exercise of the Oversubscription Privilege (including shares purchased pursuant to the Basic Subscription Right) is limited to three times the number of shares purchased by such shareholder's exercise of the Basic Subscription Right.
Record Date	, 2005.
Subscription Price	$ per share.

Common Stock to be Outstanding after the Offering	2,489,391 shares of our common stock were outstanding as of the record date. A total of shares will be outstanding if we sell the minimum shares available in this offering and a total of shares will be outstanding if we sell the maximum shares available in this offering. You may experience substantial dilution in your equity ownership interest and voting power if you do not exercise your Basic Subscription Right or if additional shares are issued to the standby purchasers. See "Risk Factors Risks Related to the Offering."
Expiration Time	5:00 p.m., Eastern Time, on , 2005, unless we extend the expiration date for up to [20] calendar days (but no later than 5:00 p.m., Eastern Time, on , 2005). No one may exercise rights after the expiration time.
Non-transferability of Rights	You may not sell or otherwise transfer any of your Basic Subscription Rights or your Oversubscription Privilege.
Regulatory Limitation	We will not be required to issue common stock to any rights holder pursuant to the exercise of the Basic Subscription Right or the Oversubscription Privilege or any standby purchaser who, in our opinion, could be required to obtain prior clearance or approval from, or submit a notice to, any federal or state bank regulatory authority to acquire, own or control such shares if, at the expiration time for the exercise of rights, such clearance or approval has not been obtained and/or any required waiting period has not expired. If we elect not to issue shares of common stock in such case, such shares will become available to satisfy oversubscriptions by other rights holders and will be available to the standby purchasers. See "The Rights Offering Regulatory Limitation."
Subscription Agent	Registrar and Transfer Company
Information Agent	Registrar and Transfer Company
Financial Advisor	We have entered into an agreement with Sandler O'Neill & Partners, L.P., pursuant to which Sandler O'Neill is acting as our financial advisor in connection with the offering. We have agreed to pay certain fees to, and expenses of, Sandler O'Neill for its services in the offering. See "The Rights Offering Financial Advisor."
Procedure for Subscribing	To exercise your subscription rights (including both the Basic Subscription Right and the Oversubscription Privilege), you should complete the subscription rights certificate and forward it along with payment in full for all of the shares for which you are subscribing to the subscription agent. You are responsible for ensuring that your subscription rights certificate reaches the subscription agent before the expiration time. If you plan to mail the subscription rights certificate, we recommend that you use insured, registered mail. See "The Rights Offering Exercise of Subscription Rights."

Persons Holding Shares, or Wishing to Exercise Rights, Through Others	If you hold shares of common stock through a broker, dealer, commercial bank, trust company or other nominee, you should contact the institution and inform them if you wish to participate in this offering. See "The Rights Offering Exercise of Subscription Rights Shares Held by or for Others."
No Revocation	You may not revoke your subscription after the subscription agent receives your subscription rights certificate. Rights not exercised prior to the expiration time will expire.
Minimum Offering	The offering is conditioned upon the receipt of minimum offering proceeds of $. We believe, however, that this condition will be satisfied as a result of the commitments made by the standby purchasers under the standby purchase agreements. The maximum amount committed to the standby purchasers is referred to as the "Maximum Standby Purchase Commitment," and the minimum we will be required to sell to the standby purchasers is referred to as the "Minimum Standby Purchase Obligation." See "Standby Purchase Agreements."
Standby Purchase Agreements	We anticipate that we will enter into standby purchase agreements pursuant to which the standby purchasers will severally agree to acquire from us at the $ per share subscription price up to shares remaining after exercise of the Basic Subscription Right and Oversubscription Privilege by all shareholders of record, subject, in each case, to a maximum standby purchase commitment and certain conditions. It is anticipated that each standby purchase agreement will require that we sell a minimum number of shares to the related standby purchaser if sufficient shares are not available after issuance of all underlying shares subscribed for by the exercise of the Basic Subscription Right and the Oversubscription Privilege. In such case, we will issue in the aggregate up to additional shares to satisfy the Minimum Standby Purchase Obligation, but in no event will this result in shares being issued in excess of the maximum number of shares offered hereby.
Our Right to Terminate the Offering	We reserve the right to terminate the offering at any time until it has expired and for any reason. If we terminate the offering, we will have no obligation to you other than to return any payment we have received from you, without interest.
Delivery of Shares	Assuming we receive the minimum offering proceeds, we will send you certificates representing the shares of common stock you purchased as soon as practicable after , 2005, whether you exercise your rights immediately before that date or earlier. If you hold your common stock through The Depository Trust Company (known as DTC), or arrange for delivery and payment through DTC, DTC will credit the appropriate account for the shares that you purchase.

Purchase Intentions of our Directors and Executive Officers	Our directors and executive officers as a group (14 persons) have indicated their intention to exercise rights to purchase, in the aggregate, approximately $1.7 million of our common stock in the offering. These indications of intent are based upon each director's and officer's evaluation of his or her own financial and other circumstances. While Mr. De Caro, our Chairman of the Board, beneficially owns approximately 27.4% of our common stock, and thereby holds rights to purchase up to approximately shares of common stock in this offering, he has indicated his intention to purchase only $1.0 million of our common stock in this offering, or approximately shares of our common stock assuming the maximum offering size, in order to permit a broader diversification of our shareholder base. Upon their acquisition of such shares, our directors and executive officers, as a group, will beneficially own shares, or a minimum of % and a maximum of % of the outstanding common stock after completion of the offering. Mr. De Caro will beneficially own shares, or a minimum of % and a maximum of % of the outstanding common stock after completion of the offering.
Listing	We are currently listed on the NASDAQ SmallCap Market. We intend to apply to have the shares offered hereby also approved for listing on the NASDAQ SmallCap Market.
No Board or Financial Advisor Recommendations	An investment in our common stock must be made pursuant to your evaluation of your best interests. Accordingly, neither our board of directors nor Sandler O'Neill makes any recommendation to you regarding whether you should exercise your rights or purchase our common stock.
Use of Proceeds	We currently intend to contribute all of the net proceeds of this offering to the Bank. The Bank intends to utilize the proceeds to continue 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 to our shareholders. The net proceeds will be invested initially in primarily short-term investments.
Risk Factors	Investing in our common stock involves risks, including the risks that are described on pages 10 to 16 of this prospectus.
Questions	You should direct any questions concerning the procedure for subscribing to the information agent, Registrar and Transfer Company. You may phone the information agent at (800) 866-1340, or contact the Corporate Relations Department of the Information Agent at the website maintained by the Information Agent at *www.rtco.com/corp_contact.asp*.

Condensed Summary Selected Consolidated Financial and Other Data

We have derived the summary selected consolidated financial and other data for the years ended December 31, 2004 and 2003 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary selected consolidated financial and other data for the years ended December 31, 2002, 2001 and 2000 from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data as set forth below as of March 31, 2005 and 2004, and for the three months ended March 31, 2004 and March 31, 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 such periods. Our operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005. 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.

	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands, except share and per share data)						
Selected Operating Data:							
Interest and dividend income	$ 5,594	$ 4,308	$ 18,678	$ 15,215	$ 12,605	$ 13,723	$ 14,694
Interest expense	2,180	1,640	7,009	5,588	4,765	6,867	8,018
Net interest income	3,415	2,668	11,670	9,626	7,840	6,856	6,677
Provision for loan losses	260	160	556	563	468	250	326
Noninterest income:							
Mortgage-related fees(1)	586	591	2,020	3,963	3,618	3,320	2,538
Securities gains and losses				308	(26)		
Other non-interest income(2)	125	161	682	543	522	190	147
Total noninterest income	711	752	2,702	4,814	4,114	3,510	2,685
Noninterest expense	3,383	2,924	12,257	11,659	9,813	8,676	7,693
Net income	287	196	926	1,341	1,052	876	767
Per Share Data:							
Basic income per share	$ 0.12	$ 0.08	$ 0.38	$ 0.56	$ 0.44	$ 0.37	$ 0.34
Diluted income per share	0.11	0.08	0.37	0.55	0.43	0.36	0.33
Dividends per share	0.035	0.030	0.135	0.115	0.095	0.060	
Weighted average shares outstanding Basic	2,487,091	2,411,743	2,449,679	2,400,879	2,400,525	2,400,488	2,281,993
Weighted average shares outstanding Diluted	2,535,832	2,489,871	2,502,691	2,443,236	2,427,314	2,426,501	2,317,078
Common shares outstanding at end of period	2,489,391	2,420,274	2,486,391	2,408,607	2,400,525	2,400,525	2,400,375

	March 31, 2005	As of December 31, 2004	2003	2002	2001	2000
Balance Sheet Data:						
Cash and due from banks	$ 6,193	$ 6,670	$ 4,024	$ 5,386	$ 7,544	$ 3,656
Federal funds sold	13,000	37,500	15,000	3,000	12,700	29,500
Short term investments	67	11,460	10,431	3,349	6,789	
Investment securities	92,902	78,259	92,331	61,721	35,817	34,074
Loans, net	293,528	263,875	214,421	170,795	135,680	126,411
Total assets	413,665	405,047	342,469	248,497	202,569	197,628
Total deposits	366,186	367,005	289,992	217,911	183,264	179,666
Total borrowings	26,248	16,248	31,301	10,293	839	945
Total shareholders' equity	19,450	19,756	18,780	18,545	17,406	16,427

	At or for the Three Months Ended March 31,		At or for the Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands, except share and per share data)						
Selected Financial Ratios and Other Data(3):							
Return on average assets	0.28%	0.23%	0.26%	0.46%	0.47%	0.46%	0.42%
Return on average equity	5.73	4.08	4.74	7.09	5.82	5.10	5.20
Average equity to average assets	4.92	5.63	5.48	6.50	8.13	9.05	8.12
Interest rate spread(4)	3.06	2.89	3.02	3.10	3.31	3.11	3.08
Net interest margin(5)	3.43	3.19	3.35	3.41	3.67	3.75	3.80
Average interest-earning assets to average interest-bearing liabilities	116.43	115.47	116.54	115.88	116.22	117.16	115.68
Non-interest expense to average assets	3.32	3.42	3.52	4.13	4.59	4.75	4.37
Efficiency ratio(6)	82.01	85.52	85.28	80.74	82.09	83.69	82.18
Number of full-service customer facilities	9	7	9	7	4	4	3
Regulatory Capital Ratios(7):							
Tier I capital to adjusted total assets	6.45%	7.27%	6.79%	7.51%	6.99%	8.15%	7.86%
Tier I capital to total risk-weighted assets	8.87	9.85	9.04	10.00	9.13	9.61	9.97
Total capital to total risk-weighted assets	10.53	11.70	10.70	11.87	10.39	10.74	11.04
Asset Quality Ratios:							
Nonperforming loans (8) as a percent of gross loans	1.75%	1.43%	1.51%	0.14%	0.79%	2.14%	1.77%
Nonperforming assets as a percent of total assets	1.26	0.92	1.00	0.09	0.56	1.46	1.15
Allowance for loan losses as a percent of gross loans	1.26	1.38	1.31	1.35	1.37	1.38	1.28
Allowance for loan losses as a percent of total nonperforming loans	71.93	96.84	86.12	931.43	172.76	64.12	72.59

(1) Represents the revenue generated by our mortgage broker segment. See note 18 to our audited consolidated financial statements and note 8 to our unaudited consolidated financial statements.

(2) Reflects fees and service charges on deposit accounts, loan fee income and other miscellaneous income generated by our commercial banking segment.

(3) All ratios are annualized where appropriate.

(4) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(5) Represents net interest income as a percent of average interest-earning assets.

(6) Represents non-interest expense divided by the sum of net interest income and noninterest income.

(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.

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Risk Factors

Investing in our common stock involves a high degree of risk. Before you invest in our common stock, you should understand and carefully consider the risks below, as well as all of the other information contained in this prospectus and our financial statements and the related notes included elsewhere in this prospectus. Any of these risks could have a material adverse effect on our business, financial condition, results of operations and the trading price of our common stock, and you may lose all or part of your investment.

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

Risks Related to the Offering

You may not revoke your exercise of rights; we may terminate the offering.

Once you have exercised your subscription rights, you may not revoke your exercise. We may terminate this offering at our discretion, including without limitation if we fail to sell at least shares and raise at least $,000,000 in the offering. However, we believe that we will raise at least such amount due to our arrangements with the standby purchasers. If we terminate this offering, neither we nor the subscription agent will have any obligation to you with respect to the rights except to return any payment received by the subscription agent, without interest or penalty.

If you do not participate in this rights offering or do not exercise all of your subscription rights, you may suffer dilution of your percentage ownership of our common stock.

This rights offering is designed to enable us to raise capital while allowing all shareholders on the record date to avoid or limit dilution of their ownership interest in the Company. To the extent that you do not exercise your subscription rights and shares are purchased by other shareholders in the rights offering, your proportionate voting interest will be reduced, and the percentage that your original shares represent of our expanded equity after exercise of the subscription rights will be disproportionately diluted.

Even if you exercise your Basic Subscription Right, you may experience dilution if we issue additional shares to the standby purchasers.

You may experience substantial dilution in your voting rights and in your proportional interest in us because the standby purchasers will be able to purchase additional shares beyond the underlying shares even if you exercise your Basic Subscription Right. We will be obligated to sell such shares to the standby purchasers because the standby purchasers will have a right to purchase the Minimum Standby Purchase Obligation even if we issue all of the underlying shares subscribed for by the exercise of the Basic Subscription Right and Oversubscription Privilege.

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."

We set the exercise price for the subscription rights without regard to net worth, earnings or any other similar value, and you should not consider this price to be an indication of the actual value of our common stock.

We set the $ subscription price for the shares of our common stock which may be purchased by exercising the subscription rights at a price less than the market price on the date on which we determined to proceed with this offering. We selected this price based on a number of factors, including the desire to encourage shareholder participation in this offering. You should not, however, consider this price to be an indication of the actual value of our common stock and it was not based on our net worth, earnings or any other established criteria of value. This price may not be indicative of the price that will prevail in the public market after the offering. In particular, the market price of our common stock may decline below $. See "The Rights Offering Determination of Subscription Price."

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, and completing one acquisition of a mortgage brokerage company. 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. 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;
- attract funding to support additional growth;
- maintain our asset quality;
- maintain adequate regulatory capital; and
- maintain adequate controls.

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.

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 March 31, 2005, 89.6% 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.

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 business. 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
- collateral for loans made by us, especially real estate, may decline in value, reducing in turn a customer's borrowing power, and reducing the value of assets and collateral associated with our loans receivable.

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.

Our mortgage operations also are 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 March 31, 2005, our securities portfolio aggregated $90.9 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 22.0% 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, the division sales manager of our Residential Lending Group, 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. We are attempting to hire several experienced commercial business relationship 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 attracting or retaining the personnel we require.

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 all 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 could suffer reputational damages which also could materially adversely affect our financial condition and results of operations.

Risks Related to the Ownership of our Common Stock

There is a limited trading market for our common stock; it may be difficult to sell our shares after you have purchased them.

Our common stock is currently listed on the NASDAQ SmallCap Market under the symbol "PNBK." The volume of trading activity in our stock is relatively limited. Even if a more active market develops, there can be no assurance that such market will continue, or that you will be able to sell your shares at or above the offering price. You should carefully consider the lack of liquidity of your investment in the common shares when making your investment decision.

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 dividend was at a rate of $0.04 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 and directors as a group own sufficient shares of our common stock to significantly affect the results of any shareholder vote.

Our executive officers and directors beneficially own approximately 37.4% of our common stock, and will own approximately % of the outstanding common stock after completion of this offering, assuming the sale of the maximum number of shares available in this offering. Mr. De Caro, our Chairman, beneficially owns approximately 27.4% of our common stock, or approximately % of the outstanding common stock after completion of this offering, assuming his purchase of $1.0 million of our common stock in this offering and the sale of the maximum number of shares available in this offering. As a result, these executive officers and directors 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 executive officers and directors may differ from yours and these executive officers and directors 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."

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. 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.

Anti-takeover provisions in our certificate of incorporation, employment and change of control agreements and in our shareholder rights plan 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.

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 New York City metropolitan areas 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 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;

Adverse changes in the economic condition of Fairfield County or the 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 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;

Inflation, interest rate, market and monetary fluctuations;

The effects of opening new branches;

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.

The Rights Offering

General

We are distributing to the holders of our common stock, at no cost to the holders, non-transferable rights to purchase shares of our common stock. We will distribute to each shareholder who owned shares at the end of the day on , 2005, the record date, one right for each shares of common stock held of record. Each right includes a Basic Subscription Right and an Oversubscription Privilege. We will not issue fractional rights; the number of rights we offer to each shareholder will be rounded up or down to the nearest whole number.

There will be no public market for the rights. You may not sell, assign or otherwise transfer your rights, except by operation of law in the event of your death or dissolution.

Basic Subscription Right

Each right will entitle you, upon payment of $ to us, to purchase one share of our common stock. We will send you certificates representing shares you purchase as soon as practicable after , 2005, whether you exercise your rights immediately before that date or earlier, unless the offering is extended. If you hold your common stock through DTC, or arrange for delivery and payment through DTC, DTC will credit the appropriate account for the shares you purchase.

Oversubscription Privilege

Each right also gives you an Oversubscription Privilege to purchase up to two additional shares of our common stock that other shareholders do not purchase for each right you hold. You may exercise your Oversubscription Privilege only if you exercise your Basic Subscription Right in full. The subscription price for any oversubscription shares you purchase will be $, the same as if you exercise the Basic Subscription Right.

If you want to exercise your Oversubscription Privilege, you should indicate the number of additional shares that you would like to purchase in the space provided on your subscription rights certificate. The total number of shares that you may purchase if you exercise your Oversubscription Privilege (including those shares purchased pursuant to the Basic Subscription Right) is limited to three times the number of shares purchased through exercise of your Basic Subscription Right. When you send in your subscription rights certificate, you must send the full payment for the number of oversubscription shares that you have requested to purchase, if any, in addition to full payment for shares you are purchasing pursuant to your Basic Subscription Right.

If the number of shares remaining after the exercise of all Basic Subscription Rights is not sufficient to satisfy all Oversubscription Privileges, you will be allocated shares pro rata, subject to rounding to eliminate fractional shares, in proportion to the number of shares that you purchased by exercising your Basic Subscription Right.

As soon as practicable after , 2005, or the expiration time if the offering is extended, the subscription agent will determine the number of shares of our common stock that you may purchase pursuant to the Oversubscription Privilege. We will send you certificates representing these shares as soon as practicable after , 2005. If you hold your common stock through DTC, or arrange for delivery and payment through DTC, DTC will credit the appropriate account for the shares you purchase. If you request and pay for more oversubscription shares than are allocated to you, we will refund the amount of the overpayment, without interest.

Banks, brokers and other nominee holders who act on behalf of beneficial owners will have to certify to us and to the subscription agent as to the aggregate number of rights that they are exercising and the number of shares of our common stock that they are requesting pursuant to the Oversubscription Privilege on behalf of each beneficial owner.

Expiration Time

The rights will expire at 5:00 p.m., Eastern Time, on , 2005, unless we, at our sole discretion, extend the expiration date for up to [20] calendar days, but no later than 5:00 p.m., Eastern Time, on , 2005. If you do not exercise your Basic Subscription Right and your Oversubscription Privilege prior to that time, your subscription rights will terminate and be null and void. We will not be required to issue shares of our common stock to you if the subscription agent receives your subscription rights certificate or your payment after the expiration time, regardless of when you sent the subscription rights certificate and payment, unless you sent them in compliance with the guaranteed delivery procedures described below.

Standby Purchase Agreements

We anticipate that we will enter into standby purchase agreements pursuant to which an aggregate of investors, as standby purchasers, will severally agree to acquire from us at $ per share up to shares of our common stock, if any, remaining after the exercise of Basic Subscription Rights and the Oversubscription Privilege of our shareholders of record subject in each case to the Maximum Standby Purchase Commitment and possible reduction under certain circumstances. See " Regulatory Limitation." We expect that the standby purchase agreements will require that we sell the Minimum Standby Purchase Obligation (up to additional shares in the aggregate) to the standby purchasers if sufficient shares are not available after completion of the offering. The additional shares would be offered only to the standby purchasers. See "Standby Purchase Agreements."

No standby purchaser will be permitted to acquire shares of our common stock pursuant to its standby purchase commitment if, after such acquisition, its percentage ownership, together with that of its affiliates, of the total number of shares of our common stock would exceed 9.9%.

No Board or Financial Advisor Recommendation

You must make your decision whether to exercise your rights based on your own evaluation of your financial situation and our offer. Neither our board of directors nor Sandler O'Neill makes any recommendation to any holder of rights or other prospective purchasers regarding the exercise of their rights or the subscription for shares of our common stock.

Exercise of Subscription Rights

Important! **Please carefully read the instructions accompanying the subscription rights certificate and follow those instructions in detail. Do not send subscription rights certificates to us.**

You are responsible for choosing the payment and delivery method for your subscription rights certificate, and you bear the risks associated with your choices. If you choose to deliver your subscription rights certificate and payment by mail, we recommend that you use registered mail, properly insured, with return receipt requested. We also recommend that you allow a sufficient number of days to ensure delivery to the subscription agent and clearance of payment prior to , 2005. Because uncertified personal checks may take at least five business days to clear, we strongly urge you to pay, or arrange for payment, by means of certified or cashier's check, money order or wire transfer of funds.

Method of Exercise

You may exercise your rights by delivering the following to the subscription agent, Registrar and Transfer Company, on or before , 2005:

- The properly completed and signed subscription rights certificate accompanying this prospectus;
- Any required signature guarantees; and
- Payment in full of the subscription price for all of the shares of common stock you wish to purchase by exercising your Basic Subscription Right and your Oversubscription Privilege.

You should deliver your subscription rights certificate and payment in the enclosed envelope to the address set forth below under the caption, " Subscription Agent."

Method of Payment

You must pay for the shares of common stock you subscribe for by means of (1) an uncertified check payable to "Registrar and Transfer Company," as subscription agent, (2) a certified check or bank draft (cashier's check) drawn on a United States bank or a postal or express money order payable to "Registrar and Transfer Company," as subscription agent, or (3) a wire transfer of funds to an account maintained by the subscription agent for the purpose of accepting subscriptions at Commerce Bank, NA; Cherry Hill, NJ, WIRE CLEARING ACCOUNT, ABA #031-201-360, Account #:275795440, Attn: Registrar and Transfer Company as the rights offering agent for Patriot National Bancorp's shareholders. You will have paid the subscription price only:

- In the case of an uncertified check, when it has cleared;
- In the case of a certified check or bank draft drawn on a United States bank or a postal or express money order, when the subscription agent has received it; or
- In the case of a wire transfer, when the subscription agent's account designated above has received the funds.

Guaranteed Delivery Procedures

If you want to exercise your rights, but time will not permit your subscription rights certificate to reach the subscription agent on or prior to 5:00 p.m., on , 2005, you may exercise your rights using the following guaranteed delivery procedures:

1. On or before , 2005, you must have sent, and the subscription agent must have received, payment in full for each share of common stock you are purchasing through your Basic Subscription Right and your Oversubscription Privilege;
2. On or before , 2005, you must have sent, and the subscription agent must have received, a Notice of Guaranteed Delivery, substantially in the form provided with the attached instructions, from a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States. The Notice of Guaranteed Delivery must state:
   - Your name,

The number of rights that you hold,

The number of shares of common stock that you wish to purchase pursuant to your Basic Subscription Right, and

The number of shares of common stock, if any, you wish to purchase pursuant to your Oversubscription Privilege.

The Notice of Guaranteed Delivery must guarantee the delivery of your subscription rights certificate to the subscription agent within three NASDAQ SmallCap Market trading days following the date of the Notice of Guaranteed Delivery; and

3. You must send, and the subscription agent must receive, your properly completed and duly executed subscription rights certificate, including any required signature guarantees, within three NASDAQ SmallCap Market trading days following the date of your Notice of Guaranteed Delivery. You may physically deliver the Notice of Guaranteed Delivery via the enclosed envelope to the subscription agent at its address set forth below. You can obtain additional copies of the Notice of Guaranteed Delivery from the subscription agent at the address set forth below under the caption, " Subscription Agent."

Signature Guarantee

Signatures on the subscription rights certificate must be guaranteed by an Eligible Guarantor Institution, as defined in Rule 17Ad-15 of the Securities Exchange Act of 1934, as amended, subject to the standards and procedures adopted by the subscription agent. Eligible Guarantor Institutions that provide signature guarantee services include banks, brokers, dealers, credit unions, national securities exchanges and savings associations.

Signatures on the subscription rights certificate do not need to be guaranteed if the subscription rights certificate:

- Provides that the shares of common stock you are purchasing are to be delivered directly to the record owner of the subscription rights; or

- Is submitted for the account of a member firm of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

Shares Held by or for Others

If you hold shares of common stock for the account of others, such as a broker, a trustee or a depository for securities, you should notify the respective beneficial owners of the shares as soon as possible to obtain instructions with respect to the subscription rights they beneficially own.

If you are a beneficial owner of common stock held by a holder of record, such as a broker, trustee or a depository for securities, you should contact the holder and ask the holder to effect transactions in accordance with your instructions.

Ambiguities in Exercise of the Subscription Rights

If you do not specify the number of rights being exercised on your subscription rights certificate, or if your payment is not sufficient to pay the total purchase price for all of the shares that you indicated you wish to purchase, you will be deemed to have exercised the maximum number of rights that could be exercised for the amount of the payment that the subscription agent receives from you.

If your payment exceeds the total purchase price for the number of shares of common stock that you have indicated you wish to exercise on your subscription rights certificate, your payment will be applied until depleted as follows:

1. To subscribe for the number of shares of common stock that you indicated on the subscription rights certificate that you wish to purchase through your Basic Subscription Right;

2. To subscribe for additional shares of common stock until your Basic Subscription Right has been fully exercised; and

3. To subscribe for additional shares of common stock pursuant to your Oversubscription Privilege (subject to any applicable limitation or proration).

We will return any excess payment remaining after the foregoing allocation to you as soon as practicable by mail, without interest or deductions.

Validity of Subscriptions

We will determine all questions concerning the timeliness, validity, form and eligibility of any exercise of subscription rights. We may, at our sole discretion:

- Waive any defect or irregularity;
- Permit a defect or irregularity to be corrected within any period of time that we set; or
- Reject the purported exercise of any right by reason of any defect or irregularity.

Any determination we make with respect to these matters will be final and binding. Subscriptions will not be deemed to have been received or accepted until the person submitting the subscription has cured all irregularities or we have waived them. This must occur within any period of time that we, in our sole discretion, set. Neither we nor the subscription agent will:

- Be under any duty to notify anyone of any defect or irregularity in connection with the submission of any subscription rights certificate; or
- Incur any liability for any failure to give notice of this sort.

Subscribers' Fees and Expenses

You are responsible for paying all commissions, fees, taxes and other expenses that you incur in exercising your subscription rights.

No Revocation

You may not revoke your subscription after the subscription agent receives your subscription rights certificate. You should not send your subscription rights certificate unless you are certain that you want to purchase shares of our common stock.

Right To Terminate Offering

We expressly reserve the right, at our sole discretion, at any time prior to delivery of the shares of our common stock offered by this prospectus, to terminate the offering if the offering is prohibited by law or regulation or our board of directors concludes, in its judgment, that it is not in our best interest, and that of our shareholders, to complete the offering under the circumstances. If the rights offering is terminated, all funds received pursuant to the rights offering or from standby purchasers will be promptly refunded, without interest.

Rights as a Shareholder

You will not have any rights as a shareholder with respect to shares of common stock you subscribe for until we issue the certificates representing those shares.

Listing

We intend to apply to have the shares of common stock to be issued on exercise of the subscription rights approved for listing on the NASDAQ SmallCap Market.

The rights themselves are non-transferable and will not be listed on any national securities exchange or quotation system.

Subscription Agent

We have appointed Registrar and Transfer Company, as subscription agent. The subscription agent's address for packages sent by mail or overnight delivery is: 10 Commerce Drive, Cranford, New Jersey 07016-3572.

The subscription agent's telephone number is (800) 368-5948.

You should deliver your subscription rights certificate, payment for the subscription price and Notice of Guaranteed Delivery (if any) to the subscription agent. Do not deliver them to us.

We will pay the fees and expenses of the subscription agent and have agreed to indemnify it against any liability that it may incur in connection with the offering, including liabilities under the Securities Act of 1933.

Questions About How to Subscribe

You should direct any questions concerning the procedure for subscribing to Registrar and Transfer Company, as information agent. The information agent's telephone number is (800) 368-5948. See " Information Agent."

Procedures for DTC Participants

It is anticipated that the exercise of the Basic Subscription Right (but not the Oversubscription Privilege) may be effected through the facilities of DTC (rights which the holder exercises through DTC are referred to as "DTC rights"). A holder of DTC rights may exercise the Oversubscription Privilege in respect thereof by properly exercising and delivering to the subscription agent, at or prior to   , 2005, a DTC Participant Oversubscription Exercise Form, together with payment of the appropriate subscription price for the number of shares for which the Oversubscription Privilege is exercised. Copies of the DTC Participant Oversubscription Exercise Form may be obtained from Registrar and Transfer Company, the information agent and subscription agent.

Determination of Subscription Price

The subscription price has been determined by us, in consultation with Sandler O'Neill. Among the factors considered by our board of directors in determining the subscription price were:

- The market value of our common stock;
- Our present and projected operating results and our financial condition;
- The aggregate size of the offering;
- The price at which our board of directors believes investors would pay to purchase all of the available shares of common stock offered;
- The amount the standby purchasers would be willing to commit; and
- Market and other relevant observations.

See "Capitalization" and "Risk Factors Risks Related to the Offering."

There can be no assurance, however, that the market price of our common stock will not decline during the subscription period to a level equal to or below the subscription price, or that, following the issuance of the rights and of our common stock upon exercise of the rights or pursuant to the standby purchase agreements, a subscribing rights holder or standby purchaser will be able to sell shares purchased in the offering at a price equal to or greater than the subscription price. An investment in our common stock must be made pursuant to your evaluation of your best interests. Accordingly,

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neither our board of directors nor Sandler O'Neill make any recommendation to rights holders or others regarding whether they should exercise the rights or purchase our common stock.

Financial Advisor

We have engaged Sandler O'Neill as our financial advisor in connection with the offering pursuant to an agency agreement between Sandler O'Neill and us. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

In its capacity as financial advisor, Sandler O'Neill provided advice to us regarding the structure of the offering as well as with respect to marketing the shares of our common stock to be issued in the offering. Sandler O'Neill will identify potential standby purchasers and will assist us in negotiating standby purchase agreements with the standby purchasers.

Sandler O'Neill has not prepared any report or opinion constituting a recommendation or advice to us or our shareholders, nor has Sandler O'Neill prepared an opinion as to the fairness of the subscription price or the terms of the offering to us or our current shareholders. Sandler O'Neill expresses no opinion and makes no recommendation to holders of the rights as to the purchase by any person of shares of our common stock. Sandler O'Neill also expresses no opinion as to the prices at which shares to be distributed in connection with the rights offering may trade if and when they are issued or at any future time. See "Determination of Subscription Price."

As compensation for its services, upon completion of the offering, we have agreed to pay Sandler O'Neill a minimum fee of $300,000 consisting of:

- 1% of the aggregate purchase price of shares of our common stock sold in the offering pursuant to the exercise of Basic Subscription Rights and Oversubscription Privileges by any of our directors, officers or employees; plus

- 3% of the aggregate purchase price of shares of our common stock sold in the offering pursuant to the exercise of Basic Subscription Rights and Oversubscription Privileges by other shareholders; plus

- 6.5% of the aggregate purchase price of shares of common stock committed to be purchased by the standby purchasers.

Notwithstanding the foregoing, we have agreed to pay Sandler O'Neill an amount equal to 4.25% of the aggregate purchase price of shares of common stock committed to be purchased by not more than one standby purchaser to be identified and selected by us. We have also agreed to reimburse Sandler O'Neill for its reasonable out-of-pocket expenses pertaining to its engagement, including legal fees, regardless of whether the rights offering is consummated. We have agreed to indemnify Sandler O'Neill against certain liabilities arising out of its engagement, including certain liabilities arising under the Securities Act of 1933.

We and each of our directors and executive officers have agreed with Sandler O'Neill that, without the prior written consent of Sandler O'Neill, none of us will, during the period ending 180 days after the closing date of this offering:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock,

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. This 180-day period may be extended under certain circumstances if we announce or pre-announce earnings or material news or a material event within approximately 18 days prior to, or approximately 16 days after, the termination of the 180-day period.

The restrictions described in the preceding paragraph do not apply to:

the exercise, including the cashless exercise, of any options outstanding on the date of this prospectus;

the issuance by us of shares of common stock upon the exercise of any options outstanding on the date of this prospectus;

the issuance by us of options to purchase shares of common stock pursuant to our existing equity plans;

the transfer by any individual of shares of common stock or any securities exercisable for common stock to a trust for the benefit of such individual or members of such individual's immediate family, as a bona fide gift or which occurs by operation of law, if each transferee or donee agrees in writing as a condition precedent to such transfer or gift to be bound by the same restrictions; and

transactions by any person other than us relating to shares of common stock or other securities acquired in open market transactions after the completion of the offering of the shares.

Sandler O'Neill may in the future provide other investment banking services to us and will receive compensation for such services. In the ordinary course of its business as a broker-dealer, Sandler O'Neill may also purchase securities from and sell securities to us and may actively trade our equity or debt securities for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

Information Agent

We have appointed Registrar and Transfer Company as information agent for the offering. Any questions or requests for assistance concerning the method of subscribing for shares of our common stock or for additional copies of this prospectus, the instructions, or the Notice of Guaranteed Delivery may be directed to the Information Agent at the address and telephone number below:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
Telephone No.: (800) 368-5948
Fax No.: (908) 497-2318

We will pay the fees and expenses of the information agent and have also agreed to indemnify the information agent from certain liabilities that it may incur in connection with the rights offering.

Dilution

Rights holders may experience substantial dilution of their percentage of equity ownership interest and voting power in us if they do not exercise their rights. If we are required to sell additional shares to the standby purchasers in excess of those offered pursuant to the Basic Subscription Rights and Oversubscription Privileges due to minimum guarantees in the standby purchase agreements, subscription rights holders will suffer dilution in their equity ownership interest and voting power whether or not they exercise their Basic Subscription Right.

Purchase Intentions of Directors and Officers

Our directors and executive officers as a group (14 persons) have indicated their intention to exercise subscription rights to purchase, in the aggregate, approximately $1.7 million of our common stock. These indications of intent are based upon each director's and officer's evaluation of his or her own financial and other circumstances. Upon their acquisition of these shares, the directors and executive officers, as a group, will own beneficially shares, or a minimum of % and a maximum of % of our outstanding common stock after completion of the offering. Included in this amount is the ownership of our Chairman, Angelo De Caro, who will own shares, or a minimum of % and a maximum of % of our outstanding common stock after completion of the offering, assuming his purchase of $1.0 million of our common stock in the offering. In addition, certain other directors and executive officers have indicated their intention to exercise subscription rights to purchase, in the aggregate, approximately $700,000 of our common stock.

Foreign And Certain Other Shareholders

Subscription rights certificates will not be mailed to record date holders whose addresses are outside the United States and Canada or who have an APO or FPO address, but will be held by the subscription agent for each record date holders' accounts. To exercise their subscription rights, such persons must notify the subscription agent at or prior to 5:00 p.m., Eastern Time, on , 2005, at which time (if no contrary instructions have been received) the rights represented thereby will expire if not exercised.

Minimum Condition

The offering is conditioned upon us receiving minimum offering proceeds of $. In the event the minimum condition is not achieved, any funds that have been deposited with the subscription agent will be returned, without interest. As a result of the standby purchase agreements (pursuant to which we expect that the standby purchasers will agree to acquire up to shares of our common stock), we believe that the minimum condition will be satisfied. Any purchase of shares made by our affiliates, including our directors and executive officers, solely to satisfy the minimum condition will be for investment purposes only and not with a view toward distribution.

Regulatory Limitation

We will not be required to issue shares of common stock in the offering to any rights holder or standby purchaser who, in our sole judgment and discretion, is required to obtain prior clearance, approval or nondisapproval from any federal or state bank regulatory authority to own or control such shares unless, prior to the expiration time, evidence of such clearance, approval or nondisapproval has been provided to us. If we elect not to issue shares in such case, such shares will become available to satisfy subscriptions pursuant to the Oversubscription Privilege or to standby purchasers as to whom such conditions do not apply.

The Change in Bank Control Act prohibits a person or group of persons "acting in concert" from acquiring "control" of any insured depository institution, such as our bank, unless the appropriate federal regulatory agency has been given 60 days' prior written notice of such proposed acquisition and within that time period the applicable regulatory authority has not issued a notice disapproving the proposed acquisition or extending for up to another 30 days the period during which such a disapproval may be issued. An acquisition may be made prior to the expiration of the disapproval period if the applicable regulatory authority issues written notice of its intent not to disapprove the action.

Under applicable regulations, the acquisition of more than 25% of any class of voting stock of a banking institution constitutes the acquisition of control for purposes of the aforementioned notice requirement. Also, under a rebuttable presumption established by federal banking regulators, the acquisition of more than 10% of any class of voting stock of a banking institution combined with the presence of other "control factors" (including if the acquirer would be one of the two largest holders of any class of voting stock of the institution) may, constitute the acquisition of control.

In addition to the notice requirement under the Change in Bank Control Act, any company that acquires control of a bank or bank holding company may itself become a bank holding company and must register as such within 90 days after acquiring control. A bank holding company is required to file periodic reports with the Federal Reserve. Bank holding companies are also subject to periodic examination and may be subject to, among other things, certain restrictions on their activities.

Federal Income Tax Consequences

General

We have summarized below United States federal income tax consequences of the offering to the holders of our common stock upon the distribution of the rights and to the holders of the rights upon their exercise.

This summary is based on provisions of the Internal Revenue Code of 1986, as amended, or the Code, final, temporary and proposed U.S. Treasury regulations and administrative and judicial interpretations, all as of the date of the prospectus and all of which are subject to change, possibly on a retroactive basis.

This summary is limited to those who hold the common stock, and will hold the rights and any shares acquired upon the exercise of rights as "capital assets" within the meaning of Section 1221 of the Code. This summary does not address all of the tax consequences that may be relevant to holders in light of their personal circumstances, or to holders who are subject to special rules, such as banks and other financial institutions, broker-dealers, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations and foreign taxpayers. This summary does not include any description of the tax laws of any state, local or non-U.S. government that may be applicable to a shareholder.

We urge shareholders to consult their own tax advisors with respect to the particular U.S. federal income consequences to them of this offering, as well as the tax consequences under state, local, non-U.S. and other tax laws and the possible effects of changes in tax laws.

Distribution of Rights

Shareholders will not recognize taxable income for federal income tax purposes upon receipt of the rights.

Shareholder Basis of the Rights

Except as provided in the following sentences, the basis of the rights received by a shareholder as a distribution with respect to such shareholder's common stock will be zero. If the fair market value of the rights on their date of issuance is 15% or more of the fair market value of a shareholder's common stock on the date the rights are received, the shareholder will be required to allocate his or her tax basis in the common stock between the common stock and the rights in proportion to their respective fair market values determined on the date the rights are received. If, however, the fair market value of the rights distributed to a shareholder is less than 15% of the fair market value of the shareholder's common stock on the date the rights are received, the shareholder's tax basis in the rights generally will be zero unless the shareholder properly elects to allocate his or her tax basis between the common stock and the rights in his or her federal income tax return for the taxable year in which the rights are received. Shareholders who intend to purchase shares in the offering and allocate basis between presently owned shares of our common stock and the rights received will have to make their own determination of the value of the rights.

Lapse of the Rights

Shareholders who allow the rights received by them in this offering to lapse will not recognize any gain or loss, and no adjustment will be made to the basis of the common stock they own.

Exercise of the Rights; Basis and Holding Period of the Common Stock

Shareholders will not recognize any gain or loss upon the exercise of rights. The basis of the shares acquired through exercise of the rights will be equal to the sum of the subscription price and the shareholder's basis in the rights, if any. The holding period for the shares acquired through exercise of the rights will begin on the date they are exercised.

Sale of Shares

The sale of shares will result in the recognition of gain or loss to the shareholder in an amount equal to the difference between the amount realized and the shareholder's basis in the shares. Gain or loss upon the sale of the shares will be long- term capital gain or loss if the holding period for the shares is more than one year.

Standby Purchase Agreements

We expect to enter into standby purchase agreements with certain institutional investors and high net worth individuals. We expect the standby purchasers to severally agree, subject in each case to a Maximum Standby Purchase Commitment and certain conditions, to acquire from us at the subscription price of $ per share up to underlying shares, if any, remaining after the exercise of the rights, including those purchased pursuant to the Oversubscription Privilege. In addition, the standby purchase agreements will provide that we must sell the Minimum Standby Purchase Commitment (up to shares of our common stock in the aggregate) to the standby purchasers if such amount of underlying shares are not available for sale after the exercise of rights. The obligations of the standby purchasers will not be subject to the purchase of any minimum number of shares pursuant to the exercise of the rights by the rights holders, but are subject to certain conditions, including that the offering shall have been conducted substantially in the manner described in this prospectus.

We expect that each standby purchase agreement will provide that it may be terminated by the standby purchaser only upon the occurrence of the following events: (i) the suspension of trading in our common stock, the establishment of limited or minimum prices for our common stock, or a general suspension of trading in or the establishment of limited or minimum prices on the New York Stock Exchange or the NASDAQ market, any banking moratorium, any suspension of payments with respect to banks in the United States, or a declaration of war or national emergency in the United States; (ii) any circumstances that would result in the standby purchaser, individually or otherwise with any other person or entity, being required to register as a depository institution holding company under federal or state laws or regulations, or to submit an application, or notice, to a federal regulatory authority; (iii) prior to the expiration time, if we experience a material adverse change in our financial condition from our financial condition on , 2005, except as specifically disclosed in the prospectus; (iv) if the offering is not completed by through no fault of the standby purchaser; or (v) in the event that we are unable to obtain any required federal or state approvals for the offering on conditions reasonably satisfactory to us despite our reasonable efforts to obtain such approvals.

In the event that the number of underlying shares remaining after the exercise of the rights is less than the standby purchasers' aggregate Maximum Standby Purchase Commitment, such underlying shares will first be allocated among the standby purchasers in satisfaction of the Minimum Standby Purchase Commitments and any remaining underlying shares will be allocated pro rata among the standby purchases according to their respective Maximum Standby Purchase Commitments. In the event that such number of underlying shares is less than our aggregate Minimum Standby Purchase Commitment, we will issue and sell, at the subscription price, to the relevant standby purchasers sufficient additional shares of our common stock to satisfy the aggregate Minimum Standby Purchase Commitment, but in no event will this result in shares being issued in excess of the maximum shares offered hereby.

The following table sets forth certain information relating to the standby purchasers:

Standby Purchasers	Minimum Standby Purchase Commitment	Maximum Standby Purchase Commitment
	(shares)	

Use of Proceeds

The net proceeds of the offering, after deducting expenses payable by us in connection with the offering, are estimated to be $ if the minimum number of shares are sold and $ if the maximum number of shares are sold.

We intend to contribute all of the net proceeds of this offering to the Bank. The Bank intends to use approximately $450,000 of the net proceeds to open a new branch office in Southport, Connecticut during the second quarter of 2005. Historically, the Bank's non-recurring capital costs to open a new branch have 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 branch office local area, the size of the branch, the availability of "turn-key" facilities, and the number of employees. We are unable to estimate accurately these variable costs. We intend to use the balance of the net proceeds to satisfy regulatory capital requirements of the Bank, which we expect will increase in connection with business growth generated by new and existing branches, and for general corporate purposes. We believe that by continuing to grow the Bank, we will be able to create long-term value to our shareholders. The net proceeds will be invested initially in primarily short-term investments.

Capitalization

The following table shows our capitalization as of March 31, 2005. It shows our capitalization on three bases: actual and as adjusted to give effect to the receipt of the net proceeds from the offering, assuming in the alternative that minimum and maximum of the offered shares are sold. The as adjusted capitalization assumes that we sell the indicated number of shares of common stock at $ per share and that the net proceeds from the offering, after deducting in each case $ of estimated offering expenses payable by us, are: (1) $ if the minimum amount of the shares are sold; and $ if the maximum amount of the shares are sold.

	March 31, 2005		
	Actual	As Adjusted	
		Minimum Sold	Maximum Sold
	(in thousands, except per share and share data)		
Long-term borrowings:			
FHLB advances	$ 18,000,000		
Junior subordinated debentures	8,248,000		
Total borrowings(1)	$ 26,248,000		
Shareholders' Equity:			
Preferred Stock, no par value per share; 1,000,000 shares authorized; no shares issued and outstanding			
Common stock; par value $2.00 per share; 30,000,000 shares authorized; 2,489,391 shares issued and outstanding; shares issued and outstanding as adjusted assuming the minimum amount of the shares are sold; and shares issued and outstanding as adjusted assuming the maximum amount of the shares are sold(2)	$ 4,978,782		
Additional paid-in capital	11,854,503		
Retained earnings	3,546,770		
Accumulated other comprehensive loss	(929,672)		
Total Shareholders' Equity	$ 19,450,383		
Regulatory capital ratios(3)			
Tier 1 capital (to average assets)	6.45%		
Tier 1 capital (to risk weighted assets)	8.87%		
Total capital (to risk weighted assets)	10.53%		

(1) In addition to the indebtedness reflected above, we had total deposits of $366.2 million at March 31, 2005.

(2) The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of May 31, 2005 and excludes 107,000 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 May 31, 2005, we did not have any shares available for future grant under our stock option plan.

(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 contribution of $ million of the net proceeds of this offering to the Bank and the

initial deployment of such proceeds in short-term assets with a 20% risk-weighting under applicable regulations.

Selected Consolidated Financial and Other Data

We have derived the selected consolidated financial and other data for the years ended December 31, 2004 and 2003 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, 2002, 2001 and 2000 from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated financial data as set forth below as of March 31, 2005 and 2004, and for the three months ended March 31, 2004 and March 31, 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 such periods. Our operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 2005. 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.

	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands, except share and per share data)						
Operating Data:							
Interest and dividend income	$ 5,594	$ 4,308	$ 18,678	$ 15,215	$ 12,605	$ 13,723	$ 14,694
Interest expense	2,180	1,640	7,009	5,588	4,765	6,867	8,018
Net interest income	3,415	2,668	11,670	9,626	7,840	6,856	6,677
Provision for loan losses	260	160	556	563	468	250	326
Noninterest income:							
Mortgage-related fees(1)	586	591	2,020	3,963	3,618	3,320	2,538
Securities gains and losses				308	(26)		
Other non-interest income(2)	125	161	682	543	522	190	147
Total noninterest income	711	752	2,702	4,814	4,114	3,510	2,685
Noninterest expense	3,383	2,924	12,257	11,659	9,813	8,676	7,693
Net income	287	196	926	1,341	1,052	876	767
Per Share Data:							
Basic income per share	$ 0.12	$ 0.08	$ 0.38	$ 0.56	$ 0.44	$ 0.37	$ 0.34
Diluted income per share	0.11	0.08	0.37	0.55	0.43	0.36	0.33
Dividends per share	0.035	0.030	0.135	0.115	0.095	0.060	
Weighted average shares outstanding Basic	2,487,091	2,411,743	2,449,679	2,400,879	2,400,525	2,400,488	2,281,993
Weighted average shares outstanding Diluted	2,535,832	2,489,871	2,502,691	2,443,236	2,427,314	2,426,501	2,317,078
Common shares outstanding at end of period	2,489,391	2,420,274	2,486,391	2,408,607	2,400,525	2,400,525	2,400,375
Book value per share	7.81	7.98	7.95	7.80	7.73	7.25	6.84
Tangible book value per share	7.44	7.59	7.57	7.41	7.34	6.86	6.40

	March 31, 2005	As of December 31, 2004	2003	2002	2001	2000
Balance Sheet Data:						
Cash and due from banks	$ 6,193	$ 6,670	$ 4,024	$ 5,386	$ 7,544	$ 3,656
Federal funds sold	13,000	37,500	15,000	3,000	12,700	29,500
Short term investments	67	11,460	10,431	3,349	6,789	
Investment securities	92,902	78,259	92,331	61,721	35,817	34,074
Loans, net	293,528	263,875	214,421	170,795	135,680	126,411
Total assets	413,665	405,047	342,469	248,497	202,569	197,628
Total deposits	366,186	367,005	289,992	217,911	183,264	179,666
Total borrowings	26,248	16,248	31,301	10,293	839	945
Total shareholders' equity	19,450	19,756	18,780	18,545	17,406	16,427

	At or for the Three Months Ended March 31,		At or for the Year Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(dollars in thousands, except share and per share data)						
Selected Financial Ratios and Other Data:(3)							
Return on average assets	0.28%	0.23%	0.26%	0.46%	0.47%	0.46%	0.42%
Return on average equity	5.73	4.08	4.74	7.09	5.82	5.10	5.20
Average equity to average assets	4.92	5.63	5.48	6.50	8.13	9.05	8.12
Interest rate spread(4)	3.06	2.89	3.02	3.10	3.31	3.11	3.08
Net interest margin(5)	3.43	3.19	3.35	3.41	3.67	3.75	3.80
Average interest-earning assets to average interest-bearing liabilities	116.43	115.47	116.54	115.88	116.22	117.16	115.68
Non-interest expense to average assets	3.32	3.42	3.52	4.13	4.59	4.75	4.37
Efficiency ratio(6)	82.01	85.52	85.28	80.74	82.09	83.69	82.18
Number of full-service customer facilities	9	7	9	7	4	4	3
Regulatory Capital Ratios(7):							
Tier I capital to adjusted total assets	6.45%	7.27%	6.79%	7.51%	6.99%	8.15%	7.86%
Tier I capital to total risk-weighted assets	8.87	9.85	9.04	10.00	9.13	9.61	9.97
Total capital to total risk-weighted assets	10.53	11.70	10.70	11.87	10.39	10.74	11.04
Asset Quality Ratios:							
Nonperforming loans(8) as a percent of gross loans	1.75%	1.43%	1.51%	0.14%	0.79	2.14	1.77
Nonperforming assets as a percent of total assets	1.26	0.92	1.00	0.09	0.56	1.46	1.15
Allowance for loan losses as a percent of gross loans	1.26	1.38	1.31	1.35	1.37	1.38	1.28
Allowance for loan losses as a percent of total nonperforming loans	71.93	96.84	86.12	931.43	172.76	64.12	72.59

(1) Represents the revenue generated by our mortgage broker segment. See note 18 to our audited consolidated financial statements and note 8 to our unaudited consolidated financial statements.

(2) Reflects fees and service charges on deposit accounts, loan fee income and other miscellaneous income generated by our commercial banking segment.

(3)

All ratios are annualized where appropriate.

(4) Represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(5) Represents net interest income as a percent of average interest-earning assets.

(6) Represents non-interest expense divided by the sum of net interest income and noninterest income.

(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.

Market Price of Common Stock and Dividend Policy

Our policy has been to pay dividends out of funds in excess of the needs of the business. We declared cash dividends to our shareholders on a quarterly basis at a rate of $0.02 per share from the second quarter of 2001 through the first quarter of 2002, at a rate of $0.025 through the first quarter of 2003, at a rate of $0.03 through the first quarter of 2004 and at a rate of $0.035 through the first quarter of 2005. In the second quarter of 2005, our board of directors increased the quarterly dividend to $0.04 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.

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 SmallCap Market, and the cash dividends declared.

	High and Low Sales Prices Common Stock		Cash Dividends Declared
	High	Low	
Fiscal Year 2003			
First Quarter	$ 10.56	$ 9.50	$ 0.025
Second Quarter	10.80	9.10	0.030
Third Quarter	11.45	9.65	0.030
Fourth Quarter	12.50	10.76	0.030
Fiscal Year 2004			
First Quarter	$ 16.25	$ 12.49	$ 0.030
Second Quarter	15.25	14.03	0.035
Third Quarter	14.99	13.51	0.035
Fourth Quarter	18.60	14.01	0.035
Fiscal Year 2005			
First Quarter	$ 18.40	$ 17.00	$ 0.035
Second Quarter	19.96	18.05	$ 0.040

On May 31, 2005, there were approximately 734 holders of record of our common stock. On June 30, 2005, 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 SmallCap Market were $19.26 and $19.26, respectively.

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. Both Bancorp and the Bank are headquartered in Stamford, Connecticut, approximately 40 miles east of New York City. The Bank has nine branch office locations serving customers located in the Fairfield County communities of Stamford, Greenwich, Old Greenwich, Norwalk, Wilton and Darien. In addition, our Residential Lending Group has mortgage origination offices in Stamford and Melville (Long Island), New York.

The Bank has two reportable segments, the commercial bank and the mortgage broker or Residential Lending Group. The commercial 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 commercial bank offers consumer and commercial deposit accounts such as checking accounts, insured money market accounts, time certificates of deposit, and savings accounts and also offers 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 Residential Lending Group 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.

The Bank established two new branch banking offices during 2004; the first, located in Darien, Connecticut, opened in July 2004, and the second, located in Wilton, Connecticut, opened in November 2004. The Bank has received regulatory approval to open an additional branch office in Southport, Connecticut, which is expected to open in the second quarter of 2005. The Bank plans to continue to open additional branches in Fairfield County in the future.

March 31, 2005 compared to December 31, 2004

Our total assets increased $8.6 million, or 2.1%, to $413.6 million at March 31, 2005 from $405.0 million at December 31, 2004. The increase in the total assets was primarily attributable to an increase of $29.6 million in net loans, or 11.2%, to $293.5 million at March 31, 2005 from $263.9 million at December 31, 2004. The available for sale securities portfolio increased $14.6 million, or 19.1%, to $90.9 million at March 31, 2005 from $76.3 million at December 31, 2004. Loan and securities growth was funded primarily through a reduction in federal funds sold and short-term investments. Deposits decreased $819,000 to $366.2 million at March 31, 2005 from $367.0 million at December 31, 2004; interest-bearing deposits increased $2.4 million, or 0.7%, and non-interest bearing deposits decreased $3.2 million, or 7.5%. Borrowings increased $10.0 million to $26.2 million at March 31, 2005 from $16.2 million at December 31, 2004. Total shareholders' equity decreased $306,000 to $19.5 million at March 31, 2005 from $19.8 million at December 31, 2004.

Our earnings were $287,000 ($0.12 basic income per share and $0.11 diluted income per share) for the quarter ended March 31, 2005, an increase of 46.4% as compared to earnings of $196,000 ($0.08 basic income per share and $0.08 diluted income per share) for the quarter ended March 31, 2004.

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 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 41 and 52 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 $8.6 million, or 2.1%, to $413.6 million at March 31, 2005 from $405.0 million at December 31, 2004. Cash and cash equivalents decreased $36.3 million, or 65.4%, to $19.3 million at March 31, 2005 as compared to $55.6 million at December 31, 2004. Cash and due from banks decreased $477,000; federal funds sold and short term investments decreased $24.5 million and $11.4 million, respectively. The decrease in cash and cash equivalents funded loan growth and purchases of mortgage-backed securities.

Investments

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

	March 31, 2005	December 31, 2004
	(dollars in thousands)	
U.S. Government agency and sponsored agency obligations	$ 14,566	$ 14,823
Mortgage-backed securities	67,345	52,446
Money market preferred equity securities	9,000	9,000
Federal Reserve Bank stock	693	693
Federal Home Loan Bank stock	1,297	1,297
Total investments	$ 92,901	$ 78,259

Investment securities increased $14.6 million, or 18.7%, to $92.9 million at March 31, 2005 from $78.3 million at December 31, 2004. During the month of January, 2005, $19.2 million in excess liquidity was redeployed from federal funds sold and short term investments into the purchase of mortgage-backed securities. This $14.6 million increase represents the excess of security purchases over mortgage-backed security principal repayments and the increase in the unrealized losses in the investment portfolio.

The following table presents the maturity distribution of available for sale investment securities at March 31, 2005 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.

	One year or less	Over one through five years	Over five through ten years	Over ten years	No maturity	Total(1)	Weighted Average Yield
	(dollars in thousands)						
U. S. Government agency and sponsored agency obligations	$	$ 14,000	$ 1,000	$	$	$ 15,000	3.47%
Mortgage-backed securities					68,411	68,411	4.07%
Money market preferred equity securities					9,000	9,000	2.70%
Total	$	$ 14,000	$ 1,000	$	$ 77,411	$ 92,411	3.84%
Weighted average yield	%	3.40%	4.38%	%	3.91%	3.84%	

(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 March 31, 2005.

	Amortized Cost	Fair Value
	(dollars in thousands)	
Available for sale securities:		
U.S. Government agency and sponsored agency obligations	$ 15,000	$ 14,566
U.S. Government agency and sponsored agency mortgage backed securities	68,411	67,345

Loans

The following table is a summary of the Bank's loan portfolio at the dates shown:

	At			
	March 31, 2005		December 31, 2004	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans
	(dollars in thousands)			
Real Estate				
Commercial	$ 114,423	38.4%	$ 106,771	39.9%
Residential	47,990	16.1%	36,966	13.8%
Construction	84,935	28.5%	74,599	27.8%
Commercial	18,691	6.3%	17,562	6.5%
Consumer installment	1,479	0.5%	1,387	0.5%
Consumer home equity	30,402	10.2%	30,875	11.5%
Total loans	297,920	100.0%	268,160	100.0%
Premiums on purchased loans	462		314	
Net deferred fees	(1,112)		(1,117)	
Allowance for loan losses	(3,742)		(3,482)	
Loans, net	$ 293,528		$ 263,875	

Our net loan portfolio increased $29.6 million, or 11.2%, to $293.5 million at March 31, 2005 from $263.9 million at December 31, 2004. The increases include construction loans of $10.3 million, commercial real estate loans of $7.7 million and residential real estate loans of $11.0 million, of which $7.0 million represent purchases of adjustable rate residential mortgages. The growth in loans originated by the Bank reflects the continued strong real estate market in the Fairfield County, Connecticut and Westchester County, New York areas in which the Bank primarily conducts business and which continues to contribute to the overall growth in the loan portfolio. Although short term interest rates have increased, the interest rate environment for borrowers remained favorable in the first quarter of 2005.

At March 31, 2005, the net loan to deposit ratio was 80.2% and the net loan to total assets ratio was 70.9%. At December 31, 2004, the net loan to deposit ratio was 71.9% and the net loan to total assets ratio was 65.2%. Based on loan applications in process and the planned hiring of additional loan officers, management anticipates continued loan growth during the remainder of 2005.

During an historic environment of lower interest rates, loan activity continued to remain strong and the volume of new loans far exceeded principal reductions and payoffs.

The Bank employs a diversified credit administration process. All loans are underwritten by a credit analyst who is not the loan originator. Each loan requires at least three signatures. All loans are monitored on an on-going basis using a nine point risk rating system. The Bank engages an outside loan review company to perform annual loan reviews, with a target of reviewing loans totaling 75% of the loan portfolio. The review includes all new loans made during the year in excess of $250,000.

Commercial Real Estate Loans. We offer fixed-rate and adjustable-rate mortgage loans secured by commercial real estate. Our commercial real estate loans are generally secured by office or retail buildings, as well as owner-occupied properties and investment one- to four-family residential properties located in our market area and used for business or residential rentals. We intend to continue to grow this segment of our loan portfolio. At March 31, 2005, we had an aggregate of $114.4 million of commercial real estate loans outstanding, which constituted 38.4% of our total loan portfolio at that 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 March 31, 2005 was $2.3 million, or 2.0% of total commercial real estate loans. The longest term of any fixed-rate commercial real estate loan in the portfolio was 15 years.

We originate adjustable-rate commercial real estate loans for terms up to 25 years. Interest rates and payments on these loans typically adjust every five years after a five year initial fixed period. Interest rates and payments on our adjustable rate loans generally are fixed at rates over The Federal 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 March 31, 2005, the largest outstanding commercial real estate loan was $5.6 million of which $2.0 million was participated to another bank. This loan is secured by first mortgages on two residential properties in Greenwich, Connecticut and was performing according to its terms as of such date.

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 March 31, 2005, two loans totaling $3.5 million, or 3.1% 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 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 amount of adjustable-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 March 31, 2005, we had an aggregate of $48.0 million, or 16.1% 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%. 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 on 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 months. At the end of the construction phase, the loan generally converts to a permanent mortgage loan if owner-occupied, or repaid upon sale if to a builder. We 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 March 31, 2005, we had an aggregate of $84.9 million, or 28.5% of total loans, invested in construction loans. At March 31, 2005, the largest outstanding residential construction loan commitment was for $5.0 million, of which $2.0 million was participated to another bank. The total outstanding balance on the loan was $4.5 million at March 31, 2005. At March 31, 2005, 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 an inspection 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 25% 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 March 31, 2005, speculative construction loans constituted 26.3% 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 March 31, 2005, we had an aggregate of $18.7 million, or 6.3% of total loans, invested in commercial loans. Our largest commercial loan relationship was a $1.5 million line of credit secured by all business assets, including accounts receivable and inventory, of which $425,000 was outstanding. This loan was performing according to its original terms at March 31, 2005.

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. 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 March 31, 2005, we had an aggregate of $31.9 million, or 10.7% 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 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 may 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 approve loan amounts up to $500,000. Loan amounts up to $2.0 million must be approved by the management loan committee. Loan amounts over $2.0 million must be approved by the loan committee of the board of directors.

Loans to One Borrower. The maximum amount that we may lend to one borrower and the borrower's related entities is limited, by regulation, generally to 15% of our stated capital and reserves. At March 31, 2005, our regulatory limit on loans to one borrower was $4.5 million. At that date, our largest lending relationship to one borrower was $11.2 million, consisting of the Bank's portion of two loans in the aggregate amount of $3.7 million, each of which is secured by a first mortgage on residential properties in Greenwich. The remaining $7.5 million of the loans was participated to another bank. The loans were performing according to the original repayment terms at March 31, 2005. On April 22, 2005, the borrower repaid a total of approximately $4.2 million of principal outstanding under the loans, of which $1.4 million was paid to us, resulting in an outstanding balance payable to us of approximately $2.3 million.

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturities of loans in the Bank's portfolio at March 31, 2005, by type of loan. The amounts are shown based on contractual terms to maturity or scheduled amortization excluding potential repayments. Loans with no stated schedule of repayment and no stated maturity are reported as due in one year or less.

	Due in one year or less	Due after one year through five years	Due after five years	Total
	(dollars in thousands)			
Commercial real estate	$ 15,190	$ 39,027	$ 60,206	$ 114,423
Residential real estate	4,593	3,791	39,606	47,990
Construction loans	59,335	24,420	1,180	84,935
Commercial loans	8,613	9,543	535	18,691
Consumer installment	1,359	120		1,479
Consumer home equity	89	6,362	23,951	30,402
Total	$ 89,179	$ 83,263	$ 125,478	$ 297,920
Fixed rate loans	$ 4,101	$ 21,987	$ 12,008	$ 38,096
Variable rate loans	85,078	61,276	113,470	259,824
Total	$ 89,179	$ 83,263	$ 125,478	$ 297,920

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.

A substantial portion of our loans are unseasoned and lack an established record of performance due to product mix and the growth of the portfolio. Our construction loans, which generally are underwritten with maturities of 18 months, represent 27.8% of gross loans at December 31, 2004 and 28.5% as of March 31, 2005. In addition, approximately 65% of the growth in the overall loan portfolio during 2004 and the first quarter of 2005 came from products other than construction loans with 2004 showing an increase of $32.4 million in non-construction loans and the first quarter of 2005 increasing by $19.4 million. To date, we have experienced negligible losses. We take into account the lack of seasoning in the portfolio by utilizing historical industry loss data in addition to management's assessment of current trends, economic conditions and portfolio behavioral characteristics when assigning loan loss factors in our risk rating system.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are considered impaired. A risk rating system is utilized to measure the adequacy of 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 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. The unallocated portion of the allowance reflects our 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. 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 is also reviewed by the full board of directors on a monthly 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 our evaluation of the current loan portfolio.

Based upon this evaluation, management believes the allowance for loan losses of $3.7 million at March 31, 2005, which represents 1.26% of gross loans outstanding, is adequate, under prevailing economic conditions, to absorb losses on existing loans. Nevertheless, there can be no assurance that additions to such allowance will not be necessary in future periods. At December 31, 2004, the allowance for loan losses was $3.5 million or 1.31% of gross loans outstanding.

The accrual of interest income on loans 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 non-accrual loan is restored to an accrual status when it is no longer delinquent and collectibility of interest and principal is no longer in doubt.

We consider all non-accrual 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. We consider consumer installment loans to be pools of smaller balance homogeneous loans, which are collectively evaluated for impairment.

Analysis of Allowance for Loan Losses

	March 31, 2005
	(dollars in thousands)
Balance at beginning of period	$ 3,482
Charge-offs	
Recoveries	
Net (charge-offs) recoveries	
Additions charged to operations	260
Balance at end of period	$ 3,742
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	%

Allocation of the Allowance for Loan Losses

The following table sets forth the allocation of the allowance for loan losses by category at March 31, 2005:

	Amount	Percent of loans in each category to total loans
Balance at end of each period applicable to:		
Real Estate:		
Commercial	$ 1,387	38.41%
Residential	373	16.11
Construction	1,521	28.51
Commercial	199	6.27
Consumer installment	11	0.50
Consumer home equity	216	10.20
Unallocated	35	N/A
Total	$ 3,742	100.00%

Non-Accrual, Past Due and Restructured Loans

The following table presents non-accruing loans and past due loans at the dates indicated:

	March 31, 2005	December 31, 2004
	(dollars in thousands)	
Loans delinquent over 90 days but still accruing interest	$ 1,558	$ 373
Non-accruing loans	3,644	3,669

	March 31, 2005	December 31, 2004
Total non-performing loans	$ 5,202	$ 4,042
Percentage of total loans	1.75%	1.51%
Percentage of total assets	1.26%	1.00%
Additional income on non-accrual loans if recognized on an accrual basis	$ 6	$ 18

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There were no loans at March 31, 2005 that were considered as "troubled debt restructurings," nor did we have any other real estate owned as of such date.

Potential Problem Loans

The $3.6 million and $3.7 million in non-accruing loans at March 31, 2005 and December 31, 2004, respectively, was comprised of the same three loans, with principal amortization causing the reduction in amount from period end to period end. Two of these loans were commercial real estate, and the third was a commercial loan secured by an owner-occupied residence. All of these loans, at both dates, were well-collateralized and in the process of collection.

At March 31, 2005, we had no loans, other than those disclosed in the table above, for which management has significant doubts as to the ability of the borrower to comply with the present repayment terms.

Deposits

The following table is a summary of the Bank's deposits at the dates shown:

	March 31, 2005	December 31, 2004
	(dollars in thousands)	
Non-interest bearing:	$ 39,391	$ 42,584
Interest-bearing:		
NOW	25,799	26,814
Savings	22,517	22,104
Money market	75,193	72,451
Time certificates, less than $100,000	131,104	131,765
Time certificates, $100,000 or more	72,182	71,287
Total interest-bearing	326,795	324,421
Total deposits	$ 366,186	$ 367,005

Total deposits decreased $819,000 to $366.2 million at March 31, 2005 from $367.0 million at December 31, 2004. Non-interest bearing deposits decreased $3.2 million due primarily to fluctuations in personal and commercial checking accounts which decreased $842,000 and $3.6 million, respectively. These decreases were partially offset by an increase of $1.3 million in cashiers' checks. Interest-bearing deposits increased $2.4 million to $326.8 million at March 31, 2005 from $324.4 million at December 31, 2004. Money market deposit accounts increased $2.7 million primarily due to the rising rate environment which has influenced customers to keep their funds liquid instead of committing to longer term certificates of deposit. Savings accounts and certificates of deposit increased $413,000 and $234,000, respectively. Certificates of deposit remained relatively flat due primarily to the premium rates offered through the aggressive marketing campaigns of some of our local competitors as well as the desire of customers to remain liquid as previously mentioned.

As of March 31, 2005, the Bank's maturities of time deposits were as follows:

	$100,000 or greater	Less than $100,000	Totals
		(in thousands)	
Three months or less	$ 14,887	$ 25,589	$ 40,476
Three to six months	14,226	24,641	38,867
Six months to one year	8,642	22,552	31,194
Over one year	34,427	58,322	92,749
Total	$ 72,182	$ 131,104	$ 203,286

Borrowings

At March 31, 2005, total borrowings were $26.2 million; this represents an increase of $10.0 million when compared to total borrowings of $16.2 million at December 31, 2004. Instead of pursuing high priced certificates of deposit in this very competitive market, the Bank chose to take down $10 million of short term borrowings from the Federal Home Loan Bank in anticipation of a promotional rate deposit campaign that will be offered in conjunction with the near term opening of the Southport Office which is expected to generate an increase in deposits.

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

Federal Home Loan Bank advances:

		Average	
Amount	Maturity	Rate	Amount Outstanding
$ 2,000,000	04/29/2005	1.930%	$ 2,000,000
2,000,000	05/13/2005	4.480%	2,000,000
5,000,000	5/2/2005	2.870%	55,556
5,000,000	5/31/2005	3.020%	55,556
$ 14,000,000		3.019%	$ 4,111,112

The maximum amount of short-term borrowings outstanding under Federal Home Loan Bank advances during the first quarter of 2005 was $14.0 million.

Off-Balance Sheet Arrangements

There have been no significant changes in our off-balance sheet arrangements which primarily consist of commitments to lend, during the quarter ended March 31, 2005.

Average Balance Sheet and Rate/Volume Analysis

The following table presents average balance sheets (daily averages), interest income, interest expense and the corresponding yields earned and rates paid:

	March 31,						Fluctuations in Interest Income/Expense(1) Due to change in:		
	2005			2004					
	Average Balance	Interest Income/ Expense	Average Rate(2)	Average Balance	Interest Income/ Expense	Average Rate(2)	Volume	Rate	Total
	(dollars in thousands)								
Interest-earning assets:									
Loans(3)	$ 287,465	$ 4,670	6.48%	$ 225,006	$ 3,527	6.28%	$ 1,025	$ 118	$ 1,143
Short-term investments	8,750	49	2.24%	10,760	27	1.00%	(8)	30	22
Investments(4)	89,838	808	3.59%	91,403	738	3.23%	(23)	92	69
Federal funds sold	12,574	67	2.16%	6,981	16	0.92%	19	33	52
Total interest-earning assets	398,627	5,594	5.61%	334,150	4,308	5.16%	1,013	273	1,286
Cash and due from banks	4,532			3,311					
Premises and equipment, net	2,001			1,412					
Allowance for loan losses	(3,582)			(2,992)					
Other	5,894			5,948					
Total assets	$ 407,472			$ 341,829					
Interest-bearing liabilities:									
NOW accounts	$ 25,316	$ 44	0.70%	$ 21,118	$ 33	0.63%	7	4	11
Savings accounts	22,329	71	1.27%	23,863	72	1.21%	(18)	17	(1)
Money market accounts	73,528	229	1.25%	70,251	216	1.23%	10	3	13
Time certificates	204,845	1,648	3.22%	142,881	1,105	3.09%	497	46	543
Repurchase agreements			0.00%	5,700	18	1.26%	(18)		(18)
FHLB advances	8,111	72	3.55%	17,000	102	2.40%	(206)	176	(30)
Subordinated debt	8,248	116	5.63%	8,248	88	4.27%		28	28
Other borrowings			0.00%	321	6	7.48%	(6)		(6)
Total interest bearing liabilities	342,377	2,180	2.55%	289,382	1,640	2.27%	266	274	540
Demand deposits	42,026			30,689					
Accrued expenses and other liabilities	3,032			2,514					
Shareholders' equity	20,037			19,244					
Total liabilities and equity	$ 407,472			$ 341,829					
Net interest income		$ 3,414			$ 2,668		$ 747	(1)	746
Interest margin			3.43%			3.19%			
Interest spread			3.06%			2.89%			

(1) The rate volume analysis reflects the changes in net interest income arising from changes in interest rates and from asset and liability volume, including changes attributable to both changes in rates and volume. The change in interest attributable to volume includes changes in interest attributable to 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.

Results of Operations

General

For the quarter ended March 31, 2005, we earned $287,000 ($0.12 basic income per share and $0.11 diluted income per share), an increase of 46.4% as compared to earnings of $196,000 ($0.08 basic income per share and $0.08 diluted income per share) for the quarter ended March 31, 2004.

Interest income increased $1.3 million, or 29.9%, to $5.6 million for the quarter ended March 31, 2005 as compared to $4.3 million for the 2004 quarter. This increase is primarily due to the increase in the loan portfolio combined with increases in interest rates.

Interest expense increased $540,000, or 32.9%, to $2.2 million for the quarter ended March 31, 2005 as compared to $1.6 million for the 2004 quarter. This increase is primarily due to an increase in the average balances of interest-bearing deposits accounts, offset slightly by a decrease in the average balances of outstanding borrowings.

Non-interest income decreased $40,000, or 5.4%, to $711,000 for the quarter ended March 31, 2005 as compared to $752,000 for the quarter ended March 31, 2004. Mortgage brokerage and referral fees decreased by 6.4% or $32,000 to $464,000 for the quarter ended March 31, 2005 as compared to $496,000 for the same period last year. This decrease was due primarily to an increase in long term interest rates which resulted in a decrease in the volume of refinance transactions. As a result of the decrease in refinance transactions, there was also a decrease in loan origination and processing fees of $40,000 or 34.2% to $79,000 for the quarter ended March 31, 2005 as compared to $119,000 for the quarter ended March 31, 2004. Increases in deposit accounts and transaction volumes resulted in an increase in fees and service charges of $27,000 or 26.7% from $101,000 for the quarter ended March 31, 2004 to $128,000 for the quarter ended March 31, 2005.

Noninterest expenses increased $459,000, or 15.7%, to $3.4 million for the quarter ended March 31, 2005 from $2.9 million for the quarter ended March 31, 2004. This increase is primarily due to staff additions resulting from the opening of two branches in 2004, as well as to increases in loan and deposit production sales and incentive compensation and an enhanced compensation plan designed to attract additional residential mortgage loan originators to build loan origination volume and to generate additional fee income.

Interest income and expense

Our interest and dividend income increased $1.3 million, or 29.9%, for the quarter ended March 31, 2005 as compared to the same period in 2004. Interest and fees on loans increased 32.4%, or $1.1 million, to $4.6 million for the quarter ended March 31, 2005 from $3.5 million for the quarter ended March 31, 2004. This increase is primarily due to an increase in the loan portfolio combined with an increase in interest rates.

Our interest expense increased $540,000, or 32.9%, for the quarter ended March 31, 2005 as compared to the same period in 2004. Increases in average balances of interest bearing deposits accounts resulted in an increase of $566,000, or 39.7%, in interest expense for the quarter ended March 31, 2005 compared to the same period last year. Increases in the index to which our subordinated debt is tied resulted in an increase in interest expense of $27,000. Decreases in the average balances of outstanding borrowings resulted in a decrease of $54,000 in interest expense for the quarter ended March 31, 2005 as compared to the same period in 2004.

As a result of these factors, net interest income increased $747,000, or 28.0%, to $3.4 million for the three months ended March 31, 2005 as compared to $2.7 million for the same period last year.

Provision for loan losses

The provision for loan losses charged to operations for the quarter ended March 31, 2005 was $260,000 compared to $160,000 for the quarter ended March 31, 2004. This increase was due to loan growth and the credit risk factors assigned to the loan portfolio. It was not caused by any adverse change in non-performing loans.

An analysis of the changes in the allowance for loan losses is presented under "   Allowance for Loan Losses."

Noninterest income

Noninterest income decreased $40,000, or 5.4%, to $711,000 for the quarter ended March 31, 2005 as compared to the same period last year. Mortgage brokerage and referral fees decreased by $32,000, or 6.4%, to $464,000 for the quarter ended March 31, 2005 as compared to $496,000 for the same period last year. This decrease was primarily due to an increase in long term interest rates which resulted in a decrease in the volume of refinance transactions. As a result of the decrease in refinance transactions, there was also a decrease in loan origination and processing fees of $40,000, or 34.2%, to $79,000 for the quarter ended March 31, 2005 as compared to $119,000 for the quarter ended March 31, 2004. Increases in deposit accounts and transaction volumes resulted in an increase in fees and service charges of $27,000, or 26.7%, to $128,000 for the quarter ended March 31, 2005 from $101,000 for the quarter ended March 31, 2004.

Noninterest expenses

Noninterest expenses increased $459,000, or 15.7%, to $3.4 million for the quarter ended March 31, 2005 from $2.9 million for the quarter ended March 31, 2004. Salaries and benefits expense increased $251,000, or 14.0%, to $2.0 million for the quarter ended March 31, 2005 from $1.8 million for the quarter ended March 31, 2004. This increase is primarily due to staff additions resulting from the opening of two branches in 2004, as well as to increases in loan and deposit production sales and incentive compensation and an enhanced compensation plan designed to attract residential mortgage loan originators to build loan origination volume and to generate additional fee income. Occupancy and equipment expense, net, increased $112,000, or 29.3%, to $493,000 for the quarter ended March 31, 2005 from $381,000 for the quarter ended March 31, 2004 primarily due to the establishment during the second half of 2004 of two additional branch locations and the relocation of an office of the Residential Lending Group from Greenwich to Stamford in April, 2004. Data processing and other outside services increased $44,000, or 22%, to $240,000 for the three months ended March 31, 2005 from $196,000 for the three months ended March 31, 2004; a majority of this increase was due to an increase in data processing expenses as a result of the growth in the branch network and increases due to ongoing maintenance charges for the implementation of new products and services. Other operating expenses increased $40,000, or 14.9%, to $310,000 for the three months ended March 31, 2005 from $270,000 for the three months ended March 31, 2004; included in this increase are higher expenses related to director compensation, customer relations and regulatory assessments. Professional services increased $36,000, or 35.0%, to $136,000 for the three months ended March 31, 2005 from $100,000 for the three months ended March 31, 2004; this increase is primarily due to increases in accruals for consulting services related to the implementation of Section 404 of the Sarbanes-Oxley Act of 2002. Loan administration and processing expenses decreased $22,000, or 32.5%, to $44,000 for the three months ended March 31, 2005 from $66,000 for the three months ended March 31, 2004 due to a decrease in the volume of residential mortgage refinance transactions.

We have received regulatory approval to establish a branch office in Southport, Connecticut, which will result in additional capital expenditures as well as increases in salaries and benefits and occupancy and equipment expenses. Management anticipates that this office will open in the second quarter of 2005.

Income Taxes

We recorded income tax expense of $195,000 for the quarter ended March 31, 2005 as compared to $139,000 for the quarter ended March 31, 2004. The effective tax rates for the quarters ended March 31, 2005 and 2004 were 40% and 41%, respectively. The change is related primarily to the change in pre-tax income and the exclusion for state tax purposes of certain holding company expenses.

Year ended December 31, 2004 compared to year ended December 31, 2003

Total assets at December 31, 2004 amounted to $405.0 million, an increase of $62.5 million, or 18.3%, from December 31, 2003 and a new record high. The increase in the total assets is primarily attributable to a 23.1% increase in net loans, to $263.9 million from $214.4 million at December 31, 2003. The available for sale securities portfolio decreased $14.3 million, or 15.8%, to $76.3 million from $90.6 million at December 31, 2003. Loan growth was funded primarily through deposit growth. Deposits increased $77.0 million, or 26.6%, to $367.0 million at December 31, 2004; interest-bearing deposits increased $64.9 million, or 25.0%, and non-interest bearing deposits increased $12.1 million, or 39.7%. Borrowings decreased $15.1 million due to the payoff of certain Federal Home Loan Bank, or FHLB, advances and a repurchase agreement. The exercise of stock purchase warrants that expired in 2004, combined with the increase in retained earnings from net income, net of dividend payments and partially offset by the increase in other comprehensive loss from unrealized losses on the available for sale securities portfolio, resulted in an increase of $977,000 in shareholders' equity.

Our earnings were $926,000 ($0.38 basic income per share and $0.37 diluted income per share) in 2004 compared to $1.3 million ($0.56 basic income per share and $0.55 diluted income per share) in 2003. The decrease was primarily attributable to a decline in non-interest income, as mortgage related fees declined from $4.0 million in 2003 to $2.0 million in 2004. This decline was caused by a slowdown in our Residential Lending Group's business that resulted primarily from a decrease in home refinancing activity due to higher interest rates and lower staffing levels of loan origination officers. Net interest income for the year ended December 31, 2004 increased $2.1 million, or 21.2%, to $11.7 million as compared to $9.6 million for the year ended December 31, 2003. Non-interest expense increased from $11.7 million in 2003 to $12.3 million in 2004, primarily as a result of a $397,000 increase in occupancy and equipment expense, due to costs associated with the establishment of new branches, and the relocation of our Residential Lending Group office to Stamford.

Financial Condition

Our total assets increased $62.5 million, or 18.3%, from $342.5 million at December 31, 2003 to $405.0 million at December 31, 2004. The growth in total assets was funded primarily by deposit growth of $77.0 million partially offset by decreases in borrowings of $15.1 million. Federal funds sold increased $22.5 million; cash and due from banks and short term investments increased $2.6 million and $1.0 million, respectively.

Investments

The following table is a summary of the Bank's investment portfolio valued at fair value at December 31 for the years shown.

	2004	2003	2002
	(dollars in thousands)		
U. S. Government agency and sponsored agency obligations	$ 14,823	$ 11,866	$ 9,130
Mortgage-backed securities(1)	52,446	66,697	38,461
Corporate bonds			384
Money market preferred equity securities	9,000	12,000	12,644
Federal Reserve Bank stock	693	691	481
Federal Home Loan Bank stock	1,297	1,077	621
Total investments	$ 78,259	$ 92,331	$ 61,721

(1) Consists of $1.4 million of U.S. Government agency mortgage-backed securities and $50.7 million of U.S. Government sponsored agency mortgage-backed securities, all of which are scheduled to reprice within four years.

Total investments decreased $14.1 million to $78.3 million primarily due to principal payments on mortgage-backed securities and redeemed money market preferred equity securities exceeding new investment purchases. During the fourth quarter of 2004, the Bank redeployed excess liquidity into the purchase of adjustable-rate residential mortgage loans instead of additional investment securities purchases. The Bank is a member of the Federal Home Loan Bank of Boston which provides an additional source of liquidity.

The Bank generally looks to invest in instruments of shorter term duration, or with a variable return, to mitigate against interest rate risk. The Bank's investment focus is ancillary to its principal asset focus on loans. The Bank's objective is to provide an alternate source of low-risk investments when demand for loans is weak. The Bank's investments are designed to provide and maintain liquidity in a high-quality, low-risk diversified portfolio of investments which may also be used as collateral for pledging requirements. Investments are determined by the Bank's Chief Financial Officer and Chief Executive Officer, based on the Bank's investment policy and direction provided by an Asset Liability Committee comprised of the Bank's five most senior officers. The investment activity and interest rate risk position are also reviewed on a quarterly basis by the Asset Liability Committee of the board of directors.

The following table presents the maturity distribution of available for sale investment securities at December 31, 2004 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.

	One year or less	Over one through five years	Over five through ten years	Over ten years	No maturity	Total(1)	Weighted Average Yield
	(dollars in thousands)						
U. S. Government agency and sponsored agency obligations	$	$ 14,000	$ 1,000	$	$	$ 15,000	3.47%
Mortgage-backed securities					52,904(2)	52,904	4.09%
Money market preferred equity securities					9,000	9,000	2.34%
Total	$	$ 14,000	$ 1,000	$	$ 61,904	$ 76,904	3.76%
Weighted average yield	%	3.40%	4.38%	%	3.83%	3.76%	

(1)
Reflects amortized cost as opposed to fair value. See note 3 to our audited consolidated financial statements and note 2 to our unaudited 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 December 31, 2004.

	Amortized Cost	Fair Value
	(dollars in thousands)	
Available for sale securities:		
U.S. Government agency and sponsored agency obligations	$ 15,000	$ 14,823
U.S. Government agency and sponsored agency mortgage backed securities	52,904	52,446
Short term investments:		
Merrill Lynch Premier Institutional Fund	11,460	11,460

Loans

The following table is a summary of the Bank's loan portfolio at December 31 for the years shown.

	At December 31,					
	2004		2003		2002	
	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans	Amount	Percentage of Total Loans
	(dollars in thousands)					
Real Estate						
Commercial	$ 106,771	39.9%	$ 96,339	44.1%	$ 65,967	38.0%
Residential	36,966	13.8	21,773	10.0	27,012	15.5
Construction	74,599	27.8	57,122	26.2	39,209	22.6
Commercial	17,562	6.5	15,533	7.1	13,022	7.5
Consumer installment	1,387	0.5	1,862	0.9	1,757	1.0
Consumer home equity	30,875	11.5	25,608	11.7	26,812	15.4
Total loans	268,160	100.0%	218,237	100.0%	173,779	100.0%
Premiums	314					
Net deferred fees	(1,117)		(881)		(612)	
Allowance for loan losses	(3,482)		(2,935)		(2,372)	
Loans, net	$ 263,875		$ 214,421		$ 170,795	

The Bank's net loan portfolio increased $49.5 million, or 23.1%, from $214.4 million at December 31, 2003 to $263.9 million at December 31, 2004. Included in the growth of the loan portfolio for 2004 is the purchase during the fourth quarter of $13.1 million in adjustable rate residential mortgage loans. Loan growth was funded through an increase in total deposits. At December 31, 2004, the net loan to deposit ratio was 71.9% and the net loan to asset ratio was 65.2%. At December 31, 2003, the net loan to deposit ratio was 73.9%, and the net loan to asset ratio was 62.6%.

During an historic environment of lower interest rates, loan activity continued to remain strong and the volume of new loans far exceeded principal reductions and payoffs.

Allowance for Loan Losses

Based upon our evaluation of loan losses described on page 41 above, we believe the allowance for loan losses of $3.5 million, at December 31, 2004, which represents 1.31% of gross loans outstanding, is adequate, under prevailing economic conditions, to absorb losses on existing loans. Nevertheless, there can be no assurance that additions to such allowance will not be necessary in future periods. At December 31, 2003, the allowance for loan losses was $2.9 million or 1.35% of gross loans outstanding.

Analysis of Allowance for Loan Losses

	2004	2003	2002	2001	2000
	(dollars in thousands)				
Balance at beginning of period	$ 2,934	$ 2,372	$ 1,894	$ 1,645	$ 1,360
Charge-offs	(9)	(1)		(2)	(44)
Recoveries			10	1	3
Net (charge-offs) recoveries	(9)	(1)	10	(1)	(41)
Additions charged to operations	556	563	468	250	326
Balance at end of period	$ 3,481	$ 2,934	$ 2,372	$ 1,894	$ 1,645
Ratio of net (charge-offs) recoveries during the period to average loans outstanding during the period	(%)	(%)	0.01%	(%)	(0.03%)

Allocation of the Allowance for Loan Losses

The following table sets forth the allocation of the allowance for loan losses by category at the dates indicated.

	Amounts					Percent of loans in each category to total loans				
	2004	2003	2002	2001	2000	2004	2003	2002	2001	2000
	(dollars in thousands)									
Balance at end of each period applicable to:										
Real Estate:										
Commercial	$ 1,319	$ 1,183	$ 893	$ 833	$ 700	39.82%	44.15%	37.97%	43.88%	44.67%
Residential	304	230	276	153	34	13.78	9.98	15.54	5.44	3.93
Construction	1,358	972	726	348	270	27.82	26.17	22.56	19.02	17.91
Commercial	185	155	129	142	185	6.55	7.12	7.49	10.63	10.01
Consumer installment	11	12	11	14	12	0.52	0.85	1.01	0.89	1.29
Consumer home equity	233	285	283	296	312	11.51	11.73	15.43	20.14	22.19
Unallocated	71	97	54	108	132	N/A	N/A	N/A	N/A	N/A
Total	$ 3,481	$ 2,934	$ 2,372	$ 1,894	$ 1,645	100.00%	100.00%	100.00%	100.00%	100.00%

Non-Accrual, Past Due and Restructured Loans

The following table is a summary of non-accrual and past due loans at December 31 of each of the last five years.

	2004	2003	2002	2001	2000
	(dollars in thousands)				
Loans delinquent over 90 days but still accruing interest	$ 373	$ 165	$ 1,172	$ 1,300	$ 507
Non-accruing loans	3,669	150	201	1,654	1,759
Total non-performing loans	$ 4,042	$ 315	$ 1,373	$ 2,954	$ 2,266

	2004	2003	2002	2001	2000
Percentage of total loans	1.51%	0.14%	0.79%	2.14%	1.77%
Percentage of total assets	1.00	0.09	0.56	1.46	1.15
Additional income on non-accrual loans if recognized on an accrual basis	$ 18	$ 18	$ 67	$ 159	$ 115

There were no loans at the dates presented that were considered as "troubled debt restructurings." We did not have any other real estate owned during the periods presented.

Potential Problem Loans

The $3.7 million of non-accruing loans at December 31, 2004 is comprised of three loans, all of which are well collateralized and in the process of collection. Two of the loans totaling $3.5 million are current as to principal and interest payments.

At December 31, 2004, the Bank had no loans other than those described above, as to which management had significant doubts as to the ability of the borrower to comply with the present repayment terms. In the first quarter of 2005, three loans totaling $1.6 million were classified as loans delinquent over 90 days but were still accruing interest. All three loans are well collateralized. See "Recent Developments."

Deposits

The following table is a summary of the Bank's deposits at December 31 for each of the years shown.

	2004	2003	2002
	(dollars in thousands)		
Non-interest-bearing	$ 42,584	$ 30,477	$ 25,520
Interest-bearing:			
NOW	26,814	22,849	22,686
Savings	22,104	23,793	26,848
Money market	72,451	69,504	56,973
Time certificates, less than $100,000	131,765	92,575	57,203
Time certificates, $100,000 or more	71,287	50,794	28,681
Total interest-bearing	324,421	259,515	192,391
Total deposits	$ 367,005	$ 289,992	$ 217,911

Total deposits increased $77.0 million, or 26.6%, to $367.0 million at December 31, 2004. Based upon expansion and the increased penetration into the areas served by the Bank, non-interest-bearing deposits increased $12.1 million, or 39.7%, to $42.6 million at December 31, 2004. Included in that total are commercial demand accounts, which increased $7.5 million, and personal demand accounts, which increased $3.8 million, both of which represent increases of 39.0% as compared to December 31, 2003. Interest-bearing deposits increased $64.9 million or 25.0% to $324.4 million at December 31, 2004.

During 2004, the Bank established two new branch banking offices; these new offices attracted $19.1 million, or 24.8%, of the annual growth in deposits. The new branch offices' grand opening promotional campaigns were also a contributing factor to the growth of deposits in existing branches. Certificates of deposit and NOW account products increased $59.7 million and $4.0 million, respectively; money market fund accounts increased $2.9 million, while savings accounts decreased $1.7 million. Much of the growth in certificates of deposit is attributable to the promotional campaigns run in conjunction with the new branch openings and the ten year anniversary of the Bank; growth in certificates of deposit also resulted from the transfer of funds from money market fund accounts. The increase in certificates of deposit greater than $100,000 of $20.5 million is the result of successful sales efforts and branch expansion; these balances do not include brokered deposits. The Bank continues to offer attractive interest rates in the very competitive Fairfield County marketplace in order to attract additional deposits to fund loan growth.

As of December 31, 2004, the Bank's maturities of time deposits were as follows:

	$100,000 or greater	Less than $100,000	Totals
		(in thousands)	
Three months or less	$ 5,858	$ 11,502	$ 17,360
Three to six months	13,249	23,430	36,679
Six months to one year	13,695	27,494	41,189
Over one year	38,485	69,339	107,824
Total	$ 71,287	$ 131,765	$ 203,052

Borrowings

Borrowings decreased $15.1 million to $16.2 million at December 31, 2004.

Borrowings include short-term securities sold under agreements to repurchase, Federal Home Loan Bank advances, junior subordinated debentures, a capital lease and a collateralized borrowing.

During 2004, certain FHLB advances matured and, due to the liquidity position of the Bank, were not extended. We utilize FHLB advances to supplement our supply of lendable funds and to meet deposit account withdrawal requirements. As a member of the FHLB, we are required to own capital stock in the FHLB and are authorized to apply for advances on the security of the stock and certain of our mortgage loans and other assets, provided certain credit standards are met.

During 2004, short-term securities sold under agreements to repurchase also matured and were not extended. At December 31, 2004, the Bank had $10.0 million in available borrowings under repurchase agreements, with no amounts outstanding. The average amount outstanding during 2004 was $2.2 million with a maximum outstanding of $5.7 million.

The final payment on a lease classified as a capital lease was made during 2004; in addition, a loan sold and classified as a collateralized borrowing was refinanced at the end of 2004.

The following table sets forth short-term borrowing amounts along with the respective interest rates and maturities at December 31, 2004:

Federal Home Loan Bank advances:

		Average	
Amount	Maturity	Rate	Amount Outstanding
$ 2,000,000	04/29/2005	1.930%	$ 2,000,000
2,000,000	05/13/2005	4.480%	2,000,000
$ 4,000,000		3.205%	$ 4,000,000

The maximum amount of short-term borrowings outstanding under Federal Home Loan Bank advances during 2004 was $9.0 million.

In addition to the short-term borrowings, there were $4.0 million in FHLB advances at December 31, 2004 that mature in 2006 and 2007. These advances represent the remainder in a series of advances from the FHLB that were part of two balance sheet leveraging strategies that we executed in 2002 and 2003. These advances funded mortgage-backed securities purchases with remaining principal balances of $6.2 million.

We issued trust preferred securities in 2003. These securities are shown as subordinated debt on our consolidated balance sheets and $8.2 million of principal remained outstanding on December 31, 2004. 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.

Average Balance and Rate/Volume Analysis

The following table presents average balance sheets (daily averages), interest income, interest expense and the corresponding yields earned and rates paid:

	2004			2003			Fluctuations in Interest Income/Expense(1) Due to change in:		
	Average Balance	Interest Income/ Expense	Average Rate	Average Balance	Interest Income/ Expense	Average Rate	Volume	Rate	Total
	(dollars in thousands)								
Interest-earning assets:									
Loans(2)	$ 239,239	$ 15,632	6.53%	$ 193,990	$ 12,782	6.59%	$ 2,967	$ (117)	$ 2,850
Short-term investments	8,356	105	1.26	7,124	79	1.11	13	13	26
Investments(3)	87,631	2,752	3.14	72,250	2,256	3.12	477	19	496
Federal funds sold	12,733	189	1.48	9,147	97	1.06	31	61	92
Total interest-earning assets	347,959	18,678	5.37	282,511	15,214	5.39	3,488	(24)	3,464
Cash and due from banks	4,159			4,001					
Premises and equipment, net	1,621			1,083					
Allowance for loan losses	(3,190)			(2,652)					
Other	6,396			5,798					
Total assets	$ 356,945			$ 290,741					
Interest-bearing liabilities:									
NOW accounts	$ 23,107	$ 152	0.66%	$ 22,627	$ 149	0.66%	$ 3	$	$ 3
Savings accounts	23,666	294	1.24	24,824	337	1.36	(15)	(28)	(43)
Money market accounts	70,264	867	1.23	62,217	863	1.39	105	(101)	4
Time certificates	156,623	4,901	3.13	110,129	3,512	3.19	1,456	(67)	1,389
Repurchase agreements	2,243	28	1.25	5,700	91	1.60	(46)	(17)	(63)
FHLB advances	14,197	372	2.62	11,671	327	2.80	67	(22)	45
Subordinated debt	8,248	380	4.61	6,159	271	4.40	88	21	109
Other borrowings	226	14	6.19	471	38	8.07	(17)	(7)	(24)
Total interest bearing liabilities	298,574	7,008	2.35%	243,798	5,588	2.29%	1,641	(221)	1,420
Demand deposits	36,456			25,892					
Accrued expenses and other liabilities									