REFINITIV

DELTA REPORT

10-Q

PNBK - PATRIOT NATIONAL BANCORP

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	675
CHANGES	401
DELETIONS	167
ADDITIONS	107

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

FORM 10-Q

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

For the quarterly period ended June 30, 2023 September 30, 2023

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 000-29599

PATRIOT NATIONAL BANCORP, INC.

(Exact name of registrant as specified in its charter)

Connecticut	**06-1559137**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
900 Bedford Street, Stamford, Connecticut	**06901**
(Address of principal executive offices)	(Zip Code)

(203) 252-5900
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	PNBK	NASDAQ Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	x	Smaller reporting company	x
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes o No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of August 10, 2023 November 14, 2023, there were 3,965,186 shares of the registrant's common stock outstanding.

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PART I- FINANCIAL INFORMATION

Item 1: Consolidated Financial Statements

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

		June 30, 2023	**December 31, 2022**		**September 30, 2023**	**December 31, 2022**
(In thousands, except share data)	*(In thousands, except share data)*	**Unaudited**		*(In thousands, except share data)*	**Unaudited**	
Assets	**Assets**			**Assets**		
Cash and due from banks:	Cash and due from banks:			Cash and due from banks:		
Noninterest bearing deposits and cash	Noninterest bearing deposits and cash	$ 2,320	$ 5,182	Noninterest bearing deposits and cash	$ 2,350	$ 5,182
Interest bearing deposits	Interest bearing deposits	68,489	33,311	Interest bearing deposits	76,578	33,311
Total cash and cash equivalents	Total cash and cash equivalents	70,809	38,493	Total cash and cash equivalents	78,928	38,493
Investment securities:	Investment securities:			Investment securities:		

Available-for-sale securities, at fair value	Available-for-sale securities, at fair value	90,547	84,520	Available-for-sale securities, at fair value	85,686	84,520
Other investments, at cost	Other investments, at cost	4,450	4,450	Other investments, at cost	4,450	4,450
Total investment securities	Total investment securities	94,997	88,970	Total investment securities	90,136	88,970
Federal Reserve Bank stock, at cost	Federal Reserve Bank stock, at cost	2,523	2,627	Federal Reserve Bank stock, at cost	2,449	2,627
Federal Home Loan Bank stock, at cost	Federal Home Loan Bank stock, at cost	8,072	3,874	Federal Home Loan Bank stock, at cost	5,372	3,874
Loans receivable (net of allowance for credit losses: 2023: $16,858 and 2022: $10,310)		913,876	838,006			
Loans receivable (net of allowance for credit losses: 2023: $25,668 and 2022: $10,310)				Loans receivable (net of allowance for credit losses: 2023: $25,668 and 2022: $10,310)	864,224	838,006
Loans held for sale	Loans held for sale	5,860	5,211	Loans held for sale	21,934	5,211
Accrued interest and dividends receivable	Accrued interest and dividends receivable	7,628	7,267	Accrued interest and dividends receivable	7,124	7,267
Premises and equipment, net	Premises and equipment, net	30,262	30,641	Premises and equipment, net	30,144	30,641
Deferred tax asset	Deferred tax asset	18,169	15,527	Deferred tax asset	26,128	15,527
Goodwill	Goodwill	1,107	1,107	Goodwill	1,107	1,107
Core deposit intangible, net	Core deposit intangible, net	226	249	Core deposit intangible, net	214	249
Other assets	Other assets	9,202	11,387	Other assets	8,971	11,387
Total assets	**Total assets**	$ 1,162,731	$ 1,043,359	**Total assets**	$ 1,136,731	$ 1,043,359
Liabilities	**Liabilities**			**Liabilities**		
Deposits:	Deposits:			Deposits:		
Noninterest bearing deposits	Noninterest bearing deposits	$ 127,817	$ 269,636	Noninterest bearing deposits	$ 136,101	$ 269,636
Interest bearing deposits	Interest bearing deposits	735,562	590,810	Interest bearing deposits	700,922	590,810
Total deposits	Total deposits	863,379	860,446	Total deposits	837,023	860,446
Federal Home Loan Bank and correspondent bank borrowings	Federal Home Loan Bank and correspondent bank borrowings	207,000	85,000	Federal Home Loan Bank and correspondent bank borrowings	215,000	85,000
Senior notes, net	Senior notes, net	11,653	11,640	Senior notes, net	11,688	11,640
Subordinated debt, net	Subordinated debt, net	9,854	9,840	Subordinated debt, net	9,862	9,840
Junior subordinated debt owed to unconsolidated trust, net	Junior subordinated debt owed to unconsolidated trust, net	8,132	8,128	Junior subordinated debt owed to unconsolidated trust, net	8,135	8,128
Note payable	Note payable	481	585	Note payable	429	585
Advances from borrowers for taxes and insurance	Advances from borrowers for taxes and insurance	3,094	886	Advances from borrowers for taxes and insurance	2,939	886
Accrued expenses and other liabilities	Accrued expenses and other liabilities	6,693	7,251	Accrued expenses and other liabilities	11,681	7,251
Total liabilities	**Total liabilities**	1,110,286	983,776	**Total liabilities**	1,096,757	983,776
Commitments and Contingencies	Commitments and Contingencies			Commitments and Contingencies		
Shareholders' equity	**Shareholders' equity**			**Shareholders' equity**		

Preferred stock, no par value; 1,000,000 shares authorized, no shares issued and outstanding	Preferred stock, no par value; 1,000,000 shares authorized, no shares issued and outstanding	—	—	Preferred stock, no par value; 1,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value, 100,000,000 shares authorized; As of June 30, 2023: 4,038,927 shares issued; 3,965,186 shares outstanding; As of December 31, 2022: 4,038,927 shares issued; 3,965,186 shares outstanding.		106,611	106,565			
Common stock, $.01 par value, 100,000,000 shares authorized; As of September 30, 2023: 4,038,927 shares issued; 3,965,186 shares outstanding; As of December 31, 2022: 4,038,927 shares issued; 3,965,186 shares outstanding.				Common stock, $.01 par value, 100,000,000 shares authorized; As of September 30, 2023: 4,038,927 shares issued; 3,965,186 shares outstanding; As of December 31, 2022: 4,038,927 shares issued; 3,965,186 shares outstanding.	106,642	106,565
Accumulated deficit	Accumulated deficit	(38,127)	(31,337)	Accumulated deficit	(47,931)	(31,337)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(16,039)	(15,645)	Accumulated other comprehensive loss	(18,737)	(15,645)
Total shareholders' equity	**Total shareholders' equity**	52,445	59,583	**Total shareholders' equity**	39,974	59,583
Total liabilities and shareholders' equity	**Total liabilities and shareholders' equity**	$ 1,162,731	$ 1,043,359	**Total liabilities and shareholders' equity**	$ 1,136,731	$ 1,043,359

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share amounts)	*(In thousands, except per share amounts)*	**2023**	**2022**	**2023**	**2022**	*(In thousands, except per share amounts)*	**2023**	**2022**	**2023**	**2022**
Interest and Dividend Income	**Interest and Dividend Income**					**Interest and Dividend Income**				
Interest and fees on loans	Interest and fees on loans	$ 14,052	$ 9,044	$ 26,602	$ 16,708	Interest and fees on loans	$ 13,936	$ 11,250	$ 40,538	$ 27,958
Interest on investment securities	Interest on investment securities	687	510	1,367	1,080	Interest on investment securities	640	555	2,007	1,635
Dividends on investment securities	Dividends on investment securities	171	65	306	130	Dividends on investment securities	110	99	416	229
Other interest income	Other interest income	399	68	680	89	Other interest income	384	135	1,064	224
Total interest and dividend income	**Total interest and dividend income**	15,309	9,687	28,955	18,007	**Total interest and dividend income**	15,070	12,039	44,025	30,046
Interest Expense	**Interest Expense**					**Interest Expense**				
Interest on deposits	Interest on deposits	5,248	757	8,827	1,166	Interest on deposits	6,220	1,493	15,047	2,659

Interest on Federal Home Loan Bank and correspondent bank borrowings	Interest on Federal Home Loan Bank and correspondent bank borrowings	1,723	747	3,159	1,484	Interest on Federal Home Loan Bank and correspondent bank borrowings	1,624	806	4,783	2,290
Interest on senior debt	Interest on senior debt	289	210	579	420	Interest on senior debt	290	218	869	638
Interest on subordinated debt	Interest on subordinated debt	333	251	659	485	Interest on subordinated debt	409	276	1,068	761
Interest on note payable	Interest on note payable	3	2	5	6	Interest on note payable	2	3	7	9
Total interest expense	**Total interest expense**	7,596	1,967	13,229	3,561	**Total interest expense**	8,545	2,796	21,774	6,357
Net interest income	**Net interest income**	7,713	7,720	15,726	14,446	**Net interest income**	6,525	9,243	22,251	23,689
Provision for credit losses	**Provision for credit losses**	1,231	275	2,567	275	**Provision for credit losses**	4,688	200	8,233	475
Net interest income after provision for credit losses	**Net interest income after provision for credit losses**	6,482	7,445	13,159	14,171	**Net interest income after provision for credit losses**	1,837	9,043	14,018	23,214
Non-interest Income	**Non-interest Income**					**Non-interest Income**				
Loan application, inspection and processing fees	Loan application, inspection and processing fees	121	89	244	176	Loan application, inspection and processing fees	310	102	554	278
Deposit fees and service charges	Deposit fees and service charges	74	60	142	124	Deposit fees and service charges	69	67	211	191
Gains on sales of loans	Gains on sales of loans	85	301	166	509	Gains on sales of loans	3	182	169	691
Rental income	Rental income	105	132	224	324	Rental income	106	124	330	448
Gain on sale of investment securities	Gain on sale of investment securities	—	—	24	—	Gain on sale of investment securities	—	—	24	—
Other income	Other income	444	216	864	479	Other income	681	179	1,545	658
Total non-interest income	**Total non-interest income**	829	798	1,664	1,612	**Total non-interest income**	1,169	654	2,833	2,266
Non-interest Expense	**Non-interest Expense**					**Non-interest Expense**				
Salaries and benefits	Salaries and benefits	4,661	3,763	8,928	7,109	Salaries and benefits	4,833	4,330	13,761	11,439
Occupancy and equipment expense	Occupancy and equipment expense	839	881	1,723	1,717	Occupancy and equipment expense	870	862	2,593	2,579
Data processing expense	Data processing expense	316	283	610	613	Data processing expense	355	297	965	910
Professional and other outside services	Professional and other outside services	727	559	1,641	1,348	Professional and other outside services	702	541	2,343	1,889
Project expenses, net	Project expenses, net	66	29	93	81	Project expenses, net	—	50	93	131

Advertising and promotional expense	Advertising and promotional expense	77	73	162	141	Advertising and promotional expense	61	50	223	191
Loan administration and processing expense	Loan administration and processing expense	103	42	154	147	Loan administration and processing expense	48	37	202	184
Regulatory assessments	Regulatory assessments	317	179	499	353	Regulatory assessments	292	245	791	598
Insurance expense, net	Insurance expense, net	68	76	145	153	Insurance expense, net	70	54	215	207
Communications, stationary and supplies	Communications, stationary and supplies	241	139	432	274	Communications, stationary and supplies	232	208	664	482
Other operating expense	Other operating expense	648	478	1,260	995	Other operating expense	646	540	1,906	1,535
Total non-interest expense	**Total non-interest expense**	8,063	6,502	15,647	12,931	**Total non-interest expense**	8,109	7,214	23,756	20,145
(Loss) income before income taxes	**(Loss) income before income taxes**	(752)	1,741	(824)	2,852	**(Loss) income before income taxes**	(5,103)	2,483	(6,905)	5,335
(Benefit) provision for income taxes	**(Benefit) provision for income taxes**	(206)	476	(225)	787	**(Benefit) provision for income taxes**	(1,333)	157	(1,821)	944
Net (loss) income	**Net (loss) income**	$ (546)	$ 1,265	$ (599)	$ 2,065	**Net (loss) income**	$ (3,770)	$ 2,326	$ (5,084)	$ 4,391
Basic (loss) earnings per share	**Basic (loss) earnings per share**	$ (0.14)	$ 0.32	$ (0.15)	$ 0.52	**Basic (loss) earnings per share**	$ (0.95)	$ 0.59	$ (1.28)	$ 1.11
Diluted (loss) earnings per share	**Diluted (loss) earnings per share**	$ (0.14)	$ 0.32	$ (0.15)	$ 0.52	**Diluted (loss) earnings per share**	$ (0.95)	$ 0.59	$ (1.28)	$ 1.11

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (Unaudited)

(In thousands)	*(In thousands)*	**Three Months Ended June 30,**		**Six Months Ended June 30,**		*(In thousands)*	**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**		**2023**	**2022**	**2023**	**2022**
Net (loss) income	**Net (loss) income**	$ (546)	$ 1,265	$ (599)	$ 2,065	**Net (loss) income**	$ (3,770)	$ 2,326	$ (5,084)	$ 4,391
Other comprehensive (loss) income	Other comprehensive (loss) income					Other comprehensive (loss) income				
Unrealized holding loss on securities	Unrealized holding loss on securities	(2,211)	(5,614)	(507)	(13,003)	Unrealized holding loss on securities	(3,636)	(5,587)	(4,143)	(18,590)
Income tax effect	Income tax effect	570	1,448	131	3,355	Income tax effect	938	1,441	1,069	4,796
Reclassification for realized gain on sale of investment securities	Reclassification for realized gain on sale of investment securities	—	—	(24)	—	Reclassification for realized gain on sale of investment securities	—	—	(24)	—

Income tax effect	Income tax effect	—	—	6	—	Income tax effect	—	—	6	—
Total securities available-for-sale	Total securities available-for-sale	(1,641)	(4,166)	(394)	(9,648)	Total securities available-for-sale	(2,698)	(4,146)	(3,092)	(13,794)
Comprehensive loss	**Comprehensive loss**	$ (2,187)	$ (2,901)	$ (993)	$ (7,583)	**Comprehensive loss**	$ (6,468)	$ (1,820)	$ (8,176)	$ (9,403)

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

		Three Months Ended June 30, 2023						**Three Months Ended September 30, 2**			
(In thousands, except shares)	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumula Other Comprehen Loss**
Balance at March 31, 2023		3,965,186	$106,588	$ (37,581)	$ (14,398)	$54,609					
Balance at June 30, 2023							**Balance at June 30, 2023**	3,965,186	$106,611	$ (44,161)	$ (16,(
Comprehensive loss:	**Comprehensive loss:**						**Comprehensive loss:**				
Net loss	Net loss	—	—	(546)	—	(546)	Net loss	—	—	(3,770)	
Unrealized holding loss on available-for-sale securities, net of tax	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(1,641)	(1,641)	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(2,(
Total comprehensive loss	**Total comprehensive loss**	—	—	(546)	(1,641)	(2,187)	**Total comprehensive loss**	—	—	(3,770)	(2,(
Share-based compensation expense	Share-based compensation expense	—	23	—	—	23	Share-based compensation expense	—	31	—	
Balance at June 30, 2023		3,965,186	$106,611	$ (38,127)	$ (16,039)	$52,445					
Balance at September 30, 2023							**Balance at September 30, 2023**	3,965,186	$106,642	$ (47,931)	$ (18,(

		Three Months Ended June 30, 2022						**Three Months Ended September 30**			
(In thousands, except shares)	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumu Oth Compreh Los**
Balance at March 31, 2022		3,956,492	$106,500	$ (36,698)	$ (7,119)	$62,683					
Balance at June 30, 2022							**Balance at June 30, 2022**	3,957,269	$106,520	$ (35,433)	$ (
Comprehensive income (loss):	**Comprehensive income (loss):**						**Comprehensive income (loss):**				
Net income	Net income	—	—	1,265	—	1,265	Net income	—	—	2,326	
Unrealized holding loss on available-for-sale securities, net of tax	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(4,166)	(4,166)	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	
Total comprehensive income (loss)	**Total comprehensive income (loss)**	—	—	1,265	(4,166)	(2,901)	**Total comprehensive income (loss)**	—	—	2,326	
Share-based compensation expense	Share-based compensation expense	—	20	—	—	20	Share-based compensation expense	—	22	—	

Vesting of restricted stock	Vesting of restricted stock	777	—	—	—	—	Vesting of restricted stock	—	—	—	
Balance at June 30, 2022		3,957,269	$106,520	$ (35,433)	$ (11,285)	$59,802					
Balance at September 30, 2022							**Balance at September 30, 2022**	3,957,269	$106,542	$ (33,107)	$ (

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited) (Continued)

		Six Months Ended June 30, 2023						**Nine Months Ended September 30**			
(In thousands, except shares)	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumu Oth Compreh Los**
Balance at January 1, 2023	**Balance at January 1, 2023**	3,965,186	$106,565	$ (31,337)	$ (15,645)	$59,583	**Balance at January 1, 2023**	3,965,186	$106,565	$ (31,337)	$ (
Transition adjustment related to adoption of ASC 326, net of tax	Transition adjustment related to adoption of ASC 326, net of tax	—	—	(6,191)	—	(6,191)	Transition adjustment related to adoption of ASC 326, net of tax	—	—	(11,510)	
Comprehensive loss:	**Comprehensive loss:**						**Comprehensive loss:**				
Net loss		—	—	(599)	—	(599)					
Net income							Net income	—	—	(5,084)	
Unrealized holding loss on available-for-sale securities, net of tax	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(394)	(394)	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	
Total comprehensive loss	**Total comprehensive loss**	—	—	(599)	(394)	(993)	**Total comprehensive loss**	—	—	(5,084)	
Share-based compensation expense	Share-based compensation expense	—	46	—	—	46	Share-based compensation expense	—	77	—	
Balance at June 30, 2023		3,965,186	$106,611	$ (38,127)	$ (16,039)	$52,445					
Balance at September 30, 2023							**Balance at September 30, 2023**	3,965,186	$106,642	$ (47,931)	$ (

		Six Months Ended June 30, 2022						**Nine Months Ended September 30, 2**			
(In thousands, except shares)	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumulated Other Comprehensive Loss**	**Total**	*(In thousands, except shares)*	**Number of Shares**	**Common Stock**	**Accumulated Deficit**	**Accumula Other Comprehen Loss**
Balance at January 1, 2022	**Balance at January 1, 2022**	3,956,492	$106,479	$ (37,498)	$ (1,637)	$67,344	**Balance at January 1, 2022**	3,956,492	$106,479	$ (37,498)	$ (1,
Comprehensive income (loss):	**Comprehensive income (loss):**						**Comprehensive income (loss):**				
Net income	Net income	—	—	2,065	—	2,065	Net income	—	—	4,391	
Unrealized holding loss on available-for-sale securities, net of tax	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(9,648)	(9,648)	Unrealized holding loss on available-for-sale securities, net of tax	—	—	—	(13,
Total comprehensive income (loss)	**Total comprehensive income (loss)**	—	—	2,065	(9,648)	(7,583)	**Total comprehensive income (loss)**	—	—	4,391	(13,
Share-based compensation expense	Share-based compensation expense	—	41	—	—	41	Share-based compensation expense	—	63	—	
Vesting of restricted stock	Vesting of restricted stock	777	—	—	—	—	Vesting of restricted stock	777	—	—	
Balance at June 30, 2022		3,957,269	$106,520	$ (35,433)	$ (11,285)	$59,802					

Balance at September 30, 2022	**Balance at September 30, 2022**	3,957,269	$106,542	$	(33,107)	$ (15,

See Accompanying Notes to Consolidated Financial Statements.

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

(In thousands)	*(In thousands)*	**Six Months Ended June 30,**		*(In thousands)*	**Nine Months Ended September 30,**	
		2023	**2022**		**2023**	**2022**
Cash Flows from Operating Activities:	**Cash Flows from Operating Activities:**			**Cash Flows from Operating Activities:**		
Net (loss) income	Net (loss) income	$ (599)	$ 2,065	Net (loss) income	$ (5,084)	$ 4,391
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:	**Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:**			**Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:**		
Amortization and accretion of investment premiums and discounts, net	Amortization and accretion of investment premiums and discounts, net	(52)	(13)	Amortization and accretion of investment premiums and discounts, net	(82)	(12)
Amortization and accretion of purchase loan premiums and discounts, net	Amortization and accretion of purchase loan premiums and discounts, net	1,227	1,245	Amortization and accretion of purchase loan premiums and discounts, net	1,648	2,002
Amortization of debt issuance costs	Amortization of debt issuance costs	87	18	Amortization of debt issuance costs	133	27
Amortization of core deposit intangible	Amortization of core deposit intangible	23	23	Amortization of core deposit intangible	35	35
Amortization of servicing assets of sold SBA loans	Amortization of servicing assets of sold SBA loans	62	30	Amortization of servicing assets of sold SBA loans	92	66
Provision for credit losses	Provision for credit losses	2,567	275	Provision for credit losses	8,233	475
Depreciation and amortization	Depreciation and amortization	615	653	Depreciation and amortization	904	981
Gain on sales of available-for-sale securities	Gain on sales of available-for-sale securities	(24)	—	Gain on sales of available-for-sale securities	(24)	—
Share-based compensation	Share-based compensation	46	41	Share-based compensation	77	63
(Increase) decrease in deferred income taxes, net	(Increase) decrease in deferred income taxes, net	(231)	591	(Increase) decrease in deferred income taxes, net	(5,298)	885
Originations of SBA loans held for sale		(3,578)	(11,305)			
Originations of loans held for sale, net				Originations of loans held for sale, net	(21,312)	(15,718)
Proceeds from sale of SBA loans held for sale	Proceeds from sale of SBA loans held for sale	3,095	7,315	Proceeds from sale of SBA loans held for sale	4,758	10,516
Gains on sale of SBA loans held for sale, net	Gains on sale of SBA loans held for sale, net	(166)	(509)	Gains on sale of SBA loans held for sale, net	(169)	(691)

Changes in assets and liabilities:	**Changes in assets and liabilities:**			**Changes in assets and liabilities:**		
(Increase) decrease in accrued interest and dividends receivable		(361)	95			
Decrease (increase) in accrued interest and dividends receivable				Decrease (increase) in accrued interest and dividends receivable	143	(682)
Decrease (increase) in other assets	Decrease (increase) in other assets	1,984	(712)	Decrease (increase) in other assets	2,213	(325)
Decrease in accrued expenses and other liabilities		(899)	(2,053)			
Net cash provided by (used in) operating activities		3,796	(2,241)			
Increase (decrease) in accrued expenses and other liabilities				Increase (decrease) in accrued expenses and other liabilities	3,185	(2,394)
Net cash used in operating activities				**Net cash used in operating activities**	(10,548)	(381)
Cash Flows from Investing Activities:	**Cash Flows from Investing Activities:**			**Cash Flows from Investing Activities:**		
Proceeds from maturity or sales on available-for-sale securities	Proceeds from maturity or sales on available-for-sale securities	1,780	3,600	Proceeds from maturity or sales on available-for-sale securities	1,780	3,600
Principal repayments on available-for-sale securities	Principal repayments on available-for-sale securities	2,153	3,819	Principal repayments on available-for-sale securities	3,408	5,575
Purchases of available-for-sale securities	Purchases of available-for-sale securities	(10,415)	(3,039)	Purchases of available-for-sale securities	(10,415)	(19,329)
Redemptions of Federal Reserve Bank stock	Redemptions of Federal Reserve Bank stock	104	81	Redemptions of Federal Reserve Bank stock	178	172
Purchases of Federal Home Loan Bank stock	Purchases of Federal Home Loan Bank stock	(4,198)	(290)	Purchases of Federal Home Loan Bank stock	(1,498)	(1,290)
Origination of loans receivable	Origination of loans receivable	(132,611)	(138,414)	Origination of loans receivable	(152,758)	(159,125)
Purchases of loans receivable	Purchases of loans receivable	(16,443)	(98,720)	Purchases of loans receivable	(19,751)	(125,765)
Payments received on loans receivable	Payments received on loans receivable	61,343	115,960	Payments received on loans receivable	121,962	159,164
Purchases of premises and equipment	Purchases of premises and equipment	(230)	(270)	Purchases of premises and equipment	(397)	(322)
Net cash used in investing activities	**Net cash used in investing activities**	(98,517)	(117,273)	**Net cash used in investing activities**	(57,491)	(137,320)
Cash Flows from Financing Activities:	**Cash Flows from Financing Activities:**			**Cash Flows from Financing Activities:**		
Increase in deposits, net		2,933	98,221			

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(Decrease) increase in deposits, net				(Decrease) increase in deposits, net	(23,423)	85,833
Increase in FHLB and correspondent bank borrowings	Increase in FHLB and correspondent bank borrowings	122,000	10,000	Increase in FHLB and correspondent bank borrowings	130,000	35,000
Principal repayments of note payable	Principal repayments of note payable	(104)	(102)	Principal repayments of note payable	(156)	(154)
Decrease in advances from borrowers for taxes and insurance	Decrease in advances from borrowers for taxes and insurance	2,208	1,866	Decrease in advances from borrowers for taxes and insurance	2,053	1,161
Net cash provided by financing activities	**Net cash provided by financing activities**	127,037	109,985	**Net cash provided by financing activities**	108,474	121,840
Net increase (decrease) in cash and cash equivalents	**Net increase (decrease) in cash and cash equivalents**	32,316	(9,529)	**Net increase (decrease) in cash and cash equivalents**	40,435	(15,861)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	38,493	47,045	Cash and cash equivalents at beginning of period	38,493	47,045
Cash and cash equivalents at end of period	**Cash and cash equivalents at end of period**	$ 70,809	$ 37,516	**Cash and cash equivalents at end of period**	$ 78,928	$ 31,184

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

(In thousands)	*(In thousands)*	Six Months Ended June 30,		*(In thousands)*	Nine Months Ended September 30,	
		2023	**2022**		**2023**	**2022**
Supplemental Disclosures of Cash Flow Information:	**Supplemental Disclosures of Cash Flow Information:**			**Supplemental Disclosures of Cash Flow Information:**		
Cash paid for interest	Cash paid for interest	$ 12,609	$ 3,482	Cash paid for interest	$ 20,611	$ 5,950
Cash paid for income taxes	Cash paid for income taxes	44	102	Cash paid for income taxes	44	103
Non-cash transactions:	**Non-cash transactions:**			**Non-cash transactions:**		
Capitalized servicing assets	Capitalized servicing assets	$ 58	$ 131	Capitalized servicing assets	$ 85	$ 188
Transfers of loans held for sale to loans receivable	Transfers of loans held for sale to loans receivable	$ —	$ 72	Transfers of loans held for sale to loans receivable	$ —	$ 274
Operating lease right-of-use assets	Operating lease right-of-use assets	16	80	Operating lease right-of-use assets	16	80
Decrease in interest rate swaps	Decrease in interest rate swaps	41	(637)	Decrease in interest rate swaps	169	(509)

Capital raise deferred costs	Capital raise deferred costs	—	1,094	Capital raise deferred costs	—	1,177
Expected credit loss for loans - ASC 326 adoption	Expected credit loss for loans - ASC 326 adoption	7,371	—	Expected credit loss for loans - ASC 326 adoption	13,001	—
Expected credit loss for unfunded loan commitments - ASC 326 adoption	Expected credit loss for unfunded loan commitments - ASC 326 adoption	1,094	—	Expected credit loss for unfunded loan commitments - ASC 326 adoption	2,737	—
Deferred tax assets - ASC 326 adoption	Deferred tax assets - ASC 326 adoption	(2,274)	—	Deferred tax assets - ASC 326 adoption	(4,228)	—

See Accompanying Notes to Consolidated Financial Statements.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to consolidated financial statements (Unaudited)

Note 1. Basis of Financial Statement Presentation

The accompanying unaudited interim condensed Consolidated Financial Statements of Patriot National Bancorp, Inc. (the "Company" or "PNBK") and its wholly-owned subsidiaries, Patriot Bank, N.A. (the "Bank"), Patriot National Statutory Trust I and PinPat Acquisition Corporation (collectively, "Patriot"), have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been omitted. The accompanying unaudited interim condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included on the Annual Report on Form 10-K for the year ended December 31, 2022.

The Consolidated Balance Sheet at December 31, 2022 presented herein has been derived from the audited Consolidated Financial Statements of the Company at that date, but does not include all of the information and footnotes required by US GAAP for complete financial statements.

The preparation of consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates. Management has identified accounting for the allowance for credit losses, the analysis and valuation of its investment securities, the valuation of deferred tax assets, the impairment of goodwill, the valuation of derivatives, and the valuation of servicing assets as certain of the Company's more significant accounting policies and estimates, in that they are critical to the presentation of the Company's consolidated financial condition and results of operations. As they concern matters that are inherently uncertain, these estimates require management to make subjective and complex judgments in the preparation of the Company's Consolidated Financial Statements.

The information furnished reflects, in the opinion of management, all normal recurring adjustments necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and six nine months ended June 30, 2023 September 30, 2023 are not necessarily indicative of the results of operations that may be expected for the remainder of 2023.

Certain prior period amounts have been reclassified to conform to current year presentation.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

Note 2. Summary of Significant Accounting Policies

Please refer to the summary of Significant Accounting Policies included in the Company's 2022 Annual Report on Form 10-K for a list of all policies in effect as of December 31, 2022.

Allowance for Credit Losses ("ACL") and Impairment of Debt Securities

As described below under Recently Adopted Accounting Pronouncements, the Company adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* Accounting Standard Codification ("ASC") 326, effective January 1, 2023.

Impairment of Debt Securities Available for Sale

For available-for-sale debt securities in an unrealized loss position, the Company will first assess whether i) it intends to sell or ii) it is more likely than not that it will be required to sell the debt security before recovery of its amortized cost basis. If either case is applicable, any previously recognized allowances are charged off and the debt security's amortized cost is written down to fair value through income. If neither case is applicable, the debt security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the debt security by a rating agency and any adverse conditions specifically related to the debt security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the debt security are compared to the amortized cost basis of the debt security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount by which the fair value is less than the amortized cost basis. Any impairment that has not been recorded through allowance for credit losses is recognized in other comprehensive income, net of tax.

Adjustments to the allowance are reported in the income statement as a component of credit loss expense. Debt securities are charged off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by the Company or when either of the aforementioned criteria regarding intent or requirement to sell is met specifically for available-for-sale debt securities.

The Company excludes the accrued interest receivable balance from the amortized cost basis in measuring expected credit losses on debt securities and does not record an ACL on accrued interest receivable.

ACL – Loans

The ACL is based on the Company's evaluation of the loan portfolios, past loan loss experience, current asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. The process is inherently subjective and subject to significant change as it requires material estimates. The allowance is increased by a provision for credit losses, which is charged to expense, and reduced by charge-offs, net of recoveries. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for credit losses. Such agencies may require the Company to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

The Company evaluates loans with similar risk characteristics in pools using a probability of default/loss given default ("PD/LGD") method. Unlike the previous allowance for loan losses approach, which applied historical loss rates to similar loan pools, the current expected credit loss ("CECL") methodology forecasts the probability of default, loss given default, and exposure at default for loans in a given pool over their remaining life. This allows the Company to derive an ACL that can absorb estimated losses over the remaining life of the portfolio.

Qualitative factors play a greatly diminished role under the Company's CECL framework as reserve rates for the model in use are influenced by change in: real domestic Gross Domestic Product ("GDP"); State of Connecticut unemployment rate; New York Fed recession indicator; CoStar composite index; New York Case Schiller index; Coincident activity index; Michigan consumer activity index; S&P's BBB credit spreads; the Company's loan delinquencies and charge off data.

Credit losses for loans that no longer share similar risk characteristics with the collectively evaluated pools are excluded from the collective evaluation and estimated on an individual basis. Individual evaluations are performed for nonaccrual loans and loans rated substandard that are in excess of $100,000. Specific allowances were estimated based on one of several methods, including the estimated fair value of the underlying collateral, observable market value of similar debt or the present value of expected cash flows.

The Company measures expected credit losses over the contractual term of a loan, adjusted for estimated prepayments. The contractual term excludes expected extensions, renewals and modifications unless there is a reasonable expectation that a troubled debt restructuring will be executed. Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding, purchase discounts and premiums and deferred loan fees and costs. Accrued interest receivable on loans is excluded from the estimate of credit losses.

ACL – Unfunded Loan Commitments

The ACL for unfunded loan commitments represents expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. The ACL for unfunded loan commitments is reported as a component of other liabilities within the Consolidated Balance Sheets. Adjustments to the ACL for unfunded loan commitments are reported in the Consolidated Statements of Operations as a component of provision for credit losses.

Recently Issued Accounting Standards

New Accounting Standards Adopted in 2023

ASU 2016-13

In June 2016, the FASB issued ASU *2016-13, Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. The ASU changes the methodology for measuring credit losses on financial instruments measured at amortized cost to a CECL model. Under the CECL model, entities are required to estimate credit losses over the entire contractual term of a financial instrument from the date of initial recognition of the instrument. The ASU also changes the existing impairment model for available-for-sale debt securities. In cases where there is neither the intent nor a more-likely-than-not requirement to sell the debt security, an entity should record credit losses as an allowance rather than a direct write-down of the amortized cost basis. Additionally, ASU 2016-13 notes that credit losses related to available-for-sale debt securities and purchased credit impaired loans should be recorded through an allowance for credit losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted for fiscal years beginning after December 15, 2018. In November 2019, the FASB issued ASU 2019-10, which amended the effective date of ASU 2016-13 for smaller reporting companies, as defined by the SEC, and other non-SEC reporting entities, and delayed the effective date to fiscal years beginning after December 31, 2022, including interim periods within those fiscal periods. As the Company is a small reporting company, the delay was applicable to the Company. The Company adopted ASU 2016-13 effective January 1, 2023. This resulted in the Company recording an increase to the allowance for credit losses of $7.4 $13.0 million and an increase to reserve for unfunded loan commitments of $1.1 $2.7 million (which is included in other liabilities on the Company's Consolidated Balance Sheets), and a cumulative-effect adjustment to increase the opening balance of accumulated deficit of $6.2 $11.5 million, net of $2.3 $4.2 million tax at the date of adoption.

ASU 2020-02

In January 2020, the FASB issued ASU No. 2020-02, *Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*. This ASU adds and amends SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 119, related to the new credit losses standard, and comments by the SEC staff related to the revised effective date of the new leases standard. This ASU is effective upon issuance. The Company adopted ASU 2016-13 and ASU 2020-02 effective January 1, 2023.

ASU 2020-03

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. This ASU clarifies various financial instruments topics, including the CECL standard issued in 2016. Amendments related to ASU 2016-13 for entities that have not yet adopted that guidance are effective upon adoption of the amendments in ASU 2016-13. Early adoption is not permitted before an entity's adoption of ASU 2016-13. Other amendments are effective upon issuance of this ASU. See the discussion regarding the adoption of ASU 2016-13 above.

ASU 2022-02

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326)*: *Troubled Debt Restructurings ("TDR") and Vintage Disclosures.* ASU 2022-02 updates guidance in Topic 326, to eliminate the accounting guidance for TDRs by creditors in Subtopic 310-40, *Receivables—Troubled Debt Restructurings by Creditors*, while enhancing disclosure requirements for certain loan refinancing and restructurings by creditors when a borrower is experiencing financial difficulty and to require entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, *Financial Instruments—Credit Losses—Measured at Amortized Cost*. ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, with early adoption permitted if an entity has adopted the amendments in ASU 2016-03, including adoption in an interim period. The Company adopted ASU 2016-13 effective January 1, 2023. The adoption of this guidance did not have any material impact on the Company's Consolidated Financial Statements.

ASU 2022-06

On December 21, 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. This ASU defers the sunset date of the temporary, optional expedients related to the accounting for contract modifications and hedging transactions as a result of the anticipated transition away from the use of LIBOR and other interbank offered rates to alternative reference rates. In response to the United Kingdom's Financial Conduct Authority's extension of the cessation date of LIBOR in the United States to June 30, 2023, the FASB has deferred the expiration date of these optional expedients to December 31, 2024. The ASU became effective upon issuance and affords the Company an extended period to utilize the currently available optional expedients related to the accounting for contract modifications and hedging transactions as a result of the anticipated transition away from the use of LIBOR and other inter-bank offered rates. The adoption of this guidance did not have a material impact on the Company's Consolidated Financial Statements.

Recently issued Accounting Pronouncements not yet Adopted

ASU 2023-06

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative.* The amendments in this Update modify the disclosure or presentation requirements of a variety of Topics in the Codification. Certain of the amendments represent clarifications to or technical corrections of the current requirements. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, the amendments will be effective two years later. The amendments in this Update should be applied prospectively. For all entities, if by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. The adoption of ASU 2023-06 is not expected to have an impact on the Company's financial condition or results of operations but could change certain disclosures. The Company will continue to monitor for SEC action, and plan accordingly for adoption.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

Note 3. Available-for-Sale Securities

The amortized cost, gross unrealized gains, gross unrealized losses and fair values of available-for-sale securities at June 30, 2023 September 30, 2023 and December 31, 2022 are as follows:

(In thousands)	*(In thousands)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value	*(In thousands)*	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
June 30, 2023:										
September 30, 2023:						**September 30, 2023:**				
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ 82,192	$ 63	$ (15,007)	$ 67,248	U. S. Government agency and mortgage-backed securities	$ 81,233	$ —	$ (18,602)	$ 62,631
Corporate bonds	Corporate bonds	18,002	—	(4,747)	13,255	Corporate bonds	17,994	—	(4,785)	13,209
Subordinated notes	Subordinated notes	5,000	—	(764)	4,236	Subordinated notes	5,000	—	(736)	4,264
SBA loan pools	SBA loan pools	6,409	—	(1,083)	5,326	SBA loan pools	6,151	—	(1,030)	5,121
Municipal bonds	Municipal bonds	560	—	(78)	482	Municipal bonds	560	—	(99)	461
Total available-for-sale securities	Total available-for-sale securities	$ 112,163	$ 63	$ (21,679)	$ 90,547	Total available-for-sale securities	$ 110,938	$ —	$ (25,252)	$ 85,686
December 31, 2022:	**December 31, 2022:**					**December 31, 2022:**				
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ 73,480	$ —	$ (14,434)	$ 59,046	U. S. Government agency and mortgage-backed securities	$ 73,480	$ —	$ (14,434)	$ 59,046
Corporate bonds	Corporate bonds	19,773	7	(5,125)	14,655	Corporate bonds	19,773	7	(5,125)	14,655
Subordinated notes	Subordinated notes	5,000	—	(398)	4,602	Subordinated notes	5,000	—	(398)	4,602
SBA loan pools	SBA loan pools	6,791	—	(1,073)	5,718	SBA loan pools	6,791	—	(1,073)	5,718
Municipal bonds	Municipal bonds	561	—	(62)	499	Municipal bonds	561	—	(62)	499
Total available-for-sale securities	Total available-for-sale securities	$ 105,605	$ 7	$ (21,092)	$ 84,520	Total available-for-sale securities	$ 105,605	$ 7	$ (21,092)	$ 84,520

The following table presents the available-for-sale securities' gross unrealized losses and fair value, aggregated by the length of time the individual securities have been in a continuous loss position as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	*(In thousands)*	Less than 12 Months		12 Months or More		Total		*(In thousands)*	Less than 12 Months		12 Months or More		Total	
		Fair Value	Unrealized (Loss)	Fair Value	Unrealized (Loss)	Fair Value	Unrealized (Loss)		Fair Value	Unrealized (Loss)	Fair Value	Unrealized (Loss)	Fair Value	Unrealized (Loss)
June 30, 2023:														
September 30, 2023:								**September 30, 2023:**						

U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ 18,306	$ (1,077)	$ 46,807	$ (13,930)	$ 65,113	$ (15,007)	U. S. Government agency and mortgage-backed securities	$ 9,652	$ (664)	$ 52,979	$ (17,938)	$ 62,631	$ (18,602)
Corporate bonds	Corporate bonds	—	—	13,255	(4,747)	13,255	(4,747)	Corporate bonds	—	—	13,209	(4,785)	13,209	(4,785)
Subordinated notes	Subordinated notes	2,543	(457)	1,693	(307)	4,236	(764)	Subordinated notes	—	—	4,264	(736)	4,264	(736)
SBA loan pools	SBA loan pools	1,276	(13)	4,050	(1,070)	5,326	(1,083)	SBA loan pools	—	—	5,121	(1,030)	5,121	(1,030)
Municipal bonds	Municipal bonds	—	—	482	(78)	482	(78)	Municipal bonds	—	—	461	(99)	461	(99)
Total available-for-sale securities	Total available-for-sale securities	$ 22,125	$ (1,547)	$ 66,287	$ (20,132)	$ 88,412	$ (21,679)	Total available-for-sale securities	$ 9,652	$ (664)	$ 76,034	$ (24,588)	$ 85,686	$ (25,252)
December 31, 2022:	**December 31, 2022:**							**December 31, 2022:**						
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ 11,126	$ (633)	$ 47,920	$ (13,801)	$ 59,046	$ (14,434)	U. S. Government agency and mortgage-backed securities	$ 11,126	$ (633)	$ 47,920	$ (13,801)	$ 59,046	$ (14,434)
Corporate bonds	Corporate bonds	1,959	(64)	10,934	(5,061)	12,893	(5,125)	Corporate bonds	1,959	(64)	10,934	(5,061)	12,893	(5,125)
Subordinated notes	Subordinated notes	4,602	(398)	—	—	4,602	(398)	Subordinated notes	4,602	(398)	—	—	4,602	(398)
SBA loan pools	SBA loan pools	1,437	(12)	4,280	(1,061)	5,717	(1,073)	SBA loan pools	1,437	(12)	4,280	(1,061)	5,717	(1,073)
Municipal bonds	Municipal bonds	—	—	498	(62)	498	(62)	Municipal bonds	—	—	498	(62)	498	(62)
Total available-for-sale securities	Total available-for-sale securities	$ 19,124	$ (1,107)	$ 63,632	$ (19,985)	$ 82,756	$ (21,092)	Total available-for-sale securities	$ 19,124	$ (1,107)	$ 63,632	$ (19,985)	$ 82,756	$ (21,092)

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

As of June 30, 2023 September 30, 2023 and December 31, 2022, forty-nine fifty of fifty and forty-six of forty-seven available-for-sale securities had unrealized losses with an aggregate decline of (19.7) (22.8)% and (20.3)% from the amortized cost of those securities, respectively.

At June 30, 2023 September 30, 2023, no allowance for credit losses has been recognized on available for sale debt securities in an unrealized loss position as the Company does not believe any of the debt securities are credit impaired. This is based on the Company's analysis of the risk characteristics, including credit ratings, and other qualitative factors related to available for sale debt securities. The issuers of these debt securities continue to make timely principal and interest payments under the contractual terms of the securities. The Company does not intend to sell these debt securities and it is more likely than not that the Company will not be required to sell the debt securities before recovery of their amortized cost, which may be at maturity. The unrealized losses are due to increases in market interest rates over the yields available at the time the debt securities were purchased.

With regard to U.S. mortgage-backed securities and municipal bonds issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost basis of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no allowance for credit losses has been recorded for these securities.

With regard to corporate bonds, management considers (i) issuer bond ratings, (ii) historical loss rates for given bond ratings, (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities, and (iv) internal forecasts. Securities under the U.S. Small Business Administration ("SBA") government guaranteed loan pools program were purchased at a premium and the impairment was attributable primarily to increased prepayment speeds. The timely payment of principal and interest on these securities is guaranteed by the U.S. Government agency. The contractual terms of the subordinated notes do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Furthermore, as of June 30, 2023September 30, 2023, there were no past due principal or interest payments associated with these securities. Based upon (i) the issuer's strong bond ratings and (ii) a zero historical loss rate, no allowance for credit losses has been recorded for available-for-sale securities at June 30, 2023September 30, 2023. All debt securities in an unrealized loss position as of June 30, 2023September 30, 2023 continue to perform as scheduled and the Company does not believe there is a possible credit loss or that an allowance for credit loss on these debt securities is necessary.

As of June 30, 2023September 30, 2023 and December 31, 2022, available-for-sale securities of $70.3 million$65.6 million and $30.8 million, respectively, were pledged to the Federal Home Loan Bank ("FHLB") and Federal Reserve Bank ("FRB"). The securities were pledged primarily to secure borrowings from the FHLB and municipal deposits.

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The following summarizes, by class and contractual maturity, the amortized cost and estimated fair value of available-for-sale debt securities held as of June 30, 2023September 30, 2023 and December 31, 2022. The mortgages underlying the mortgage-backed securities are not due at a single maturity date. Additionally, these mortgages often are and generally may be pre-paid without penalty, creating a degree of uncertainty that such investments can be held until maturity. For convenience, mortgage-backed securities have been included in the summary as a separate line item.

(In thousands)	*(In thousands)*	Amortized Cost				Fair Value			
		Due Within 5 years	Due After 5 years through 10 years	Due After 10 years	Total	Due Within 5 years	Due After 5 years through 10 years	Due After 10 years	Total
June 30, 2023:									
September 30, 2023:									
Corporate bonds	Corporate bonds	$ 2,007	$ 15,995	$ —	$ 18,002	$ 1,855	$ 11,400	$ —	$ 13,255
Subordinated notes	Subordinated notes	3,000	2,000	—	5,000	2,543	1,693	—	4,236
SBA loan pools	SBA loan pools	—	1,289	5,120	6,409	—	1,276	4,050	5,326
Municipal bonds	Municipal bonds	154	406	—	560	139	343	—	482
Available-for-sale securities with stated maturity dates	Available-for-sale securities with stated maturity dates	5,161	19,690	5,120	29,971	4,537	14,712	4,050	23,299
U.S. Government agency and mortgage-backed securities	U.S. Government agency and mortgage-backed securities	—	5,237	76,955	82,192	—	4,134	63,114	67,248
Total available-for-sale securities	Total available-for-sale securities	$ 5,161	$ 24,927	$ 82,075	$ 112,163	$ 4,537	$ 18,846	$ 67,164	$ 90,547
December 31, 2022:	**December 31, 2022:**								
Corporate bonds	Corporate bonds	$ 3,778	$ 15,995	$ —	$ 19,773	$ 3,721	$ 10,934	$ —	$ 14,655
Subordinated notes	Subordinated notes	3,000	2,000	—	5,000	2,830	1,772	—	4,602
SBA loan pools	SBA loan pools	—	1,449	5,342	6,791	—	1,438	4,280	5,718

(In thousands)	Amortized Cost				Fair Value			
	Due Within 5 years	Due After 5 years through 10 years	Due After 10 years	Total	Due Within 5 years	Due After 5 years through 10 years	Due After 10 years	Total
September 30, 2023:								
Corporate bonds	$ 2,000	$ 15,994	$ —	$ 17,994	$ 1,876	$ 11,333	$ —	$ 13,209
Subordinated notes	3,000	2,000	—	5,000	2,522	1,742	—	4,264
SBA loan pools	—	1,245	4,906	6,151	—	1,232	3,889	5,121
Municipal bonds	154	406	—	560	136	325	—	461
Available-for-sale securities with stated maturity dates	5,154	19,645	4,906	29,705	4,534	14,632	3,889	23,055
U.S. Government agency and mortgage-backed securities	—	5,230	76,003	81,233	—	3,911	58,720	62,631
Total available-for-sale securities	$ 5,154	$ 24,875	$ 80,909	$ 110,938	$ 4,534	$ 18,543	$ 62,609	$ 85,686
December 31, 2022:								
Corporate bonds	$ 3,778	$ 15,995	$ —	$ 19,773	$ 3,721	$ 10,934	$ —	$ 14,655
Subordinated notes	3,000	2,000	—	5,000	2,830	1,772	—	4,602
SBA loan pools	—	1,449	5,342	6,791	—	1,438	4,280	5,718

Municipal bonds	Municipal bonds	154	407	—	561	139	360	—	499	Municipal bonds	154	407	—	561	139	360	—	499
Available-for-sale securities with stated maturity dates	Available-for-sale securities with stated maturity dates	6,932	19,851	5,342	32,125	6,690	14,504	4,280	25,474	Available-for-sale securities with stated maturity dates	6,932	19,851	5,342	32,125	6,690	14,504	4,280	25,474
U.S. Government agency and mortgage-backed securities	U.S. Government agency and mortgage-backed securities	—	5,276	68,204	73,480	—	4,129	54,917	59,046	U.S. Government agency and mortgage-backed securities	—	5,276	68,204	73,480	—	4,129	54,917	59,046
Total available-for-sale securities	Total available-for-sale securities	$ 6,932	$ 25,127	$ 73,546	$ 105,605	$ 6,690	$ 18,633	$ 59,197	$ 84,520	Total available-for-sale securities	$ 6,932	$ 25,127	$ 73,546	$ 105,605	$ 6,690	$ 18,633	$ 59,197	$ 84,520

During the six nine months ended June 30, 2023 September 30, 2023, the Company purchased $10.4 million U.S. Government agency mortgage-backed securities and sold $1.8 million available-for-sale securities and recognized a net gain on sale of $24,000. During the six nine months ended June 30, 2022 September 30, 2022, the Company purchased $11.8 million U.S. Government agency mortgage-backed securities, $2.0 million corporate bonds and $1.0 million $4.0 million subordinated notes, and $1.5 million SBA government guaranteed loan pools securities. The Company did not sell any available-for-sale securities. securities during the nine months ended September 30, 2022.

Note 4. Loans Receivable and Allowance for Credit Losses

As of June 30, 2023 September 30, 2023 and December 31, 2022, loans receivable, net, consisted of the following:

(In thousands)	*(In thousands)*	June 30, 2023	December 31, 2022	*(In thousands)*	September 30, 2023	December 31, 2022
Loan portfolio segment:	**Loan portfolio segment:**			**Loan portfolio segment:**		
Commercial Real Estate	Commercial Real Estate	$ 511,655	$ 437,443	Commercial Real Estate	$ 499,132	$ 437,443
Residential Real Estate	Residential Real Estate	116,454	124,140	Residential Real Estate	112,600	124,140
Commercial and Industrial	Commercial and Industrial	171,574	138,787	Commercial and Industrial	160,496	138,787
Consumer and Other	Consumer and Other	123,063	141,091	Consumer and Other	111,411	141,091
Construction	Construction	5,525	4,922	Construction	3,790	4,922
Construction to Permanent - CRE	Construction to Permanent - CRE	2,463	1,933	Construction to Permanent - CRE	2,463	1,933
Loans receivable, gross	**Loans receivable, gross**	930,734	848,316	**Loans receivable, gross**	889,892	848,316
Allowance for credit losses	Allowance for credit losses	(16,858)	(10,310)	Allowance for credit losses	(25,668)	(10,310)
Loans receivable, net	**Loans receivable, net**	$ 913,876	$ 838,006	**Loans receivable, net**	$ 864,224	$ 838,006

Patriot's lending activities are conducted principally in: Connecticut; the southern counties of New York including Westchester, Nassau, Suffolk, and the five Boroughs of New York City; and the Northern Counties of New Jersey, including Passaic, Bergen, Essex, Hudson and Union. Patriot originates commercial real estate loans, commercial business loans, a variety of consumer loans, and construction loans, and has purchased residential loans since 2016. All commercial and residential real estate loans are collateralized primarily by first or second mortgages on real estate. The ability and willingness of borrowers to satisfy their loan obligations is dependent to some degree on the status of the regional economy as well as upon the regional real estate market. Accordingly, the ultimate collectability of a substantial portion of the loan portfolio and the recovery of a substantial portion of any resulting real estate acquired is susceptible to changes in market conditions.

Patriot has established credit policies applicable to each type of lending activity in which it engages and evaluates the creditworthiness of each borrower. Unless extenuating circumstances exist, Patriot limits the extension of credit on commercial real estate loans to 75% of the market value of the underlying collateral. Patriot's loan origination policy for multi-family residential real estate is limited to 80% of the market value of the underlying collateral. In the case of construction loans, the maximum loan-to-value is 75% of the "as completed" appraised value of the real estate project. Management monitors the appraised value of collateral on an on-going basis and additional collateral is requested when warranted. Real estate is the primary form of collateral, although other forms of collateral do exist and may include such assets as accounts receivable, inventory, marketable securities, time deposits, and other business assets.

Risk characteristics of the Company's portfolio classes include the following:

Commercial Real Estate Loans

In underwriting commercial real estate loans, Patriot evaluates both the prospective borrower's ability to make timely payments on the loan and the value of the property securing the loans. Repayment of such loans may be negatively impacted should the borrower default, the value of the property collateralizing the loan substantially decline, or there are declines in general economic conditions. Where the owner occupies the property, Patriot also evaluates the business' ability to repay the loan on a timely basis and may require personal guarantees, lease assignments, and/or the guarantee of the operating company.

During the three and six nine months ended June 30, 2023 September 30, 2023, Patriot did not purchase any commercial real estate loans. There were zero and $20.7 million commercial real estate loans purchased during the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

Residential Real Estate Loans

During the three and nine months ended September 30, 2023 and 2022, Patriot did not purchase any residential real estate loans.

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Residential Real Estate Loans

In 2013, Patriot discontinued offering primary mortgages on personal residences. Repayment of residential real estate loans may be negatively impacted should the borrower have financial difficulties, should there be a significant decline in the value of the property securing the loan, or should there be declines in general economic conditions.

During the three and six months ended June 30, 2023 and 2022, Patriot did not purchase any residential real estate loans.

Commercial and Industrial Loans

Patriot's commercial and industrial loan portfolio consists primarily of commercial business loans and lines of credit to businesses and professionals. These loans are generally for the financing of accounts receivable, purchases of inventory, purchases of new or used equipment, or for other short- or long-term working capital purposes. These loans are generally secured by business assets but are also occasionally offered on an unsecured basis. In granting these types of loans, Patriot considers the borrower's cash flow as the primary source of repayment, supported by the value of collateral, if any, and personal guarantees, as applicable. Repayment of commercial and industrial loans may be negatively impacted by adverse changes in economic conditions, ineffective management, claims on the borrower's assets by others that are superior to Patriot's claims, a loss of demand for the borrower's products or services, or the death or disability of the borrower or other key management personnel.

Patriot's syndicated and leveraged loan portfolio totaled $5.8 million at both June 30, 2023 September 30, 2023 and December 31, 2022. The syndicated and leveraged loans are included in the commercial and industrial loan classification and are primarily comprised of loan transactions led by major financial institutions and regional banks, which are the Agent Bank or Lead Arranger, and are referred to as syndicated loans or "Shared National Credits (SNC)". SNC loans were determined to be complementary to the Bank's existing commercial and industrial loan portfolio and product offerings. Further originations in this loan class are not expected.

Consumer and Other Loans

Patriot offers individual consumers various forms of credit including installment loans, credit cards, overdraft protection, auto loans and reserve lines of credit. Repayments of such loans are generally dependent on the personal income of the borrower, which may be negatively impacted by adverse changes in economic conditions. The Company does not place a high emphasis on originating these types of loans.

The Company has purchased unsecured consumer loans from a third party which are higher yielding loans of 2-5 year terms that are expected to incur an increased level of charge-offs. Loans outstanding under this program at June 30, 2023 September 30, 2023 and December 31, 2022 totaled $68.3 million $58.6 million and $78.9 million, respectively. Loans purchased under this program totaled $4.3 million $1.8 million and $13.6 million $15.4 million for three and six nine months ended June 30, 2023 September 30, 2023, respectively. For the three and six nine months ended June 30, 2022 September 30, 2022, the Bank purchased $32.0 million $25.5 million and $50.4 million $75.8 million unsecured consumer loans, respectively.

The Company does not originate any loans commonly referred to as subprime lending. Subprime lending generally targets borrowers with weakened credit histories that are typically characterized by payment delinquencies, previous charge-offs, judgments against the consumer, a history of bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burdened ratios.

During the three and six nine months ended June 30, 2023 September 30, 2023, Patriot purchased home equity line of credit loans ("HELOC") of $1.5 million. During the three and six nine months ended June 30, 2022 September 30, 2022, the Bank purchased HELOC loans of $27.7 million. $1.6 million and $29.3 million, respectively.

Construction Loans

Construction loans are of a short-term nature, generally of eighteen months or less, that are secured by land and improvements intended for commercial, residential, or mixed-use development. Loan proceeds may be used for the acquisition of or improvements to the land under development and funds are generally disbursed as phases of construction are completed.

Included in this category are loans to construct single family homes where no contract of sale exists, based upon the experience and financial strength of the builder, the type and location of the property, and other factors. Construction loans tend to be personally guaranteed by the principal(s). Repayment of such loans may be negatively impacted by an inability to complete construction, a downturn in the market for new construction, by a significant increase in interest rates, or by decline in general economic conditions. The construction loans outstanding at June 30, 2023 September 30, 2023 and December 31, 2022 totaled $5.5 million $3.8 million and $4.9 million, respectively.

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Construction to Permanent - Commercial Real Estate

Loans in this category represent a one-time close of a construction facility with simultaneous conversion to an amortizing mortgage loan. Construction to permanent loans combine a short-term period similar to a construction loan, generally with a variable rate, and a longer term commercial real estate loan typically 20-25 years, resetting every five years to the Federal Home Loan Bank ("FHLB") rate.

Close of the construction facility typically occurs when events dictate, such as receipt of a certificate of occupancy and property stabilization, which is defined as cash flow sufficient to support a predefined minimum debt coverage ratio and other conditions and covenants particular to the loan. Construction facilities are typically variable rate instruments that, upon conversion to an amortizing mortgage loan, reset to a fixed rate instrument that is the greater of the in-force variable rate plus a predetermined spread over a reference rate (e.g., prime) or a minimum interest rate.

SBA Loans

Patriot originates SBA 7(a) loans, on which the SBA has historically provided guarantees of 75% of the principal balance. However, during the pandemic in 2021, the SBA temporarily increased the guarantees to 90% and reverted to 75% on October 1, 2021. The guaranteed portion of the Company's SBA loans is generally sold in the secondary market with the unguaranteed portion held in the portfolio as a loan held for investment. SBA loans are for the purpose of providing working capital, financing the purchase of equipment, inventory, or commercial real estate and for other business purposes. Loans are guaranteed by the businesses' major owners. SBA loans are made based primarily on the historical and projected cash flow of the business and secondarily on the underlying collateral provided. SBA loans held for investment are included in the commercial real estate loans and commercial and industrial loan classifications, which totaled $32.8 million $32.3 million and $32.5 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. During the six nine months ended June 30, 2023 September 30, 2023 and 2022, no SBA loans previously classified as held for sale were transferred to held for investment.

Small Business Administration Paycheck Protection Program

Under the Paycheck Protection Program of the CARES Act, small business loans were authorized to pay payroll and group health costs, salaries and commissions, mortgage and rent payments, utilities, and interest on other debt. The loans are provided through participating financial institutions that process loan applications and service the loans. The Bank participated in the SBA's Paycheck Protection Program in 2021. Paycheck Protection Program loans totaled $135,000 $134,000 and $157,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, which are included in the commercial and industrial loan classifications.

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Allowance for Credit Losses

As described in Note 2, "Summary of Significant Accounting Policies," the Company adopted ASU 2016-13 on January 1, 2023, which introduced the CECL methodology for estimating all expected losses over the life of a financial asset. Under the CECL methodology, the ACL is measured on a collective basis for pools of loans with similar risk characteristics. For loans that do not share similar risk characteristics with the collectively evaluated pools, evaluations are performed on an individual basis. For all loan segments collectively evaluated, losses are predicted over a period of time determined to be reasonable and supportable, and at the end of the reasonable and supportable forecast period losses are reverted to long-term historical averages. The estimated loan losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses.

The Company estimates expected credit losses for pooled loans using a modeling method that incorporates probability of default and loss given default. The PD model employs a quarterly risk-rating transition method to estimate the probability of default by simulating loan downgrades and assigning increasing default probabilities to each loan. This captures the likelihood that borrowers will be unable to repay their loans according to the original terms. The LGD calculation considers characteristics such as collateral value and vintage, underlying collateral characteristics (e.g., CRE vs. residential, owner-occupied vs. investment), and other relevant underwriting characteristics.

Commercial and industrial loans include risks associated with borrower's cash flow, debt service coverage and management's expertise. These loans are subject to the risk that the Company may have difficulty converting collateral to a liquid asset if necessary, as well as risks associated with degree of specialization, mobility and general collectability in a default situation. These commercial loans may be subject to many different types of risks, including fraud, bankruptcy, economic downturn, deteriorated or non-existent collateral, and changes in interest rates.

Real estate construction loans include risks associated with the borrower's credit-worthiness, contractor's qualifications, borrower and contractor performance, and the overall risk and complexity of the proposed project. Construction lending is also subject to risks associated with sub-market dynamics, including population, employment trends and household income. During times of economic stress, this type of loan has typically had a greater degree of risk than other loan types.

Real estate mortgage loans consist of loans secured by commercial and residential real estate. Commercial real estate lending is divided into Investment CRE and Owner-Occupied CRE. Investment CRE is dependent upon successful management, marketing and expense supervision necessary to maintain the property. Repayment of these loans may be adversely affected by conditions in the real estate market or the general economy. Owner-Occupied CRE is utilized by a business for the purpose of providing the space needs for that business and the running of its operations. Repayment is dependent on the cash flow and successful operations of the business. Repayment of these loans may be adversely affected by conditions in the specific owner's industry. Also, commercial real estate loans typically involve relatively large loan balances to a single borrower. Residential real estate lending risks are generally less significant than those of other loans. Real estate lending risks include fluctuations in the value of real estate, bankruptcies, economic downturn and customer financial problems.

Consumer loans carry a moderate degree of risk compared to other loans. They are generally more risky than traditional residential real estate loans, and CRE loans, but less risky than many commercial loans and carry generally low relative balances across a diverse borrowing pool. Risk of default is usually determined by the well-being of the local economies. During times of economic stress, there is usually some level of job assessed based on FICO scores, debt to income ratios, historical loss both nationally and locally, which directly affects the ability of the rates other common consumer to repay debt. loan metrics.

The Company maintains an ACL for credit losses on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a drawdown on the commitment. The ACL on unfunded loan commitments is classified as a liability account on the Consolidated Balance Sheets within other liabilities, while the corresponding provision for these credit losses is recorded as a component of provision for credit losses. The allowance for credit losses on unfunded commitments was $484,000 $1.4 million at June 30, 2023 September 30, 2023.

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The following tables summarize the activity in the allowance for credit losses, allocated to segments of the loan portfolio, for the three and six nine months ended June 30, 2023 September 30, 2023 and allowance for loan and lease losses for three and six nine months ended June 30, 2022 September 30, 2022:

(In thousands)	*(In thousands)*	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unallocated	Total
Three Months Ended June 30, 2023									
Three Months Ended September 30, 2023									
Allowance for credit losses:	**Allowance for credit losses:**								
March 31, 2023		$ 9,809	$ 853	$ 1,799	$ 5,272	$ 21	$ 47	$ —	$17,801
June 30, 2023									
Charge-offs	Charge-offs	—	—	(4)	(2,516)	(150)	—	—	(2,670)
Recoveries	Recoveries	—	11	9	260	—	—	—	280
Provisions (credits)	Provisions (credits)	230	163	(131)	1,019	162	4	—	1,447 (1)
June 30, 2023		$ 10,039	$ 1,027	$ 1,673	$ 4,035	$ 33	$ 51	$ —	$16,858

(In thousands)	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unal
Three Months Ended September 30, 2023							
Allowance for credit losses:							
June 30, 2023	$ 10,039	$ 1,027	$ 1,673	$ 11,275	$ 33	$ 51	$
Charge-offs	—	(113)	(423)	(3,012)	—	—	
Recoveries	—	3	9	306	—	—	
Provisions (credits)	3,321	171	149	1,127	(31)	63	

September 30, 2023										September 30, 2023	$ 13,360	$ 1,088	$ 1,408	$ 9,696	$ 2	$ 114	$
Three Months Ended June 30, 2022																	
Three Months Ended September 30, 2022										**Three Months Ended September 30, 2022**							
Allowance for loan and lease losses:	**Allowance for loan and lease losses:**									**Allowance for loan and lease losses:**							
March 31, 2022		$ 4,889	$ 1,512	$ 2,860	$ 319	$ 56	$ 9	$ 92	$ 9,737								
June 30, 2022										June 30, 2022	$ 4,980	$ 1,395	$ 2,316	$ 1,063	$ 58	$ 15	$
Charge-offs	Charge-offs	—	—	—	(100)	—	—	—	(100)	Charge-offs	—	—	—	(366)	—	—	
Recoveries	Recoveries	—	—	11	6	—	—	—	17	Recoveries	154	3	12	20	—	—	
Provisions (credits)	Provisions (credits)	91	(117)	(555)	838	2	6	10	275	Provisions (credits)	1,653	(930)	(490)	22	(20)	(10)	
June 30, 2022		$ 4,980	$ 1,395	$ 2,316	$ 1,063	$ 58	$ 15	$ 102	$ 9,929								
September 30, 2022										September 30, 2022	$ 6,787	$ 468	$ 1,838	$ 739	$ 38	$ 5	$

The allowance and provision for the three and six nine months ended June 30, 2023 September 30, 2023 are not comparable to prior periods due to the adoption of CECL.

(1) The provision on credit losses included in the above table for the three months ended June 30, 2023 September 30, 2023 does not include the credit on unfunded loan commitments of $216,000 $112,000 for the three months ended June 30, 2023 September 30, 2023.

(In thousands)	*(In thousands)*	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unallocated	Total	*(In thousands)*	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unal
Six Months Ended June 30, 2023																	
Nine Months Ended September 30, 2023										**Nine Months Ended September 30, 2023**							
Allowance for credit losses:	**Allowance for credit losses:**									**Allowance for credit losses:**							
December 31, 2022	December 31, 2022	$ 6,966	$ 665	$ 1,403	$ 1,207	$ 24	$ 10	$ 35	$10,310	December 31, 2022	$ 6,966	$ 665	$ 1,403	$ 1,207	$ 24	$ 10	$
Impact of ASC 326 Adoption	Impact of ASC 326 Adoption	1,626	189	219	5,347	(4)	29	(35)	7,371	Impact of ASC 326 Adoption	1,626	189	219	10,977	(4)	29	
Charge-offs	Charge-offs	—	—	(6)	(4,312)	(150)	—	—	(4,468)	Charge-offs	—	(113)	(429)	(7,324)	(150)	—	
Recoveries	Recoveries	—	11	16	433	—	—	—	460	Recoveries	—	14	25	739	—	—	
Provisions	Provisions	1,447	162	41	1,360	163	12	—	3,185 (2)	Provisions	4,768	333	190	4,097	132	75	
June 30, 2023		$ 10,039	$ 1,027	$ 1,673	$ 4,035	$ 33	$ 51	$ —	$16,858								
September 30, 2023										September 30, 2023	$ 13,360	$ 1,088	$ 1,408	$ 9,696	$ 2	$ 114	$
Six Months Ended June 30, 2022																	
Nine Months Ended September 30, 2022										**Nine Months Ended September 30, 2022**							

Allowance for loan and lease losses:								
December 31, 2021	$ 5,063	$ 1,700	$ 2,532	$ 253	$ 78	$ 41	$ 238	$ 9,905
Charge-offs	—	—	(68)	(147)	(70)	—	—	(285)
Recoveries	—	1	26	7	—	—	—	34
(Credits) provisions	(83)	(306)	(174)	950	50	(26)	(136)	275
June 30, 2022	$ 4,980	$ 1,395	$ 2,316	$ 1,063	$ 58	$ 15	$ 102	$ 9,929

Allowance for loan and lease losses:							
December 31, 2021	$ 5,063	$ 1,700	$ 2,532	$ 253	$ 78	$ 41	$
Charge-offs	—	—	(70)	(513)	(68)	—	
Recoveries	154	4	38	27	—	—	
(Credits) provisions	1,570	(1,236)	(662)	972	28	(36)	
September 30, 2022	$ 6,787	$ 468	$ 1,838	$ 739	$ 38	$ 5	$

(2) The provision on credit losses for six the nine months ended June 30, 2023 September 30, 2023 does not include the credit on unfunded loan commitments of $618,000. $1.4 million.

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The following tables summarize, by loan portfolio segment, the amount of loans receivable evaluated individually and collectively for impairment as of June 30, 2023 September 30, 2023:

(In thousands)	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unallocated	Total
June 30, 2023								
Allowance for credit losses:								
Individually evaluated for impairment	$ 6,387	$ 196	$ 719	$ —	$ —	$ —	$ —	$ 7,302
Collectively evaluated for impairment	3,652	831	954	4,035	33	51	—	9,556
Total allowance for credit losses	$ 10,039	$ 1,027	$ 1,673	$ 4,035	$ 33	$ 51	$ —	$ 16,858
Loans receivable, gross:								
Individually evaluated for impairment	$ 11,368	$ 2,355	$ 6,582	$ —	$ —	$ —	$ —	$ 20,305
Collectively evaluated for impairment	500,287	114,099	164,992	123,063	5,525	2,463	—	910,429

(In thousands)	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unallocate
September 30, 2023							
Allowance for credit losses:							
Individually evaluated for impairment	$ 10,409	$ 293	$ 534	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	2,951	795	874	9,696	2	114	—
Total allowance for credit losses	$ 13,360	$ 1,088	$ 1,408	$ 9,696	$ 2	$ 114	$ —
Loans receivable, gross:							
Individually evaluated for impairment	$ 21,616	$ 1,623	$ 6,040	$ —	$ 479	$ —	$ —
Collectively evaluated for impairment	477,516	110,977	154,456	111,411	3,311	2,463	—

Total loans receivable, gross	Total loans receivable, gross	$ 511,655	$ 116,454	$ 171,574	$ 123,063	$ 5,525	$ 2,463	$ —	$930,734	Total loans receivable, gross	$ 499,132	$ 112,600	$ 160,496	$ 111,411	$ 3,790	$ 2,463	$	—

The following tables presents the balance in the allowance for loan and lease losses and the recorded investment in loans by portfolio segment based on impairment method as of December 31, 2022:

(In thousands)	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer and Other	Construction	Construction to Permanent - CRE	Unallocated	Total
December 31, 2022								
Allowance for loan and lease losses:								
Individually evaluated for impairment	$ 5,430	$ 5	$ 608	$ —	$ —	$ —	$ —	$ 6,043
Collectively evaluated for impairment	1,536	660	795	1,207	24	10	35	4,267
Total allowance for loan losses	$ 6,966	$ 665	$ 1,403	$ 1,207	$ 24	$ 10	$ 35	$ 10,310
Loans receivable, gross:								
Individually evaluated for impairment	$ 11,241	$ 2,508	$ 4,653	$ 514	$ —	$ —	$ —	$ 18,916
Collectively evaluated for impairment	426,202	121,632	134,134	140,577	4,922	1,933	—	829,400
Total loans receivable, gross	$ 437,443	$ 124,140	$ 138,787	$ 141,091	$ 4,922	$ 1,933	$ —	$ 848,316

Patriot monitors the credit quality of its loans receivable on an ongoing basis. Credit quality is monitored by reviewing certain indicators, including cash flow from business operations, loan to value ratios, debt service coverage ratios, and credit scores.

Patriot employs a risk rating system as part of the risk assessment of its loan portfolio. At origination, credit officers are required to assign a risk rating to each loan in their portfolio, which is ratified or modified by the Loan Committee to which the loan is submitted for approval. If financial developments occur on a loan in the credit officer's portfolio of responsibility, the risk rating is reviewed and adjusted, as applicable. In carrying out its oversight responsibilities, the Loan Committee can adjust a risk rating based on available information. In addition, the risk ratings on all commercial loans over $250,000 are reviewed by the Credit Department either annually, biannually, or every 4 years, depending upon the amount of the bank's exposure and other credit metrics.

Additionally, Patriot retains an independent third-party loan review expert to perform a semi-annual analysis of the results of its risk rating process. The semi-annual review is based on a randomly selected sample of loans within established parameters (e.g., value, concentration), in order to assess and validate the risk ratings assigned to individual loans. Any changes to the assigned risk ratings, based on the semi-annual review, are required to be reported to the Audit Committee of the Board of Directors.

When assigning a risk rating to a loan, management utilizes the Bank's internal eleven-point risk rating system. An asset is considered "special mention" when it has a potential weakness based on objective evidence, but does not currently expose the Company to sufficient risk to warrant classification in one of the following categories:

- Substandard: An asset is classified "substandard" if it is not adequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Substandard assets have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility that the Company will sustain some loss, if noted deficiencies are not corrected.
- Doubtful: Assets classified as "doubtful" have all of the weaknesses inherent in those classified as "substandard", with the added characteristic that the identified weaknesses make collection or liquidation-in-full improbable, on the basis of currently existing facts, conditions, and values.

Charge-offs of loans to reduce the loan to its recoverable value that are solely collateral dependent generally occur upon confirmation of the partial loss amount, but may be deferred in certain cases until the credit moves from doubtful to a partial or full loss classification. Loans that are cash flow dependent are modeled to reflect the expected cash flows through expected loan maturity, including any proceeds from refinancing or principal curtailment. A specific reserve is established for the amount by which the net investment in the loan exceeds the present value of discounted cash flows. If either type of loan is classified as "full loss", meaning full loss on the loan is expected, the full balance of the loan receivable is charged off, regardless of the potential recovery from a sale of the underlying collateral. Any amount that may be recovered on the sale of collateral underlying a loan is recognized as a "recovery" in the period in which the collateral is sold. In accordance with Federal Financial Institutions Examination Council published policies establishing uniform criteria for the classification of retail credit based on delinquency status, "Open-end" and "Closed-end" credits are charged off when 180 days and 90 days delinquent, respectively.

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The following tables summarize loan amortized cost by vintage, credit quality indicator and class of loans based on year of origination:

		Term of Loans by Origination							
As of June 30, 2023:		2023	2022	2021	2020	2019	Prior	Revolving	Total Loans Receivable Gross
As of September 30, 2023:									
Loan portfolio segment:	Loan portfolio segment:								
Commercial Real Estate:	Commercial Real Estate:								
Pass	Pass	$ 94,387	$157,102	$129,284	$ 3,728	$30,112	$ 69,815	$ —	$ 484,428
Special mention		—	—	—	—	550	—	—	550
Substandard	Substandard	—	—	—	—	21,296	5,381	—	26,677
		94,387	157,102	129,284	3,728	51,958	75,196	—	511,655
Residential Real Estate:	Residential Real Estate:								
Pass	Pass	18	1,267	3,297	12,081	15,897	80,192	528	113,280
Special mention		—	—	—	—	—	609	—	609
Substandard	Substandard	—	—	—	—	—	2,565	—	2,565
		18	1,267	3,297	12,081	15,897	83,366	528	116,454
Commercial and Industrial:	Commercial and Industrial:								
Pass	Pass	1,470	15,000	24,677	8,312	8,908	7,810	97,560	163,737
Special mention	Special mention	11	—	—	—	513	11	—	535
Substandard	Substandard	—	732	938	—	4,295	1,268	69	7,302
		1,481	15,732	25,615	8,312	13,716	9,089	97,629	171,574
Consumer and Other:	Consumer and Other:								
Pass	Pass	7,864	53,517	7,026	—	5,992	15,816	32,779	122,994
Substandard	Substandard	—	—	—	—	—	69	—	69
		7,864	53,517	7,026	—	5,992	15,885	32,779	123,063
Construction:	Construction:								
Pass	Pass	—	—	5,033	—	—	—	—	5,033
Substandard	Substandard	—	—	—	—	492	—	—	492
		—	—	5,033	—	492	—	—	5,525
Construction to Permanent - CRE:	Construction to Permanent - CRE:								
Pass		—	—	2,463	—	—	—	—	2,463
Special mention									
		—	—	2,463	—	—	—	—	2,463
Total	Total	$103,750	$227,618	$172,718	$24,121	$88,055	$183,536	$ 130,936	$ 930,734
Loans receivable, gross:	Loans receivable, gross:								
Pass	Pass	$103,739	$226,886	$171,780	$24,121	$60,909	$173,633	$ 130,867	$ 891,935

	Term of Loans by Origination						
As of September 30, 2023:	2023	2022	2021	2020	2019	Prior	Revolving
Loan portfolio segment:							
Commercial Real Estate:							
Pass	$104,575	$154,128	$112,405	$ 3,705	$30,436	$ 67,304	$ —
Substandard	—	—	—	—	21,235	5,344	—
	104,575	154,128	112,405	3,705	51,671	72,648	—
Residential Real Estate:							
Pass	26	1,259	3,111	11,990	15,830	78,180	581
Substandard	—	—	—	—	—	1,623	—
	26	1,259	3,111	11,990	15,830	79,803	581
Commercial and Industrial:							
Pass	2,601	14,653	22,623	8,137	7,812	7,818	89,244
Special mention	7	—	808	—	142	11	—
Substandard	17	535	801	—	3,906	1,381	—
	2,625	15,188	24,232	8,137	11,860	9,210	89,244
Consumer and Other:							
Pass	7,998	44,086	5,747	—	5,759	15,224	31,520
Substandard	182	772	101	—	—	22	—
	8,180	44,858	5,848	—	5,759	15,246	31,520
Construction:							
Pass	—	—	3,311	—	—	—	—
Substandard	—	—	—	—	479	—	—
	—	—	3,311	—	479	—	—
Construction to Permanent - CRE:							
Special mention	—	—	2,463	—	—	—	—
	—	—	2,463	—	—	—	—
Total	$115,406	$215,433	$151,370	$23,832	$85,599	$176,907	$ 121,345
Loans receivable, gross:							
Pass	$115,200	$214,126	$147,197	$23,832	$59,837	$168,526	$ 121,345

Special mention	11	—	—	—	1,063	620	—	1,694
Substandard	—	732	938	—	26,083	9,283	69	37,105
Loans receivable, gross	$103,750	$227,618	$172,718	$24,121	$88,055	$183,536	$ 130,936	$ 930,734

Special mention	7	—	3,271	—	142	11	—
Substandard	199	1,307	902	—	25,620	8,370	—
Loans receivable, gross	$115,406	$215,433	$151,370	$23,832	$85,599	$176,907	$ 121,345

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
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Loan Portfolio Aging Analysis

The following tables summarize performing and non-performing (i.e., non-accruing) loans receivable by portfolio segment, by aging category, by delinquency status as of June 30, 2023 September 30, 2023.

(In thousands)	Performing (Accruing) Loans							
As of June 30, 2023:	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**90 Days or Greater Past Due**	**Total Past Due**	**Current**	**Total Performing Loans**	**Non-accruing Loans**	**Loans Receivable Gross**
Loan portfolio segment:								
Commercial Real Estate:								
Pass	$3,284	$ —	$ —	$ 3,284	$481,144	$ 484,428	$ —	$ 484,428
Special mention	—	—	—	—	550	550	—	550
Substandard	322	—	—	322	14,987	15,309	11,368	26,677
	3,606	—	—	3,606	496,681	500,287	11,368	511,655
Residential Real Estate:								
Pass	1,054	74	330	1,458	111,822	113,280	—	113,280
Special mention	—	—	—	—	609	609	—	609
Substandard	—	—	—	—	—	—	2,565	2,565
	1,054	74	330	1,458	112,431	113,889	2,565	116,454
Commercial and Industrial:								
Pass	1,678	—	230	1,908	161,829	163,737	—	163,737
Special mention	—	—	—	—	535	535	—	535
Substandard	—	541	—	541	106	647	6,655	7,302
	1,678	541	230	2,449	162,470	164,919	6,655	171,574
Consumer and Other:								
Pass	1,397	1,543	868	3,808	119,186	122,994	—	122,994
Substandard	—	—	—	—	23	23	46	69
	1,397	1,543	868	3,808	119,209	123,017	46	123,063
Construction:								
Pass	—	—	—	—	5,033	5,033	—	5,033

(In thousands)	Performing (Accruing) Loans							
As of September 30, 2023:	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**90 Days or Greater Past Due**	**Total Past Due**	**Current**	**Total Performing Loans**	**Non-accruing Loans**	**Loa Recei Gro**
Loan portfolio segment:								
Commercial Real Estate:								
Pass	$2,275	$ —	$ —	$2,275	$470,278	$ 472,553	$ —	$ 47
Substandard	320	—	—	320	4,643	4,963	21,616	26
	2,595	—	—	2,595	474,921	477,516	21,616	49
Residential Real Estate:								
Pass	1,329	—	—	1,329	109,648	110,977	—	11
Substandard	—	—	—	—	—	—	1,623	1
	1,329	—	—	1,329	109,648	110,977	1,623	11
Commercial and Industrial:								
Pass	455	—	—	455	152,433	152,888	—	15
Special mention	—	—	—	—	968	968	—	
Substandard	533	—	—	533	50	583	6,057	6
	988	—	—	988	153,451	154,439	6,057	16
Consumer and Other:								
Pass	1,475	876	40	2,391	107,943	110,334	—	11
Substandard	—	—	—	—	22	22	1,055	1
	1,475	876	40	2,391	107,965	110,356	1,055	11
Construction:								
Pass	—	—	—	—	3,311	3,311	—	3

Substandard	Substandard	—	—	—	—	492	492	—	492
		—	—	—	—	5,525	5,525	—	5,525
Construction to Permanent - CRE:	Construction to Permanent - CRE:								
Pass		—	—	—	—	2,463	2,463	—	2,463
Special mention									
		—	—	—	—	2,463	2,463	—	2,463
Total	**Total**	$7,735	$2,158	$ 1,428	$11,321	$898,779	$ 910,100	$ 20,634	$ 930,734
Loans receivable, gross:	**Loans receivable, gross:**								
Pass	Pass	$7,413	$1,617	$ 1,428	$10,458	$881,477	$ 891,935	$ —	$ 891,935
Special mention	Special mention	—	—	—	—	1,694	1,694	—	1,694
Substandard	Substandard	322	541	—	863	15,608	16,471	20,634	37,105
Loans receivable, gross	**Loans receivable, gross**	$7,735	$2,158	$ 1,428	$11,321	$898,779	$ 910,100	$ 20,634	$ 930,734

Substandard	—	—	—	—	—	—	479	
	—	—	—	—	3,311	3,311	479	3
Construction to Permanent - CRE:								
Special mention	—	—	—	—	2,463	2,463	—	2
	—	—	—	—	2,463	2,463	—	2
Total	$6,387	$876	$ 40	$7,303	$851,759	$ 859,062	$ 30,830	$ 88
Loans receivable, gross:								
Pass	$5,534	$876	$ 40	$6,450	$843,613	$ 850,063	$ —	$ 85
Special mention	—	—	—	—	3,431	3,431	—	3
Substandard	853	—	—	853	4,715	5,568	30,830	36
Loans receivable, gross	$6,387	$876	$ 40	$7,303	$851,759	$ 859,062	$ 30,830	$ 88

The following tables summarize performing and non-performing loans (i.e., non-accruing) receivable by portfolio segment, by aging category, by delinquency status as of December 31, 2022.

(In thousands)	Performing (Accruing) Loans							
As of December 31, 2022:	**30 - 59 Days Past Due**	**60 - 89 Days Past Due**	**90 Days or Greater Past Due**	**Total Past Due**	**Current**	**Total Performing Loans**	**Non-accruing Loans**	**Loans Receivable Gross**
Loan portfolio segment:								
Commercial Real Estate:								
Pass	$ —	$ —	$ —	$ —	$ 401,313	$ 401,313	$ —	$ 401,313
Special mention	—	—	—	—	24,559	24,559	—	24,559
Substandard	330	—	—	330	—	330	11,241	11,571
	330	—	—	330	425,872	426,202	11,241	437,443
Residential Real Estate:								
Pass	330	—	—	330	120,715	121,045	—	121,045
Special mention	—	—	—	—	625	625	—	625
Substandard	—	—	—	—	—	—	2,470	2,470
	330	—	—	330	121,340	121,670	2,470	124,140
Commercial and Industrial:								
Pass	2	—	230	232	131,092	131,324	—	131,324
Special mention	—	—	—	—	597	597	—	597
Substandard	1,488	412	—	1,900	133	2,033	4,833	6,866
	1,490	412	230	2,132	131,822	133,954	4,833	138,787
Consumer and Other:								
Pass	929	3,175	925	5,029	135,990	141,019	—	141,019
Substandard	—	—	—	—	23	23	49	72
	929	3,175	925	5,029	136,013	141,042	49	141,091

Construction:								
Pass	895	—	—	895	3,503	4,398	—	4,398
Special mention	—	—	—	—	524	524	—	524
	895	—	—	895	4,027	4,922	—	4,922
Construction to Permanent - CRE:								
Pass	—	—	—	—	1,933	1,933	—	1,933
	—	—	—	—	1,933	1,933	—	1,933
Total	$ 3,974	$ 3,587	$ 1,155	$ 8,716	$ 821,007	$ 829,723	$ 18,593	$ 848,316
Loans receivable, gross:								
Pass	$ 2,156	$ 3,175	$ 1,155	$ 6,486	$ 794,546	$ 801,032	$ —	$ 801,032
Special mention	—	—	—	—	26,305	26,305	—	26,305
Substandard	1,818	412	—	2,230	156	2,386	18,593	20,979
Loans receivable, gross	$ 3,974	$ 3,587	$ 1,155	$ 8,716	$ 821,007	$ 829,723	$ 18,593	$ 848,316

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The following tables summarize non-performing (i.e., non-accruing) loans by aging category and status, within the applicable loan portfolio segment as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	Non-accruing Loans					
	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Non-accruing Loans
As of June 30, 2023:						
Loan portfolio segment:						
Commercial Real Estate:						
Substandard	$ —	$ —	$ 11,368	$ 11,368	$ —	$ 11,368
Residential Real Estate:						
Substandard	89	71	1,795	1,955	610	2,565
Commercial and Industrial:						
Substandard	940	—	5,570	6,510	145	6,655
Consumer and Other:						
Substandard	—	—	26	26	20	46
Total non-accruing loans	$ 1,029	$ 71	$ 18,759	$ 19,859	$ 775	$ 20,634

(In thousands)	Non-accruing Loans					
	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Current	Total Non-accruing Loans
As of September 30, 2023:						
Loan portfolio segment:						
Commercial Real Estate:						
Substandard	$ —	$ —	$ 11,362	$ 11,362	$ 10,254	$ 21,616
Residential Real Estate:						
Substandard	—	—	1,623	1,623	—	1,623
Commercial and Industrial:						
Substandard	—	994	4,035	5,029	1,028	6,057
Consumer and Other:						
Substandard	—	19	1,036	1,055	—	1,055
Construction:						
Substandard	—	—	—	—	479	479
Total non-accruing loans	$ —	$ 1,013	$ 18,056	$ 19,069	$ 11,761	$ 30,830

As of December 31, 2022:	**As of December 31, 2022:**							**As of December 31, 2022:**						
Loan portfolio segment:	**Loan portfolio segment:**							**Loan portfolio segment:**						
Commercial Real Estate:	Commercial Real Estate:							Commercial Real Estate:						
Substandard	Substandard	$ —	$ —	$ 11,241	$ 11,241	$ —	$ 11,241	Substandard	$ —	$ —	$ 11,241	$ 11,241	$ —	$ 11,241
Residential Real Estate:	Residential Real Estate:							Residential Real Estate:						
Substandard	Substandard	657	—	1,796	2,453	17	2,470	Substandard	657	—	1,796	2,453	17	2,470
Commercial and Industrial:	Commercial and Industrial:							Commercial and Industrial:						
Substandard	Substandard	46	395	3,196	3,637	1,196	4,833	Substandard	46	395	3,196	3,637	1,196	4,833
Consumer and Other:	Consumer and Other:							Consumer and Other:						
Substandard	Substandard	—	—	27	27	22	49	Substandard	—	—	27	27	22	49
Total non-accruing loans	**Total non-accruing loans**	$ 703	$ 395	$ 16,260	$ 17,358	$ 1,235	$ 18,593	**Total non-accruing loans**	$ 703	$ 395	$ 16,260	$ 17,358	$ 1,235	$ 18,593

The accrual of interest on loans is discontinued at the time the loan is 90 days past due for payment unless the loan is well-secured and in process of collection. Consumer installment loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged-off, at an earlier date, if collection of principal or interest is considered doubtful.

All interest accrued, but not collected for loans that are placed on non-accrual status or charged off, is reversed against interest income. The interest on these loans is generally accounted for on the cash-basis method until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, future payments are reasonably assured, after at least six months of timely payment history. The Bank considers loans under $100,000 and consumer installment loans to be pools of smaller homogeneous loan balances, and therefore are collectively evaluated for impairment, and not individually measured for impairment.

If non-accrual loans had been performing in accordance with the original contractual terms, additional interest income (net of cash collected) of approximately $133,000 $328,000 and $268,000 $605,000 would have been recognized during the three and six nine months ended June 30, 2023 September 30, 2023, respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, additional interest income (net of cash collected) of approximately $115,000 $159,000 and $221,000 $262,000 would have been recognized, respectively.

Interest income collected and recognized on non-accruing loans for the three and six nine months ended June 30, 2023 September 30, 2023 was $193,000 $152,000 and $336,000, $396,000, respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, interest income collected and recognized on non-accruing loans was $114,000 $33,000 and $204,000, $237,000, respectively.

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Individually Evaluated Loans

The following table reflects information about the individually evaluated loans by class as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	*(In thousands)*	**June 30, 2023**			**December 31, 2022**			*(In thousands)*	**September 30, 2023**			**December 31, 2022**		
		Recorded Investment	**Principal Outstanding**	**Related Allowance**	**Recorded Investment**	**Principal Outstanding**	**Related Allowance**		**Recorded Investment**	**Principal Outstanding**	**Related Allowance**	**Recorded Investment**	**Principal Outstanding**	**A**

With no related allowance recorded:	**With no related allowance recorded:**							**With no related allowance recorded:**						
Commercial Real Estate	Commercial Real Estate	$ 387	$ 430	$ —	$ 2,435	$ 2,428	$ —	Commercial Real Estate	$ 382	$ 425	$ —	$ 2,435	$ 2,428	$
Residential Real Estate	Residential Real Estate	732	872	—	2,402	2,224	—	Residential Real Estate	—	—	—	2,402	2,224	
Commercial and Industrial	Commercial and Industrial	1,859	2,223	—	1,939	2,424	—	Commercial and Industrial	3,501	4,323	—	1,939	2,424	
Consumer and Other	Consumer and Other	—	—	—	514	514	—	Consumer and Other	—	—	—	514	514	
Construction								Construction	479	475	—	—	—	
		2,978	3,525	—	7,290	7,590	—		4,362	5,223	—	7,290	7,590	
With a related allowance recorded:	**With a related allowance recorded:**							**With a related allowance recorded:**						
Commercial Real Estate	Commercial Real Estate	10,981	10,955	6,387	8,806	8,656	5,430	Commercial Real Estate	21,234	21,165	10,409	8,806	8,656	
Residential Real Estate	Residential Real Estate	1,623	1,448	196	106	105	5	Residential Real Estate	1,623	1,448	293	106	105	
Commercial and Industrial	Commercial and Industrial	4,723	4,742	719	2,714	2,863	608	Commercial and Industrial	2,539	3,979	534	2,714	2,863	
		17,327	17,145	7,302	11,626	11,624	6,043		25,396	26,592	11,236	11,626	11,624	
Individually evaluated loans, Total:	**Individually evaluated loans, Total:**							**Individually evaluated loans, Total:**						
Commercial Real Estate	Commercial Real Estate	11,368	11,385	6,387	11,241	11,084	5,430	Commercial Real Estate	21,616	21,590	10,409	11,241	11,084	
Residential Real Estate	Residential Real Estate	2,355	2,320	196	2,508	2,329	5	Residential Real Estate	1,623	1,448	293	2,508	2,329	
Commercial and Industrial	Commercial and Industrial	6,582	6,965	719	4,653	5,287	608	Commercial and Industrial	6,040	8,302	534	4,653	5,287	
Consumer and Other	Consumer and Other	—	—	—	514	514	—	Consumer and Other	—	—	—	514	514	
Construction								Construction	479	475	—	—	—	
Total	**Total**	$ 20,305	$ 20,670	$ 7,302	$ 18,916	$ 19,214	$ 6,043	**Total**	$ 29,758	$ 31,815	$ 11,236	$ 18,916	$ 19,214	$

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The following table summarizes additional information regarding individually evaluated loans by class for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

		Three Month Ended June 30,		Six Months Ended June 30,			Three Month Ended September 30,	
(In thousands)	*(In thousands)*	**2023**	**2022**	**2023**	**2022**	*(In thousands)*	**2023**	**2022**

		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized		Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Ave Reco Inves
With no related allowance recorded:	**With no related allowance recorded:**									**With no related allowance recorded:**					
Commercial Real Estate	Commercial Real Estate	$ 387	$ —	$ 6,611	$ 32	$ 680	$ —	$ 6,697	$ 64	Commercial Real Estate	$ 384	$ —	$ 6,704	$ 13	$
Residential Real Estate	Residential Real Estate	748	24	2,818	10	992	27	2,829	18	Residential Real Estate	183	—	1,580	8	
Commercial and Industrial	Commercial and Industrial	2,046	68	607	2	2,181	150	614	5	Commercial and Industrial	3,246	97	2,354	—	
Consumer and Other	Consumer and Other	128	—	520	4	293	—	521	9	Consumer and Other	—	—	342	6	
Construction	Construction	579	—	—	—	993	—	—	—	Construction	362	—	—	—	
		3,888	92	10,556	48	5,139	177	10,661	96		4,175	97	10,980	27	
With a related allowance recorded:	**With a related allowance recorded:**									**With a related allowance recorded:**					
Commercial Real Estate	Commercial Real Estate	10,405	—	8,843	40	10,651	154	8,858	65	Commercial Real Estate	10,405	—	7,096	7	1
Residential Real Estate	Residential Real Estate	1,352	—	368	1	1,468	—	408	3	Residential Real Estate	1,352	—	1,525	6	
Commercial and Industrial	Commercial and Industrial	4,052	98	3,961	29	4,341	139	3,762	50	Commercial and Industrial	4,052	55	2,358	—	
Consumer and Other	Consumer and Other	18	—	126	—	10	—	143	—	Consumer and Other	18	—	—	—	
		15,827	98	13,298	70	16,470	293	13,171	118		15,827	55	10,979	13	1
Individually evaluated loans, Total:	**Individually evaluated loans, Total:**									**Individually evaluated loans, Total:**					
Commercial Real Estate	Commercial Real Estate	10,792	—	15,454	72	11,331	154	15,555	129	Commercial Real Estate	10,789	—	13,800	20	1
Residential Real Estate	Residential Real Estate	2,100	24	3,186	11	2,460	27	3,237	21	Residential Real Estate	1,535	—	3,105	14	
Commercial and Industrial	Commercial and Industrial	6,098	166	4,568	31	6,522	289	4,376	55	Commercial and Industrial	7,298	152	4,712	—	
Consumer and Other	Consumer and Other	146	—	646	4	303	—	664	9	Consumer and Other	18	—	342	6	
Construction	Construction	579	—	—	—	993	—	—	—	Construction	362	—	—	—	
Total	**Total**	$ 19,715	$ 190	$ 23,854	$ 118	$ 21,609	$ 470	$ 23,832	$ 214	**Total**	$ 20,002	$ 152	$ 21,959	$ 40	$ 2

For collateral dependent loans, appraisal reports of the underlying collateral have been obtained from independent licensed appraisal firms. For non-performing loans, the independently determined appraised values were first reduced by a 5.8% discount to reflect the Bank's experience selling Other Real Estate Owned ("OREO") properties, and were further reduced by 8% in selling costs, in order to estimate the potential loss, if any, that may eventually be realized. Performing loans are monitored to determine when, if at all, additional loan loss reserves may be required for a loss of underlying collateral value. For cash flow dependent loans, the Bank determined the reserve based on the present value of expected future cash flows discounted at the loan's effective interest rate.

Loans not requiring specific reserves had fair values exceeding the total recorded investment, supporting the net investment in the loan which includes principal balance, unamortized fees and costs and accrued interest, if any. Once a borrower is in default, Patriot is under no obligation to advance additional funds on unused commitments.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

On a case-by-case basis, Patriot may agree to modify the contractual terms of a borrower's loan to assist customers who may be experiencing financial difficulty. Substantially all loan modifications involve lowering the monthly payments on such loans through either a reduction in interest rate below market rate, an extension of the term of the loan, or a combination of adjusting these two contractual attributes. Loan modifications may also result in the forgiveness of principal or accrued interest. In addition, when modifying commercial loans, Patriot frequently obtains additional collateral or guarantor support. If the borrower has performed under the existing contractual terms of the loan and Patriot's underwriters determine that the borrower has the capacity to continue to perform under the terms of the loan, the loan continues accruing interest. Non-accruing modified loans may be returned to accrual status when there has been a sustained period of performance (generally six consecutive months of payments) and both principal and interest are reasonably assured of collection.

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During the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company had no modified loans made to borrowers experiencing financial difficulty. There were no modified loans that had a payment default during the three and six nine months ended June 30, 2023 September 30, 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty. As of June 30, 2023 September 30, 2023 and December 31, 2022, there were no commitments to advance additional funds under the modified loans.

Note 5. Loans Held for Sale

SBA Loans held for sale

SBA Loans held for sale represent the guaranteed portion of SBA loans originated and are reflected at the lower of aggregate cost or market value. As of June 30, 2023 September 30, 2023, SBA loans held for sale was $5.9 million $8.7 million, consisting of $2.3 million $3.2 million SBA commercial and industrial loans and $3.6 million $5.5 million SBA commercial real estate loans, respectively. There were $5.2 million of SBA loans held for sale at December 31, 2022, consisting of $3.1 million SBA commercial and industrial loans and $2.1 million SBA commercial real estate loans. During the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, no SBA loans previously classified as held for sale were transferred to held for investment.

The Company generally sells the guaranteed portion of its SBA loans to a third party and retains the servicing, holding the unguaranteed portion in its portfolio. When sales of SBA loans do occur, the premium received on the sale and the present value of future cash flows of the servicing assets, less the discount of the retained portion of the loan are recognized in income.

Servicing assets represent the estimated fair value of retained servicing rights, net of servicing costs, at the time loans are sold. Servicing assets are amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment will be evaluated based on stratifying the underlying financial assets by date of origination and term. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment, if temporary, would be reported as a valuation allowance.

Serviced loans sold to others are not included in the accompanying Consolidated Balance Sheets. The total amount of such loans serviced, but owned by third party, amounted to approximately $47.5 million $47.9 million and $47.3 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. As of June 30, 2023 September 30, 2023 and December 31, 2022, the servicing asset has a carrying value of $882,000 $879,000 and $886,000, respectively, and fair value of $977,000 $974,000 and $1.0 million, respectively. Income and fees collected for loan servicing are credited to noninterest income when earned, net of amortization on the related servicing assets. The servicing asset is included in other assets on the Consolidated Balance Sheets.

The following table presents an analysis of the activity in the SBA servicing assets for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

(In thousands)	*(In thousands)*	**Three Month Ended June 30,**		**Six Months Ended June 30,**		*(In thousands)*	**Three Month Ended September 30,**		**Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**		**2023**	**2022**	**2023**	**2022**
Beginning balance	Beginning balance	$ 893	$ 626	$ 886	$ 584	Beginning balance	$ 882	$ 685	$ 886	$ 584
Servicing rights capitalized	Servicing rights capitalized	24	79	58	131	Servicing rights capitalized	27	56	85	187
Servicing rights amortized	Servicing rights amortized	(11)	(12)	(22)	(20)	Servicing rights amortized	(23)	(35)	(45)	(55)
Servicing rights disposed	Servicing rights disposed	(24)	(8)	(40)	(10)	Servicing rights disposed	(7)	—	(47)	(10)
Ending balance	Ending balance	$ 882	$ 685	$ 882	$ 685	Ending balance	$ 879	$ 706	$ 879	$ 706

Loans held for sale - Consumer Loans

Patriot Bank's Digital Payments Group has entered into a Program Management Agreement with a Buyer. Under the agreement, Patriot originates various types of consumer loans that are marketed by the buyer. As of September 30, 2023, the Bank had credit card loans held for sale totaling $13.2 million. The credit card loans expected to be held for no longer than three days before being sold to the buyer. The credit card receivable are fully cash-secured by deposits at Patriot. The credit card loans are sold to the third party as a whole loan sale transaction, priced at par, thus there is no servicing asset or gain or loss on sale.

Note 6. Business Combination, Goodwill and Other Intangible Assets

The Company completed its acquisition of Prime Bank in May 2018, and recorded goodwill balance was $1.1 million as of June 30, 2023 September 30, 2023 and December 31, 2022.

Goodwill is evaluated for impairment annually, in the fourth quarter of the year, or whenever we identify certain triggering events or circumstances that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Events or circumstances that might indicate an interim evaluation is warranted include, among other things, unexpected adverse business conditions, macro and reporting unit specific economic factors, supply costs, unanticipated competitive activities, and acts by governments and courts.

The Company did not perform an interim goodwill test in the first six nine months of 2023 as no events occurred which would trigger an impairment assessment.

Note 7. Deposits

The following table presents the balance of deposits held, by category as of June 30, 2023 September 30, 2023 and December 31, 2022.

(In thousands)	*(In thousands)*	June 30, 2023	December 31, 2022	*(In thousands)*	September 30, 2023	December 31, 2022
Non-interest bearing	Non-interest bearing	$ 127,817	$ 269,636	Non-interest bearing	$ 136,101	$ 269,636
Interest bearing:	Interest bearing:			Interest bearing:		
Negotiable order of withdrawal accounts	Negotiable order of withdrawal accounts	37,970	34,440	Negotiable order of withdrawal accounts	38,952	34,440
Savings deposits	Savings deposits	50,981	71,002	Savings deposits	49,004	71,002
Money market deposits	Money market deposits	298,717	211,000	Money market deposits	325,085	211,000
Certificates of deposit, less than $250,000	Certificates of deposit, less than $250,000	182,680	165,793	Certificates of deposit, less than $250,000	172,294	165,793
Certificates of deposit, $250,000 or greater	Certificates of deposit, $250,000 or greater	56,088	59,877	Certificates of deposit, $250,000 or greater	63,122	59,877
Brokered deposits	Brokered deposits	109,126	48,698	Brokered deposits	52,465	48,698
Interest bearing, Total	Interest bearing, Total	735,562	590,810	Interest bearing, Total	700,922	590,810
Total Deposits	**Total Deposits**	$ 863,379	$ 860,446	**Total Deposits**	$ 837,023	$ 860,446

The prepaid debit card deposits are included in the non-interest-bearing deposits and money market deposits, which totaled approximately $158.1 million $180.0 million and $197.3 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023 September 30, 2023, contractual maturities of Certificates of Deposit ("CDs"), and brokered deposits is summarized as follows:

(In thousands)	*(In thousands)*	CDs less than $250,000	CDs $250,000 or greater	Brokered Deposits	Total	*(In thousands)*	CDs less than $250,000	CDs $250,000 or greater	Brokered Deposits	Total
1 year or less	1 year or less	$ 136,053	$ 45,467	$ 104,517	$ 286,037	1 year or less	$ 146,069	$ 51,466	$ 45,543	$ 243,078

More than 1 year through 2 years	More than 1 year through 2 years	29,447	9,362	4,358	43,167	More than 1 year through 2 years	22,734	10,654	500	33,888
More than 2 years through 3 years	More than 2 years through 3 years	4,887	1,259	251	6,397	More than 2 years through 3 years	3,070	1,002	6,422	10,494
More than 3 years through 4 years	More than 3 years through 4 years	496	—	—	496	More than 3 years through 4 years	346	—	—	346
More than 4 years through 5 years	More than 4 years through 5 years	11,797	—	—	11,797	More than 4 years through 5 years	75	—	—	75
		$ 182,680	$ 56,088	$ 109,126	$ 347,894		$ 172,294	$ 63,122	$ 52,465	$ 287,881

Note 8. Derivatives

Derivatives Not Designated in Hedge Relationships

Patriot is a party to four interest rate swaps derivatives that are not designated as hedging instruments. Under a program, Patriot will execute interest rate swaps with commercial lending customers to facilitate their respective risk management strategies. These interest rate swaps with customers are simultaneously offset by interest rate swaps that Patriot executes with a third party, such that Patriot minimizes its net risk exposure resulting from such transactions. Because the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer swaps and the offsetting swaps are recognized directly in earnings. The changes in the fair value of the swaps offset each other, except for the credit risk of the counterparties, which is determined by taking into consideration the risk rating, probability of default and loss given default for all counterparties.

Patriot entered into two initial interest rate swaps under the program in November 2018, and another two swaps were entered into in May 2019. As of June September 30, 2023 and December 31, 2022, Patriot did not have any cash pledged for collateral on its interest rate swaps.

The Company did not recognize any net gain or loss in other noninterest income on the Consolidated Statements of Operations during the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

Derivatives Designated in Hedge Relationships

Interest rate swaps allow the Company to change the fixed or variable nature of an interest rate without the exchange of the underlying notional amount. InApril 2021, Patriot entered into an interest rate swap, which was designated as a cash flow hedge that effectively converted variable-rate receivable into fixed-rate receivable. The Company's objectives in using the cash flow hedge are to add stability to interest receivable and to manage its exposure to contractually specified interest rate movements. Under the term of the swap contract, the Company hedged the cash flows associated with a pool of 1-month LIBOR floating rate loans by converting a $50 million portion of that pool of loans into fixed rates with the swap. The Bank received fixed and paid floating rate based on 1 month LIBOR for a 7-year rolling period beginning April 29, 2021. A hedging instrument is expected at inception to be highly effective at offsetting changes in the hedged transactions attributable to the changes in the hedged risk. Changes in the fair value of derivatives designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive income and are subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. In August 2021,the cash flow hedge interest rate swap contract was terminated.

The Company assesses the effectiveness of each hedging relationship by comparing the changes in cash flows of the derivative hedging instrument with the changes in cash flows of the designated hedged item or transaction. The Company does not offset derivative assets and derivative liabilities for financial statement presentation purposes.

Information about the valuation methods used to measure the fair value of derivatives is provided in Note 13 to the Consolidated Financial Statements.

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The following table presents summary information regarding these derivatives for the periods presented (dollars in thousands):

(In thousands)	*(In thousands)*	Notional Amount	Maturity (Years)	Fixed Rate	Variable Rate	Fair Value	*(In thousands)*	Notional Amount	Maturity (Years)	Fixed Rate	Variable Rate	Fair Value
June 30, 2023												
September 30, 2023							**September 30, 2023**					
Classified in Other Assets:	Classified in Other Assets:						Classified in Other Assets:					
3rd party interest rate swap	3rd party interest rate swap	$ 4,680	5.84	5.25 %	1 Mo. LIBOR + 1.96%	$ 146	3rd party interest rate swap	$ 4,652	5.59	5.25 %	1 Mo. SOFR + 1.96%	$ 247
3rd party interest rate swap	3rd party interest rate swap	1,346	6.00	4.38 %	1 Mo. LIBOR + 2.00%	98	3rd party interest rate swap	1,337	5.76	4.38 %	1 Mo. SOFR + 2.00%	125
Classified in Other Liabilities:	Classified in Other Liabilities:						Classified in Other Liabilities:					
Customer interest rate swap	Customer interest rate swap	$ 4,680	5.84	5.25 %	1 Mo. LIBOR + 1.96%	$ (146)	Customer interest rate swap	$ 4,652	5.59	5.25 %	1 Mo. SOFR + 1.96%	$ (247)
Customer interest rate swap	Customer interest rate swap	1,346	6.00	4.38 %	1 Mo. LIBOR + 2.00%	(98)	Customer interest rate swap	1,337	5.76	4.38 %	1 Mo. SOFR + 2.00%	(125)
December 31, 2022	**December 31, 2022**						**December 31, 2022**					
Classified in Other Assets:	Classified in Other Assets:						Classified in Other Assets:					
3rd party interest rate swap	3rd party interest rate swap	$ 4,736	6.30	5.25 %	1 Mo. LIBOR + 1.96%	$ 106	3rd party interest rate swap	$ 4,736	6.30	5.25 %	1 Mo. LIBOR + 1.96%	$ 106
3rd party interest rate swap	3rd party interest rate swap	1,363	6.50	4.38 %	1 Mo. LIBOR + 2.00%	97	3rd party interest rate swap	1,363	6.50	4.38 %	1 Mo. LIBOR + 2.00%	97
Classified in Other Liabilities:	Classified in Other Liabilities:						Classified in Other Liabilities:					
Customer interest rate swap	Customer interest rate swap	$ 4,736	6.30	5.25 %	1 Mo. LIBOR + 1.96%	$ (106)	Customer interest rate swap	$ 4,736	6.30	5.25 %	1 Mo. LIBOR + 1.96%	$ (106)
Customer interest rate swap	Customer interest rate swap	1,363	6.50	4.38 %	1 Mo. LIBOR + 2.00%	(97)	Customer interest rate swap	1,363	6.50	4.38 %	1 Mo. LIBOR + 2.00%	(97)

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Note 9. Share-Based Compensation and Employee Benefit Plan

In 2011, the Company adopted the Patriot National Bancorp, Inc. 2012 Stock Plan (the "2012 Plan"). The 2012 Plan was amended in 2020 and renamed as the Patriot National Bancorp, Inc. 2020 Restricted Stock Award Plan (the "2020 Plan"). A copy of the 2020 Plan was filed as Exhibit 10.1 to the Company's Amendment No. 1 to Annual Report on Form 10-K/A for the year ended December 31, 2020 filed on April 30, 2021. The 2020 Plan provides an incentive to directors and employees of the Company by the grant of restricted stock awards (“RSA”).On November 10, 2022, the Board of Directors approved the Amendment and Restatement of the 2020 Plan (the “Amended and Restated 2020 Plan”), which was approved and ratified by shareholders of the Company on December 14, 2022.

The 2020 Plan was amended primarily to (i) reduce the total number of shares authorized for issuance thereunder from 3,000,000 shares to 400,000 shares; and (ii) limit the maximum number of shares of Company’s Common Stock granted during a single fiscal year to any non-employee director, together with any cash fees paid to such director, to be no more than a total value of $300,000. As of June 30, 2023 September 30, 2023, 234,617 229,856 shares of stock were available for issuance under the Plan. In accordance with the terms of the Plan, the vesting of RSAs may be accelerated at the discretion of the Compensation Committee of the Board of Directors. The Compensation Committee sets the terms and conditions applicable to the vesting of RSAs. RSAs granted to directors and employees generally vest in quarterly or annual installments over a three, four or five year period from the date of grant.

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The following is a summary of the status of the Company’s restricted shares and changes for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

Three months ended June 30, 2023:		**Number of Shares Awarded**	**Weighted Average Grant Date Fair Value**			
Unvested at March 31, 2023		22,660	$7.11			
Three months ended September 30, 2023:				**Three months ended September 30, 2023:**	**Number of Shares Awarded**	**Weighted Average Grant Date Fair Value**
Unvested at June 30, 2023	Unvested at June 30, 2023	22,660	$7.11	Unvested at June 30, 2023	22,660	$7.11
Granted				Granted	4,761	$9.04
Unvested at September 30, 2023				Unvested at September 30, 2023	27,421	$7.45
Six months ended June 30, 2023:						
Nine months ended September 30, 2023:				**Nine months ended September 30, 2023:**		
Unvested at December 31, 2022	Unvested at December 31, 2022	22,660	$7.11	Unvested at December 31, 2022	22,660	$7.11
Granted				Granted	4,761	$9.04
Unvested at June 30, 2023		22,660	$7.11			
Unvested at September 30, 2023				Unvested at September 30, 2023	27,421	$7.45
Three months ended June 30, 2022		**Number of Shares Awarded**	**Weighted Average Grant Date Fair Value**			
Unvested at March 31, 2022		21,468	$6.48			
Granted		2,496	$17.25			
Vested		(777)	$18.55			
Three months ended September 30, 2022				**Three months ended September 30, 2022**	**Number of Shares Awarded**	**Weighted Average Grant Date Fair Value**
Unvested at June 30, 2022	Unvested at June 30, 2022	23,187	$7.24	Unvested at June 30, 2022	23,187	$7.24
Six months ended June 30, 2022:						
Unvested at September 30, 2022				Unvested at September 30, 2022	23,187	$7.24
Nine months ended September 30, 2022:				**Nine months ended September 30, 2022:**		
Unvested at December 31, 2021	Unvested at December 31, 2021	21,468	$6.48	Unvested at December 31, 2021	21,468	$6.48

Granted	Granted	2,496	$17.25	Granted	2,496	$17.25
Vested	Vested	(777)	$18.55	Vested	(777)	$18.55
Unvested at June 30, 2022		23,187	$7.24			
Unvested at September 30, 2022				Unvested at September 30, 2022	23,187	$7.24

The Company recognizes compensation expense for all director and employee share-based compensation awards on a straight-line basis over the requisite service period, which is equal to the vesting schedule of each award, for each vesting portion of an award equal to its grant date fair value.

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Unrecognized compensation expense attributable to the unvested restricted shares outstanding as of June 30, 2023 September 30, 2023 amounted to $190,000, $203,000, which amount is expected to be recognized over the weighted average remaining life of the awards of 2.3 years.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized total share-based compensation expense of $23,000 $31,000 and $46,000, $77,000, respectively. The share-based compensation attributable to employees of Patriot amounted to $14,000 and $28,000, $42,000, respectively. Included in share-based compensation expense attributable to Patriot's external directors, were $9,000 $16,000 and $18,000, $34,000, respectively. The directors received total compensation of $53,000 $73,000 and $108,000 $181,000 respectively, which amounts are included in other operating expenses in the consolidated statements of operations.

For the three and six nine months ended June 30, 2022 September 30, 2022, the Company recognized total share-based compensation expense of $20,000 $22,000 and 41,000, 63,000, respectively. The share-based compensation attributable to employees of Patriot amounted to $8,000 and $16,000, $24,000, respectively. Included in share-based compensation expense were $12,000 $14,000 and $25,000 $39,000 attributable to Patriot's external directors, who received total compensation of $37,000 $82,000 and $100,000 $182,000 for each of those periods, respectively.

Dividends

The Company has not paid any dividends since 2020 and has no present plans to pay dividends.

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Retirement Plan

Patriot offers employees participation in the Patriot Bank, N.A. 401(k) Savings Plan (the "401(k) Plan") under Section 401(k) of the Internal Revenue Code, along with the ROTH feature to the Plan. The 401(k) Plan covers substantially all employees who have completed one month of service, are 21 years of age and who elect to participate. Under the terms of the 401(k) Plan, participants can contribute up to the maximum amount allowed, subject to Federal limitations. At its discretion, Patriot may match eligible participating employee contributions at the rate of 50% of the first 6% of the participants' salary contributed to the 401(k) Plan. During the three and six nine months ended June 30, 2023 September 30, 2023, Patriot made matching contributions to the 401(k) Plan of $82,000 $71,000 and $157,000, $228,000, respectively. During the three and six nine months ended June 30, 2022 September 30, 2022, compensation expense under the 401(k) aggregated $67,000 $64,000 and $141,000, $205,000, respectively.

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Note 10. Earnings per share

The Company is required to present basic earnings per share and diluted earnings per share in its Consolidated Statements of Operations. Basic earnings per share amounts are computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share reflects additional shares of common stock that would have been outstanding if potentially dilutive shares of common stock had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential shares of common stock that may be issued by the Company relate to outstanding unvested RSAs granted to directors and employees. The dilutive effect resulting from these potential shares is determined using the treasury stock method. The Company is also required to provide a reconciliation of the numerator and denominator used in the computation of both basic and diluted earnings per share.

The following table summarizes the computation of basic and diluted earnings per share for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

(Net income in thousands)	*(Net income in thousands)*	**Three Months Ended June 30,**	**Six Months Ended June 30,**	*(Net income in thousands)*	**Three Months Ended September 30,**	**Nine Months Ended September 30,**

		2023	2022	2023	2022		2023	2022	2023	2022
Basis (loss) earnings per share:	**Basis (loss) earnings per share:**					**Basis (loss) earnings per share:**				
Net (loss) income attributable to Common shareholders	Net (loss) income attributable to Common shareholders	$ (546)	$ 1,265	$ (599)	$ 2,065	Net (loss) income attributable to Common shareholders	$ (3,770)	$ 2,326	$ (5,084)	$ 4,391
Divided by:	**Divided by:**					**Divided by:**				
Weighted average shares outstanding	Weighted average shares outstanding	3,965,186	3,957,260	3,965,186	3,956,878	Weighted average shares outstanding	3,965,186	3,957,269	3,965,186	3,957,010
Basic (loss) earnings per share of common stock	**Basic (loss) earnings per share of common stock**	$ (0.14)	$ 0.32	$ (0.15)	$ 0.52	**Basic (loss) earnings per share of common stock**	$ (0.95)	$ 0.59	$ (1.28)	$ 1.11
Diluted (loss) earnings per share:	**Diluted (loss) earnings per share:**					**Diluted (loss) earnings per share:**				
Net (loss) income attributable to Common shareholders	Net (loss) income attributable to Common shareholders	$ (546)	$ 1,265	$ (599)	$ 2,065	Net (loss) income attributable to Common shareholders	$ (3,770)	$ 2,326	$ (5,084)	$ 4,391
Weighted average shares outstanding	Weighted average shares outstanding	3,965,186	3,957,260	3,965,186	3,956,878	Weighted average shares outstanding	3,965,186	3,957,269	3,965,186	3,957,010
Effect of potentially dilutive restricted shares of common stock	Effect of potentially dilutive restricted shares of common stock	— [1]	9,819	— [2]	8,395	Effect of potentially dilutive restricted shares of common stock	— [1]	6,439	— [2]	8,588
Divided by:	**Divided by:**					**Divided by:**				
Weighted average diluted shares outstanding	Weighted average diluted shares outstanding	3,965,186	3,967,079	3,965,186	3,965,273	Weighted average diluted shares outstanding	3,965,186	3,963,708	3,965,186	3,965,598
Diluted (loss) earnings per share of common stock	**Diluted (loss) earnings per share of common stock**	$ (0.14)	$ 0.32	$ (0.15)	$ 0.52	**Diluted (loss) earnings per share of common stock**	$ (0.95)	$ 0.59	$ (1.28)	$ 1.11

(1) The weighted average diluted shares outstanding does not include 1,528 1,651 anti-dilutive restricted shares of common stock for the three months ended June 30, 2023 September 30, 2023.

(2) The weighted average diluted shares outstanding does not include 427 3,009 anti-dilutive restricted shares of common stock for the six nine months ended June 30, 2023 September 30, 2023.

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Note 11. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, Patriot is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheet. The contractual amounts of these instruments reflect the extent of involvement Patriot has in particular classes of financial instruments.

The contractual amount of commitments to extend credit and standby letters of credit represents the maximum amount of potential accounting loss should: the contract be fully drawn upon; the customer default; and the value of any existing collateral become worthless. Patriot applies its credit policies to entering commitments and conditional obligations and, as with its lending activates, evaluates each customer's creditworthiness on a case-by-case basis. Management believes that it effectively mitigates the credit risk of these financial instruments through its credit approval processes, establishing credit limits, monitoring the on-going creditworthiness of recipients and grantees, and the receipt of collateral as deemed necessary.

Financial instruments with credit risk at June 30, 2023 September 30, 2023 and December 31, 2022 are as follows:

(In thousands)	*(In thousands)*	**June 30, 2023**	**December 31, 2022**	*(In thousands)*	**September 30, 2023**	**December 31, 2022**
Commitments to extend credit:	**Commitments to extend credit:**			**Commitments to extend credit:**		
Unused lines of credit	Unused lines of credit	$ 97,432	$ 100,986	Unused lines of credit	$ 104,131	$ 100,986
Undisbursed construction loans	Undisbursed construction loans	4,849	12,000	Undisbursed construction loans	3,112	12,000
Home equity lines of credit	Home equity lines of credit	29,134	26,878	Home equity lines of credit	27,269	26,878
Future loan commitments	Future loan commitments	300	14,365	Future loan commitments	—	14,365
Financial standby letters of credit	Financial standby letters of credit	—	78	Financial standby letters of credit	—	78
		$ 131,715	$ 154,307		$ 134,512	$ 154,307

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments to extend credit generally have fixed expiration dates or other termination clauses, and may require payment of a fee by the borrower. Since these commitments could expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary upon extending credit, is based on management's credit evaluation of the customer. Collateral held varies, but may include commercial property, residential property, deposits and securities. Patriot has established an allowance for credit loss of $484,000 $1.4 million and $8,000 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively, which is included in accrued expenses and other liabilities. The increase in allowance for credit loss in 2023 is primarily due to the adoption of CECL.

Standby letters of credit are written commitments issued by Patriot to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loan facilities to customers. Guarantees that are not derivative contracts are recorded at fair value and included in the Consolidated Balance Sheet.

Note 12. Regulatory and Operational Matters

Federal and state regulatory authorities have adopted standards requiring financial institutions to maintain increased levels of capital. Effective January 1, 2015, federal banking agencies imposed four minimum capital requirements on a community bank's risk-based capital ratios consisting of Total Capital, Tier 1 Capital, Common Equity Tier 1 ("CET1") Capital, and a Tier 1 Leverage Capital ratio. The risk-based capital ratios measure the adequacy of a bank's capital against the riskiness of its on- and off-balance sheet assets and activities. Failure to maintain adequate capital is a basis for "prompt corrective action" or other regulatory enforcement action. In assessing a bank's capital adequacy, regulators also consider other factors such as interest rate risk exposure, liquidity, funding and market risks, quality and level of earnings, concentrations of credit, quality of loans and investments, nontraditional activity risk, policy effectiveness, and management's overall ability to monitor and control risk.

In September 2019, the community bank leverage ratio ("CBLR") framework was jointly issued by the Federal Deposit Insurance Corporation ("FDIC"), the Office of the Comptroller of the Currency ("OCC") and FRB. The final rule gives qualifying community banks the option to use a simplified measure of capital adequacy instead of risk based capital, beginning with their March 31, 2020 Call Report. Under the final rule a community bank may qualify for the CBLR framework if it has a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance sheet exposures and trading assets and liabilities. The CARES Act directed the federal banking agencies to issue an interim rule temporarily lowering the CBLR ratio to 8% which the agencies did with a transition back to 9% beginning January 1, 2022.

Capital adequacy is one of the most important factors used to determine the safety and soundness of individual banks and the banking system. A community bank which meets the leverage ratio requirement and other CBLR framework requirements will not be subject to other capital and leverage requirements and will be considered "well "well capitalized." "

In September 2021, the Bank elected to adopt the CBLR framework. The Bank's Tier 1 leverage ratio as of June 30, 2023 September 30, 2023 and December 31, 2022 was 8.70% 8.34% and 9.27%, respectively. The required leverage ratio is 9.00% under the CBLR framework. The Bank continues to be classified as "well capitalized" under the CBLR framework as the leverage ratio remains above 8% and the Bank has elected to use the two-quarter grace period provided under the framework. Per the CBLR framework, at the conclusion of the grace period (December 31, 2023), it is the Bank's intention to either meet all qualifying criteria to remain in the CBLR framework, or to comply with the generally applicable BASEL III capital rules and the associated reporting requirements. Management continuously assesses the adequacy of the Bank's capital in order to maintain its "well capitalized" status.

The Bank's Community Bank Leverage Ratio regulatory capital amounts and ratios at June 30, 2023 September 30, 2023 and December 31, 2022 are summarized as follows:

(In thousands)	*(In thousands)*	June 30, 2023		December 31, 2022		*(In thousands)*	September 30, 2023		December 31, 2022	
Patriot Bank, N.A.	**Patriot Bank, N.A.**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Patriot Bank, N.A.**	**Amount**	**Ratio**	**Amount**	**Ratio**
Tier 1 Leverage Capital (to average assets):	Tier 1 Leverage Capital (to average assets):					Tier 1 Leverage Capital (to average assets):				
Actual	Actual	$ 96,565	8.70 %	$ 100,267	9.27 %	Actual	$ 93,011	8.34 %	$ 100,267	9.27 %

Designation as "Well Capitalized" does not apply to bank holding companies (the Company). Such categorization of capital adequacy only applies to insured depository institutions (the Bank).

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Note 13. Fair Value and Interest Rate Risk

Patriot measures the carrying value of certain financial assets and liabilities at fair value, as required by its policies as a financial institution and by US GAAP. The carrying values of certain assets and liabilities are measured at fair value on a recurring basis, such as available-for-sale securities; while other assets and liabilities are measured at fair value on a non-recurring basis due to external factors requiring management's judgment to estimate potential losses of value resulting in asset impairments or the establishment of valuation reserves. Measuring assets and liabilities at fair value may result in fluctuations to carrying value that have a significant impact on the results of operations or other comprehensive income for the period and period over period.

Following is a detailed summary of the guidance provided by US GAAP regarding the application of fair value measurements and Patriot's application thereof. Additionally, the following information includes detailed summaries of the effects fair value measurements have on the carrying amounts of asset and liabilities presented in the Consolidated Financial Statements.

The objective of fair value measurement is to value an asset that may be sold or a liability that may be transferred at the estimated value which might be obtained in a transaction between unrelated parties under current market conditions. US GAAP establishes a framework for measuring assets and liabilities at fair value, as well as certain financial instruments classified in equity. The framework provides a fair value hierarchy, which prioritizes quoted prices in active markets for identical assets and liabilities and minimizes unobservable inputs, which are inputs for which market data are not available and that are developed by management using the best information available to develop assumptions about the value market participants might place on the asset to be sold or liability to be transferred.

The three levels of the fair value hierarchy consist of:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date (such as active exchange-traded equity securities and certain U.S. and government agency debt securities).

Level 2 - Observable inputs other than quoted prices included in Level 1, such as:

- Quoted prices for similar assets or liabilities in active markets (such as U.S. agency and government sponsored mortgage-backed securities)
- Quoted prices for identical or similar assets or liabilities in less active markets (such as certain U.S. and government agency debt securities, and corporate and municipal debt securities that trade infrequently)
- Other inputs that are observable for substantially the full term of the asset or liability (i.e. interest rates, yield curves, prepayment speeds, default rates, etc.).

Level 3 - Valuation techniques that require unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the asset or liability (such as pricing and discounted cash flow models that typically reflect management's estimates of the assumptions a market participant would use in pricing the asset or liability).

A description of the valuation methodologies used for assets and liabilities recorded at fair value, and for estimating fair value for financial and non-financial instruments not recorded at fair value, is set forth below.

Cash and due from banks and accrued interest receivable and payable

The carrying amount is a reasonable estimate of fair value and accordingly these are classified as Level 1. These financial instruments are not recorded at fair value on a recurring basis.

Available-for-sale securities

The fair value of securities available for sale (carried at fair value) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted prices, or using unobservable inputs employing various techniques and assumptions (Level 3).

Other Investments

The Bank's investment portfolio includes the Solomon Hess SBA Loan Fund, which is utilized by the Bank to satisfy its Community Reinvestment Act ("CRA") lending requirements. As this fund operates as a private fund, shares in the fund are not publicly traded but may be redeemed with 60 days' notice at cost. For that reason, the carrying amount was considered comparable to fair value at both June 30, 2023 September 30, 2023 and December 31, 2022 due to its short-term nature.

Federal Reserve Bank Stock and Federal Home Loan Bank Stock

Shares in the FRB and FHLB are purchased and redeemed based upon their $100 par value. The stocks are non-marketable equity securities, and as such, are considered restricted securities that are carried at cost.

Loans

The fair value of loan portfolio is estimated by discounting the future cash flows using the rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. We estimate the fair value of our loan portfolio using an exit price notion resulting in prior periods no longer being comparable. The exit price notion requires determination of the price at which willing market participants would transact at the measurement date under current market conditions depending on facts and circumstances, such as origination rates, credit risk, transaction costs, liquidity, national and regional market trends and other adjustments, utilizing publicly available rates and indices. The application of an exit price notion requires the use of significant judgment.

Loans Held for Sale

The fair value of loans held for sale is estimated by using a market approach that includes prices for loans sold awaiting settlement and other observable inputs. The Company has determined that the inputs used to value the loans held for sale fall within Level 2 of the fair value hierarchy.

SBA Servicing Asset

Servicing assets do not trade in an active, open market with readily observable prices. The Company estimates the fair value of servicing assets using discounted cash flow models incorporating numerous assumptions from the perspective of a market participant including market discount rates and prepayment speeds. Due to the significant unobservable input related to the servicing rights, the SBA servicing asset is classified within Level 3 of the valuation hierarchy.

Derivative asset (liability) - Interest Rate Swaps

The Company's derivative assets and liabilities consist of transactions as part of management's strategy to manage interest rate risk. The valuation of interest rate swap agreements does not contain any counterparty risk. The valuation of the Company's interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the expected cash flows of each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. The Company has determined that the inputs used to value its interest rate derivatives fall within Level 2 of the fair value hierarchy. See Note 8 for additional disclosures on derivatives.

Deposits

The fair value of demand deposits, regular savings and certain money market deposits is the amount payable on demand at the reporting date.

The fair value of certificates of deposit and other time deposits is estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits of similar remaining maturities, estimated using local market data, to a schedule of aggregated expected maturities on such deposits. Patriot does not record deposits at fair value on a recurring basis.

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Senior Notes, Subordinated Notes, and Junior Subordinated Debt and Note Payable

Patriot does not record senior notes at fair value on a recurring basis. The fair value of the senior notes was estimated by discounting future cash flows at rates at which similar notes would be made. The carrying value is considered comparable to fair value.

Patriot does not record subordinated notes at fair value on a recurring basis. The fair value of the subordinated notes was estimated by discounting future cash flows at rates at which similar notes would be made. The carrying value is considered comparable to fair value.

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Patriot does not record junior subordinated debt at fair value on a recurring basis. Junior subordinated debt reprices quarterly, as a result, the carrying amount is considered a reasonable estimate of fair value.

The Company considers its own credit worthiness in determining the fair value of its senior notes, subordinated notes, notes payable and junior subordinated debt.

Federal Home Loan Bank Borrowings
The fair value of FHLB advances is estimated using a discounted cash flow calculation that applies current FHLB interest rates for advances of similar maturity to a schedule of maturities of such advances. Patriot does not record FHLB advances at fair value on a recurring basis.

Off-balance sheet financial instruments
Off-balance sheet financial instruments are based on interest rate changes and fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. Patriot does not record the off-balance-sheet financial instruments (i.e., commitments to extend credit) at fair value on a recurring basis.

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The following table provides a comparison of the carrying amounts and estimated fair values of Patriot's financial assets and liabilities as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	*(In thousands)*		June 30, 2023		December 31, 2022		*(In thousands)*		September 30, 2023		December 31, 2022	
		Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value		Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:	**Financial Assets:**						**Financial Assets:**					
Cash and noninterest bearing balances due from banks	Cash and noninterest bearing balances due from banks	Level 1	$ 2,320	$ 2,320	$ 5,182	$ 5,182	Cash and noninterest bearing balances due from banks	Level 1	$ 2,350	$ 2,350	$ 5,182	$ 5,182
Interest-bearing deposits due from banks	Interest-bearing deposits due from banks	Level 1	68,489	68,489	33,311	33,311	Interest-bearing deposits due from banks	Level 1	76,578	76,578	33,311	33,311
Available-for-sale securities	Available-for-sale securities	Level 2	80,665	80,665	75,093	75,093	Available-for-sale securities	Level 2	75,815	75,815	75,093	75,093
Available-for-sale securities	Available-for-sale securities	Level 3	9,882	9,882	9,427	9,427	Available-for-sale securities	Level 3	9,871	9,871	9,427	9,427
Other investments	Other investments	Level 2	4,450	4,450	4,450	4,450	Other investments	Level 2	4,450	4,450	4,450	4,450
Federal Reserve Bank stock	Federal Reserve Bank stock	Level 2	2,523	2,523	2,627	2,627	Federal Reserve Bank stock	Level 2	2,449	2,449	2,627	2,627
Federal Home Loan Bank stock	Federal Home Loan Bank stock	Level 2	8,072	8,072	3,874	3,874	Federal Home Loan Bank stock	Level 2	5,372	5,372	3,874	3,874
Loans receivable, net	Loans receivable, net	Level 3	913,876	893,639	838,006	818,960	Loans receivable, net	Level 3	864,224	841,702	838,006	818,960
Loans held for sale	Loans held for sale	Level 2	5,860	6,320	5,211	5,534	Loans held for sale	Level 2	21,934	22,623	5,211	5,534
SBA servicing assets	SBA servicing assets	Level 3	882	977	886	1,013	SBA servicing assets	Level 3	879	974	886	1,013
Accrued interest receivable	Accrued interest receivable	Level 2	7,628	7,628	7,267	7,267	Accrued interest receivable	Level 2	7,124	7,124	7,267	7,267

Interest rate swap receivable	Interest rate swap receivable	Level 2	244	244	203	203	Interest rate swap receivable	Level 2	372	372	203	203
Financial assets, total	**Financial assets, total**		$ 1,104,891	$ 1,085,209	$ 985,537	$ 966,941	**Financial assets, total**		$ 1,071,418	$ 1,049,680	$ 985,537	$ 966,941
Financial Liabilities:	**Financial Liabilities:**						**Financial Liabilities:**					
Demand deposits	Demand deposits	Level 2	$ 127,817	$ 127,817	$ 269,636	$ 269,636	Demand deposits	Level 2	$ 136,101	$ 136,101	$ 269,636	$ 269,636
Savings deposits	Savings deposits	Level 2	50,981	50,981	71,002	71,002	Savings deposits	Level 2	49,004	49,004	71,002	71,002
Money market deposits	Money market deposits	Level 2	298,717	298,717	211,000	211,000	Money market deposits	Level 2	325,085	325,085	211,000	211,000
Negotiable order of withdrawal accounts	Negotiable order of withdrawal accounts	Level 2	37,970	37,970	34,440	34,440	Negotiable order of withdrawal accounts	Level 2	38,952	38,952	34,440	34,440
Time deposits	Time deposits	Level 2	238,768	235,475	225,670	221,353	Time deposits	Level 2	235,416	233,432	225,670	221,353
Brokered deposits	Brokered deposits	Level 1	109,126	108,641	48,698	47,684	Brokered deposits	Level 1	52,465	52,179	48,698	47,684
FHLB and other borrowings	FHLB and other borrowings	Level 2	207,000	205,964	85,000	83,853	FHLB and other borrowings	Level 2	215,000	214,092	85,000	83,853
Senior notes	Senior notes	Level 2	11,653	11,127	11,640	11,103	Senior notes	Level 2	11,688	11,142	11,640	11,103
Subordinated debt	Subordinated debt	Level 2	9,854	9,826	9,840	9,680	Subordinated debt	Level 2	9,862	9,799	9,840	9,680
Junior subordinated debt owed to unconsolidated trust	Junior subordinated debt owed to unconsolidated trust	Level 2	8,132	8,132	8,128	8,128	Junior subordinated debt owed to unconsolidated trust	Level 2	8,135	8,135	8,128	8,128
Note payable	Note payable	Level 3	481	455	585	544	Note payable	Level 3	429	405	585	544
Accrued interest payable	Accrued interest payable	Level 2	1,117	1,117	585	585	Accrued interest payable	Level 2	1,616	1,616	585	585
Interest rate swap liability	Interest rate swap liability	Level 2	244	244	203	203	Interest rate swap liability	Level 2	372	372	203	203
Financial liabilities, total	**Financial liabilities, total**		$ 1,101,860	$ 1,096,466	$ 976,427	$ 969,211	**Financial liabilities, total**		$ 1,084,125	$ 1,080,314	$ 976,427	$ 969,211

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The carrying amount of cash and noninterest bearing balances due from banks, interest-bearing deposits due from banks, and demand deposits approximates fair value, due to the short-term nature and high turnover of these balances. These amounts are included in the table above for informational purposes.

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In the normal course of its operations, Patriot assumes interest rate risk (i.e., the risk that general interest rate levels will fluctuate). As a result, the fair value of Patriot's financial assets and liabilities are affected when interest market rates change, which change may be either favorable or unfavorable. Management attempts to mitigate interest rate risk by matching the maturities of its financial assets and liabilities. However, borrowers with fixed rate obligations are less likely to prepay their obligations in a rising interest rate environment and more likely to prepay their obligations in a falling interest rate environment. Conversely, depositors receiving fixed rates are more likely to withdraw funds before maturity in a rising interest rate environment and less likely to do so in a falling interest rate environment. Management monitors market rates of interest and the maturities of its financial assets and financial liabilities, adjusting the terms of new loans and deposits in an attempt to minimize interest rate risk. Additionally, management mitigates its overall interest rate risk through its available funds investment strategy.

The following tables detail the financial assets measured at fair value on a recurring basis and the valuation techniques utilized relative to the fair value hierarchy, as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	*(In thousands)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**	*(In thousands)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
June 30, 2023:										
September 30, 2023:						**September 30, 2023:**				
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ —	$ 67,248	$ —	$ 67,248	U. S. Government agency and mortgage-backed securities	$ —	$ 62,631	$ —	$ 62,631
Corporate bonds	Corporate bonds	—	3,373	9,882	13,255	Corporate bonds	—	3,338	9,871	13,209
Subordinated notes	Subordinated notes	—	4,236	—	4,236	Subordinated notes	—	4,264	—	4,264
SBA loan pools	SBA loan pools	—	5,326	—	5,326	SBA loan pools	—	5,121	—	5,121
Municipal bonds	Municipal bonds	—	482	—	482	Municipal bonds	—	461	—	461
Available-for-sale securities	Available-for-sale securities	$ —	$ 80,665	$ 9,882	$ 90,547	Available-for-sale securities	$ —	$ 75,815	$ 9,871	$ 85,686
Interest rate swap receivable	Interest rate swap receivable	$ —	$ 244	$ —	$ 244	Interest rate swap receivable	$ —	$ 372	$ —	$ 372
Interest rate swap liability	Interest rate swap liability	$ —	$ 244	$ —	$ 244	Interest rate swap liability	$ —	$ 372	$ —	$ 372
December 31, 2022:	**December 31, 2022:**					**December 31, 2022:**				
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ —	$ 59,046	$ —	$ 59,046	U. S. Government agency and mortgage-backed securities	$ —	$ 59,046	$ —	$ 59,046
Corporate bonds	Corporate bonds	—	5,228	9,427	14,655	Corporate bonds	—	5,228	9,427	14,655
Subordinated notes	Subordinated notes	—	4,602	—	4,602	Subordinated notes	—	4,602	—	4,602
SBA loan pools	SBA loan pools	—	5,718	—	5,718	SBA loan pools	—	5,718	—	5,718
Municipal bonds	Municipal bonds	—	499	—	499	Municipal bonds	—	499	—	499
Available-for-sale securities	Available-for-sale securities	$ —	$ 75,093	$ 9,427	$ 84,520	Available-for-sale securities	$ —	$ 75,093	$ 9,427	$ 84,520

Interest rate swap receivable	Interest rate swap receivable	$ —	$ 203	$ —	$ 203	Interest rate swap receivable	$ —	$ 203	$ —	$ 203
Interest rate swap liability	Interest rate swap liability	$ —	$ 203	$ —	$ 203	Interest rate swap liability	$ —	$ 203	$ —	$ 203

Patriot measures certain financial assets and financial liabilities at fair value on a non-recurring basis. When circumstances dictate (e.g., impairment of long-lived assets, other than temporary impairment of collateral value), the carrying values of such financial assets and financial liabilities are adjusted to fair value or fair value less costs to sell, as may be appropriate.

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As of June 30, 2023 September 30, 2023 and December 31, 2022, four corporate bonds were classified as Level 3 instruments. The fair values of these securities were determined using a present value approach. The discount rate assumed was determined based on unobservable inputs in a pricing model. During the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, the Company had no transfers into or out of Levels 1, 2 or 3.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

The reconciliation of the beginning and ending balances during 2023 for Level 3 available-for-sale securities is as follows:

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	*(In thousands)*	**2023**	**2022**	**2023**	**2022**	*(In thousands)*	**2023**	**2022**	**2023**	**2022**
Level 3 fair value, beginning of year	Level 3 fair value, beginning of year	$ 10,205	$ 11,237	$ 9,427	$ 13,180	Level 3 fair value, beginning of year	$ 9,882	$ 10,342	$ 9,427	$ 13,180
Purchases	Purchases	—	—	—	—	Purchases	—	—	—	—
Realized gain (loss)	Realized gain (loss)	—	—	—	—	Realized gain (loss)	—	—	—	—
Unrealized gain (loss)	Unrealized gain (loss)	(323)	(895)	455	(2,838)	Unrealized gain (loss)	(11)	(960)	444	(3,798)
Transfers in and /or out of Level 3	Transfers in and /or out of Level 3	—	—	—	—	Transfers in and /or out of Level 3	—	—	—	—
Level 3 fair value, end of year	Level 3 fair value, end of year	$ 9,882	$ 10,342	$ 9,882	$ 10,342	Level 3 fair value, end of year	$ 9,871	$ 9,382	$ 9,871	$ 9,382

The table below presents the valuation methodology and unobservable inputs for level 3 assets measured at fair value on a non-recurring basis as of June 30, 2023 September 30, 2023 and December 31, 2022:

(In thousands)	*(In thousands)*	**Fair Value**	**Valuation Methodology**	**Unobservable Inputs**	**Range of Inputs**	*(In thousands)*	**Fair Value**	**Valuation Methodology**	**Unobservable Inputs**	**Range of Inputs**
June 30, 2023:										
September 30, 2023:						**September 30, 2023:**				
Impaired loans, net	Impaired loans, net	$ 13,003	Real Estate Appraisals	Discount for appraisal type	5.8 % - 20%	Impaired loans, net	$ 18,522	Real Estate Appraisals	Discount for appraisal type	5.8 % - 20%

SBA servicing assets	SBA servicing assets	977	Discounted Cash Flows	Market discount rates	14.73 % - 14.90%	SBA servicing assets	974	Discounted Cash Flows	Market discount rates	14.73 % - 14.90%
December 31, 2022:	**December 31, 2022:**					**December 31, 2022:**				
Impaired loans, net	Impaired loans, net $	12,873	Real Estate Appraisals	Discount for appraisal type	5.8 % - 20%	Impaired loans, net $	12,873	Real Estate Appraisals	Discount for appraisal type	5.8 % - 20%
SBA servicing assets	SBA servicing assets	1,013	Discounted Cash Flows	Market discount rates	14.73 % - 14.90%	SBA servicing assets	1,013	Discounted Cash Flows	Market discount rates	14.73 % - 14.90%

Patriot discloses fair value information about financial instruments, whether or not recognized in the consolidated balance sheet, for which it is practicable to estimate that value. Certain financial instruments are excluded from disclosure requirements and, accordingly, the aggregate fair value amounts presented do not necessarily represent the complete underlying value of financial instruments included in the consolidated financial statements.

The estimated fair value amounts have been measured as of June 30, 2023 September 30, 2023 and December 31, 2022, and have not been reevaluated or updated for purposes of these consolidated financial statements subsequent to those respective dates. As such, the estimated fair values of the financial instruments measured may be different than if they had been subsequently valued.

The information presented should not be interpreted as an estimate of the total fair value of Patriot's assets and liabilities, since only a portion of Patriot's assets and liabilities are required to be measured at fair value for financial reporting purposes. Due to the wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between Patriot's fair value disclosures and those of other bank holding companies may not be meaningful.

PATRIOT NATIONAL BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Unaudited)

Note 14. Subsequent Events

On November 1, 2023, the Company initiated a reduction in force which will result in a restructuring charge of approximately $500,000 in the fourth quarter of 2023 and an annualized reduction in salary and benefit costs pertaining to these specific staff changes of approximately $3.5 million.

At the date of this filing, the Company is in negotiations with a third party consumer loan originator/servicer which, when finalized, is expected to result in the recognition of a material recovery of a portion of the ACL and commitment reserve associated with its consumer loan portfolio.

Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

"Safe Harbor" Statement Under Private Securities Litigation Reform Act of 1995

This Quarterly Report on Form 10-Q contains statements that relate to future events and expectations and, as such, constitute forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements, other than purely historical information, including estimates, projections, statements relating to our strategies, outlook, business and financial prospects, business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements." These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements are not guarantees of future performance. Although Patriot believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, these expectations may not be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and changes in circumstances, many of which are beyond Patriot's control.

Many possible events or factors could affect Patriot's future financial results and performance and could cause the actual results, performance or achievements of Patriot to differ materially from any anticipated results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others:

(1) changes in prevailing interest rates which would affect the interest earned on the Company's interest earning assets and the interest paid on its interest bearing liabilities;
(2) the timing of re-pricing of the Company's interest earning assets and interest bearing liabilities;
(3) the effect of changes in governmental monetary policy;
(4) the effect of changes in regulations applicable to the Company and the Bank and the conduct of its business;
(5) changes in competition among financial service companies, including possible further encroachment of non-banks on services traditionally provided by banks;

(6) the ability of competitors that are larger than the Company to provide products and services which it is impracticable for the Company to provide;
(7) the state of the economy and real estate values in the Company's market areas, and the consequent effect on the quality of the Company's loans;
(8) demand for loans and deposits in our market area;
(9) recent governmental initiatives that are expected to have a profound effect on the financial services industry and could dramatically change the competitive environment of the Company;
(10) other legislative or regulatory changes, including those related to residential mortgages, changes in accounting standards, and Federal Deposit Insurance Corporation ("FDIC") premiums that may adversely affect the Company;
(11) the application of generally accepted accounting principles in the United States of America ("U.S. GAAP"), consistently applied;
(12) the fact that one period of reported results may not be indicative of future periods;
(13) the state of the economy in the greater New York metropolitan area and its particular effect on the Company's customers, vendors and communities and other such factors, including risk factors, as may be described in the Company's other filings with the Securities and Exchange Commission (the "SEC");
(14) political, social, legal and economic instability, civil unrest, war, catastrophic events, acts of terrorism;
(15) possible future outbreaks of infectious diseases, including the ongoing novel coronavirus (COVID-19) outbreak;
(16) changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
(17) our ability to access cost-effective funding;
(18) our ability to implement and change our business strategies;
(19) changes in the quality or composition of our loan or investment portfolios;
(20) technological changes that may be more difficult or expensive than expected;
(21) our ability to manage market risk, credit risk and operational risk in the current economic environment;
(22) our ability to enter new markets successfully and capitalize on growth opportunities;
(23) changes in consumer spending, borrowing and savings habits;
(24) our ability to retain key employees;
(25) our compensation expense associated with equity allocated or awarded to our employees; and
(26) the premiums paid for the guaranteed portion of SBA loans by third party investors

The risks and uncertainties included here are not exhaustive. In addition to those included herein further information concerning our business, including additional factors that could materially affect our financial results, is included in our other filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"). Further, it is not possible to assess the effect of all risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. In addition, we disclaim any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Critical Accounting Policies

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates. Management has identified the accounting for the allowance for loan and lease losses, the analysis and valuation of its investment securities, the valuation of deferred tax assets, the impairment of goodwill, the valuation of derivatives, and the valuation of servicing assets as certain of the Company's most critical accounting policies and estimates in that they are important to the portrayal of the Company's financial condition and results of operations. They require management's most subjective and complex judgment as a result of the need to make estimates about the effect of matters that are inherently uncertain. Refer to the 2022 Form 10-K for additional information.

Summary

The Company reported net loss of $546,000 $3.8 million ($0.14 0.95 basic and diluted loss per share) for the quarter ended June 30, 2023 September 30, 2023, compared to a net income of $1.3 million $2.3 million ($0.32 0.59 basic and diluted earnings per share) for the quarter ended June 30, 2022 September 30, 2022.

For the six nine months ended June 30, 2023 September 30, 2023, net loss was $599,000, $5.1 million, or $(0.15) $(1.28) basic and diluted loss per share, compared to a net income of $2.1 million $4.4 million, ($0.52 1.11 basic and diluted earnings per share) for the six nine months ended June 30, 2022 September 30, 2022.

The first half year of 2023 financial results for the nine months ended September 30, 2023 were adversely impacted by an elevated provision for credit losses of $2.6 million $8.2 million, compared to provision of $275,000 $475,000 for loan losses recorded for the first half year of 2022, and the impact of lower net interest margin which was affected by the higher funding costs resulting from the recent uncertainty in the banking sector.
The Bank reported steady loan growth of 6% in the second quarter of 2023, compared to the loan growth of 3.6% in the first quarter of 2023 while net interest income was unchanged from the second quarter of 2022 and 4% below the first quarter of 2023.

FINANCIAL CONDITION

Total assets increased $119.4 million $93.4 million to $1.2 $1.1 billion as of June 30, 2023 September 30, 2023, compared to $1.0 billion at December 31, 2022, primarily due to the increases in cash of $32.3 million $40.4 million and loans receivable of $82.4 million $41.6 million as of June 30, 2023 September 30, 2023.

Cash and Cash Equivalents

Cash and cash equivalents increase increased from $38.5 million at December 31, 2022 to $70.8 million $78.9 million at June 30, 2023 September 30, 2023. The increase increased in 2023 reflects the intention to boost balance sheet liquidity in connection with recent uncertainty in the banking sector.

Investments

The following table is a summary of the Company's investment securities portfolio, at fair value, at the dates shown:

		June 30,	December 31,	Increase /(Decrease)			September 30,	December 31,	Increase /(Decrease)	
(In thousands, except per share amounts)	*(In thousands, except per share amounts)*	2023	2022	($)	(%)	*(In thousands, except per share amounts)*	2023	2022	($)	(%)
U. S. Government agency and mortgage-backed securities	U. S. Government agency and mortgage-backed securities	$ 67,248	$ 59,046	$ 8,202	13.89 %	U. S. Government agency and mortgage-backed securities	$ 62,631	$ 59,046	$ 3,585	6.07 %
Corporate bonds	Corporate bonds	13,255	14,655	(1,400)	-9.55 %	Corporate bonds	13,209	14,655	(1,446)	-9.87 %
Subordinated notes	Subordinated notes	4,236	4,602	(366)	-7.95 %	Subordinated notes	4,264	4,602	(338)	-7.34 %
SBA loan pools	SBA loan pools	5,326	5,718	(392)	-6.86 %	SBA loan pools	5,121	5,718	(597)	-10.44 %
Municipal bonds	Municipal bonds	482	499	(17)	-3.41 %	Municipal bonds	461	499	(38)	-7.62 %
Total available-for-sale securities, at fair value	Total available-for-sale securities, at fair value	90,547	84,520	6,027	7.13 %	Total available-for-sale securities, at fair value	85,686	84,520	1,166	1.38 %
Other investments, at cost	Other investments, at cost	4,450	4,450	—	— %	Other investments, at cost	4,450	4,450	—	— %
Total investment securities	**Total investment securities**	$ 94,997	$ 88,970	$ 6,027	6.77 %	**Total investment securities**	$ 90,136	$ 88,970	$ 1,166	1.31 %

Total investments increased by $6.0 million $1.2 million, from $89.0 million at December 31, 2022 to $95.0 million $90.1 million at June 30, 2023 September 30, 2023. The increase in the six nine months ended June 30, 2023 September 30, 2023 was primarily attributable to an increase in purchase of available-for-sale securities of $10.4 million, which was partially offset by repayment of available-for-sale securities totaling $2.2 million $3.4 million. During the six nine months ended June 30, 2023 September 30, 2023, the Bank sold available-for-sale securities of $1.8 million and recognized a net gain of $24,000.

Loans held for investment

The following table provides the composition of the Company's loan held for investment portfolio as of June 30, 2023 September 30, 2023, and December 31, 2022:

(In thousands)	*(In thousands)*	June 30, 2023		December 31, 2022		*(In thousands)*	September 30, 2023		December 31, 2022	
		Amount	%	Amount	%		Amount	%	Amount	%
Loan portfolio segment:	**Loan portfolio segment:**					**Loan portfolio segment:**				
Commercial Real Estate	Commercial Real Estate	$ 511,655	54.99 %	$ 437,443	51.57 %	Commercial Real Estate	$ 499,132	56.08 %	$ 437,443	51.57 %
Residential Real Estate	Residential Real Estate	116,454	12.51 %	124,140	14.63 %	Residential Real Estate	112,600	12.65 %	124,140	14.63 %
Commercial and Industrial	Commercial and Industrial	171,574	18.43 %	138,787	16.36 %	Commercial and Industrial	160,496	18.04 %	138,787	16.36 %

Consumer and Other	Consumer and Other	123,063	13.22 %	141,091	16.63 %	Consumer and Other	111,411	12.52 %	141,091	16.63 %
Construction	Construction	5,525	0.59 %	4,922	0.58 %	Construction	3,790	0.43 %	4,922	0.58 %
Construction to permanent - CRE	Construction to permanent - CRE	2,463	0.26 %	1,933	0.23 %	Construction to permanent - CRE	2,463	0.28 %	1,933	0.23 %
Loans receivable, gross	**Loans receivable, gross**	930,734	100.00 %	848,316	100.00 %	**Loans receivable, gross**	889,892	100.00 %	848,316	100.00 %
Allowance for credit losses	Allowance for credit losses	(16,858)		(10,310)		Allowance for credit losses	(25,668)		(10,310)	
Loans receivable, net	**Loans receivable, net**	$ 913,876		$ 838,006		**Loans receivable, net**	$ 864,224		$ 838,006	

The Company's loan portfolio increased $82.4 million $41.6 million, from $848.3 million at December 31, 2022 to $930.7 million $889.9 million at June 30, 2023 September 30, 2023. The increase in loans was attributable to $132.6 million $152.8 million of new loan origination and $16.4 million $19.8 million in purchases of loans receivable which was partially offset by $61.3 million $122.0 million pay-down of the loans.

SBA loans held for investment were included in the commercial real estate loans and commercial and industrial loan classifications above. As of June 30, 2023 September 30, 2023 and December 31, 2022, SBA loans included in the commercial and industrial loan were $20.4 million $19.4 million and $20.3 million, respectively. SBA loans included in the commercial real estate loans were $12.3 million $12.9 million and $12.2 million, respectively.

At June 30, 2023 September 30, 2023, the net loan to deposit ratio was 105.8% 103.2% and the net loan to total assets ratio was 78.6% 76.0%. At December 31, 2022, these ratios were 106.2% 100.4% and 80.3%, respectively.

Allowance for Credit Losses

The Company adopted ASU 2016-13 effective January 1, 2023. ASU 2016-13 requires the measurement of expected credit losses for financial assets, including loans and certain off-balance-sheet credit exposures, measured at amortized cost. See Note 2 - Summary of Significant Accounting Policies to the Company's financial statements for a description of the adoption of ASU 2016-13 and the Company's allowance methodology.

The allowance for credit losses on loans was $16.9 million $25.7 million as of June 30, 2023 September 30, 2023, compared to allowance for loans and lease losses of $10.3 million as of December 31, 2022. The increase in allowance was mainly due to the adoption of CECL as the Company recorded a transition adjustment of $7.4 million $13.0 million effective January 1, 2023. Based upon the overall assessment and evaluation of the loan portfolio at June 30, 2023 September 30, 2023, management believes $16.9 million $25.7 million in the allowance for credit losses, which represented 1.81% 2.88% of gross loans outstanding, is adequate under prevailing economic conditions to absorb existing losses in the loan portfolio. A provision for loan losses of $1.4 million $4.8 million and $3.2 million $9.6 million was recorded for the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

The following table provides detail of activity in the allowance for credit losses. During the three and six nine months ended June 30, 2023 September 30, 2023, the Company used the CECL methodology while the incurred loss methodology was used in prior years:

		Three Months Ended June 30,		**Six Months Ended June 30,**			**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
(In thousands)	*(In thousands)*	**2023**	**2022**	**2023**	**2022**	*(In thousands)*	**2023**	**2022**	**2023**	**2022**
Balance at beginning of the period	Balance at beginning of the period	$ 17,801	$ 9,737	$ 10,310	$ 9,905	Balance at beginning of the period	$ 24,098	$ 9,929	$ 10,310	$ 9,905
Charge-offs:	Charge-offs:					Charge-offs:				
Residential Real Estate						Residential Real Estate	(113)	—	(113)	—
Commercial and Industrial	Commercial and Industrial	(4)	—	(6)	(68)	Commercial and Industrial	(423)	—	(429)	(70)
Consumer and Other	Consumer and Other	(2,516)	(100)	(4,312)	(147)	Consumer and Other	(3,012)	(366)	(7,324)	(513)
Construction	Construction	(150)	—	(150)	(70)	Construction	—	—	(150)	(68)

Total charge-offs	Total charge-offs	(2,670)	(100)	(4,468)	(285)	Total charge-offs	(3,548)	(366)	(8,016)	(651)
Recoveries:	Recoveries:					Recoveries:				
Commercial Real Estate						Commercial Real Estate	—	154	—	154
Residential Real Estate	Residential Real Estate	11	—	11	1	Residential Real Estate	3	3	14	4
Commercial and Industrial	Commercial and Industrial	9	11	16	26	Commercial and Industrial	9	12	25	38
Consumer and Other	Consumer and Other	260	6	433	7	Consumer and Other	306	20	739	27
Total recoveries	Total recoveries	280	17	460	34	Total recoveries	318	189	778	223
Net charge-offs	Net charge-offs	(2,390)	(83)	(4,008)	(251)	Net charge-offs	(3,230)	(177)	(7,238)	(428)
Impact of CECL adoption	Impact of CECL adoption	—	—	7,371	—	Impact of CECL adoption	—	—	13,001	—
Provision for credit losses	Provision for credit losses	1,447	275	3,185	275	Provision for credit losses	4,800	200	9,595	475
Balance at end of the period	**Balance at end of the period**	$ 16,858	$ 9,929	$ 16,858	$ 9,929	**Balance at end of the period**	$ 25,668	$ 9,952	$ 25,668	$ 9,952
Ratios:	**Ratios:**					**Ratios:**				
Net charge-offs to average loans	Net charge-offs to average loans	0.26 %	0.01 %	(0.451) %	(0.032) %	Net charge-offs to average loans	(0.35) %	(0.02) %	(0.80) %	(0.05) %
Allowance for credit losses to total loans	Allowance for credit losses to total loans	1.81 %	1.16 %	1.81 %	1.16 %	Allowance for credit losses to total loans	2.88 %	1.15 %	2.88 %	1.15 %

The following table provides an allocation of allowance for credit losses by portfolio segment:

(In thousands)	*(In thousands)*	**June 30, 2023**		**December 31, 2022**		*(In thousands)*	**September 30, 2023**		**December 31, 2022**	
		Allowance for credit losses	**Percent of loans in each category to total loans**	**Allowance for loan losses**	**Percent of loans in each category to total loans**		**Allowance for credit losses**	**Percent of loans in each category to total loans**	**Allowance for loan losses**	**Percent of loans in each category to total loans**
Commercial Real Estate	Commercial Real Estate	$ 10,039	54.99 %	$ 6,966	51.57 %	Commercial Real Estate	$ 13,360	56.08 %	$ 6,966	51.57 %
Residential Real Estate	Residential Real Estate	1,027	12.51 %	665	14.63 %	Residential Real Estate	1,088	12.65 %	665	14.63 %
Commercial and Industrial	Commercial and Industrial	1,673	18.43 %	1,403	16.36 %	Commercial and Industrial	1,408	18.04 %	1,403	16.36 %
Consumer and Other	Consumer and Other	4,035	13.22 %	1,207	16.63 %	Consumer and Other	9,696	12.52 %	1,207	16.63 %
Construction	Construction	33	0.59 %	24	0.58 %	Construction	2	0.43 %	24	0.58 %
Construction to permanent - CRE	Construction to permanent - CRE	51	0.26 %	10	0.23 %	Construction to permanent - CRE	114	0.28 %	10	0.23 %
Unallocated	Unallocated	—	N/A	35	N/A	Unallocated	—	N/A	35	N/A
Total Allowance for credit losses	Total Allowance for credit losses	$ 16,858	100.00 %	$ 10,310	100.00 %	Total Allowance for credit losses	$ 25,668	100.00 %	$ 10,310	100.00 %

Non-performing Assets

The following table presents non-performing assets as of June 30, 2023 September 30, 2023 and December 31, 2022:

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Non-accruing loans:	Non-accruing loans:			Non-accruing loans:		
Commercial Real Estate	Commercial Real Estate	$ 11,368	$ 11,241	Commercial Real Estate	$ 21,616	$ 11,241
Residential Real Estate	Residential Real Estate	2,565	2,470	Residential Real Estate	1,623	2,470
Commercial and Industrial	Commercial and Industrial	6,655	4,833	Commercial and Industrial	6,057	4,833
Consumer and Other	Consumer and Other	46	49	Consumer and Other	1,055	49
Construction				Construction	479	—
Total non-accruing loans	Total non-accruing loans	20,634	18,593	Total non-accruing loans	30,830	18,593
Loans past due over 90 days and still accruing	Loans past due over 90 days and still accruing	1,428	1,155	Loans past due over 90 days and still accruing	40	1,155
Total nonperforming assets	Total nonperforming assets	$ 22,062	$ 19,748	Total nonperforming assets	$ 30,870	$ 19,748
Nonperforming assets to total assets	Nonperforming assets to total assets	1.90 %	1.89 %	Nonperforming assets to total assets	2.72 %	1.89 %
Nonperforming loans to total loans, net	Nonperforming loans to total loans, net	2.41 %	2.36 %	Nonperforming loans to total loans, net	3.57 %	2.36 %

As of June 30, 2023 September 30, 2023, the $20.6 million $30.8 million of non-accrual loans was comprised of 31 borrowers, 169 borrowers. Of these, 24 loans were individually evaluated for which impairment, and a specific reserve of $7.3 million $11.2 million was established. established for them. For collateral dependent loans, the Bank has obtained appraisal reports from independent licensed appraisal firms and discounted those values based on the Bank's experience selling OREO properties and for estimated selling costs to determine estimated impairment. For cash flow dependent loans, the Bank determined the reserve based on the present value of expected future cash flows discounted at the loan's effective interest rate.

Loans held for sale

SBA loans held for sale totaled $5.9 million $8.7 million and $5.2 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. SBA loans held for sale represent the guaranteed portion of SBA loans and are reflected at the lower of aggregate cost or market value. SBA loans held for sale at June 30, 2023 September 30, 2023, consisted of $3.6 million $5.5 million SBA commercial real estate and $2.3 million $3.2 million SBA commercial and industrial loans, respectively. SBA loans held for sale at December 31, 2022, consisted of $3.1 million SBA commercial and industrial loans and $2.1 million SBA commercial real estate, respectively.

Patriot Bank's Digital Payments Group has entered into a Program Management Agreement with a Buyer. Under the agreement, Patriot originates various types of consumer loans that are marketed by the buyer. As of September 30, 2023, the Bank had credit card loans held for sale totaling $13.2 million. The credit card loans expected to be held for no longer than three days before being sold to the buyer. The credit card receivable are fully cash-secured by deposits at Patriot. The credit card loans are sold to the third party as a whole loan sale transaction, priced at Par, thus there is no servicing asset or gain or loss on sale.

Goodwill

The Company completed its acquisition of Prime Bank in May 2018 and recorded $1.1 million of goodwill after adjustments as of May 10, 2019. No further adjustment to the goodwill was made as of June 30, 2023 September 30, 2023.

The Company did not perform an interim goodwill test for the three and six nine months ended June 30, 2023 September 30, 2023 as no events occurred which would trigger an impairment assessment.

Deferred Taxes

Deferred tax assets were $18.2 million $26.1 million and $15.5 million at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. Deferred tax assets consist predominately of state net operating losses, capitalized costs and allowances for loan losses.

The effective tax benefit rate for the three and six nine months ended June 30, 2023 September 30, 2023 was 27.39% 26.12% and 27.31% 26.37%, respectively, compared to the effective tax provision rate of 27.34% 6.32% and 27.59% 17.69% for the three and six nine months ended June 30, 2022 September 30, 2022, respectively. The Company's effective rates for both periods was affected by state taxes and non-deductible expenses.

Patriot anticipates utilizing the state net operating loss carry forwards to reduce income taxes otherwise payable on future years taxable income.

Patriot evaluates its ability to realize its net deferred tax assets on a quarterly basis. In doing so, management considers all available evidence, both positive and negative, to determine whether it is more likely than not that the deferred tax assets will be realized. In addition, management assesses tax attributes including available tax planning strategies and state net operating loss carry-forwards that do not begin to expire until the year of 2030. No valuation allowance was recorded as of June 30, 2023 September 30, 2023 and December 31, 2022. The Company will continue to evaluate its ability to realize its net deferred tax assets. If future evidence suggests that it is more likely than not that additional deferred tax assets will not be realized, the valuation allowance will be adjusted.

Deposits

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

(In thousands)	*(In thousands)*	**June 30, 2023**	**December 31, 2022**	**Increase/(Decrease) $**	**%**	*(In thousands)*	**September 30, 2023**	**December 31, 2022**	**Increase/(Decrease) $**	**%**
Non-interest bearing:	**Non-interest bearing:**					**Non-interest bearing:**				
Non-interest bearing	Non-interest bearing	$ 104,413	$ 118,541	$ (14,128)	-11.92 %	Non-interest bearing	$ 95,185	$ 118,541	$ (23,356)	-19.70 %
Prepaid DDA		23,404	151,095	(127,691)	-84.51 %					
Digital payments DDA						Digital payments DDA	40,916	151,095	(110,179)	-72.92 %
Total non-interest bearing	Total non-interest bearing	127,817	269,636	(141,819)	-52.60 %	Total non-interest bearing	136,101	269,636	(133,535)	-49.52 %
Interest bearing:	**Interest bearing:**					**Interest bearing:**				
Negotiable order of withdrawal accounts	Negotiable order of withdrawal accounts	37,970	34,440	3,530	10.25 %	Negotiable order of withdrawal accounts	38,952	34,440	4,512	13.10 %
Savings	Savings	50,981	71,002	(20,021)	-28.20 %	Savings	49,004	71,002	(21,998)	-30.98 %
Money market	Money market	163,982	164,827	(845)	-0.51 %	Money market	188,521	164,827	23,694	14.38 %
Money market - prepaid deposits		134,735	46,173	88,562	191.80 %					
Money market - Digital Payments						Money market - Digital Payments	136,564	46,173	90,391	195.77 %
Certificates of deposit, less than $250,000	Certificates of deposit, less than $250,000	182,680	165,793	16,887	10.19 %	Certificates of deposit, less than $250,000	172,294	165,793	6,501	3.92 %
Certificates of deposit, $250,000 or greater	Certificates of deposit, $250,000 or greater	56,088	59,877	(3,789)	-6.33 %	Certificates of deposit, $250,000 or greater	63,122	59,877	3,245	5.42 %
Brokered deposits	Brokered deposits	109,126	48,698	60,428	124.09 %	Brokered deposits	52,465	48,698	3,767	7.74 %

Total Interest bearing	Total Interest bearing	735,562	590,810	144,752	24.50 %	Total Interest bearing	700,922	590,810	110,112	18.64 %
Total Deposits	**Total Deposits**	$ 863,379	$ 860,446	$ 2,933	0.34 %	**Total Deposits**	$ 837,023	$ 860,446	$ (23,423)	-2.72 %
Total Prepaid deposits		$ 158,139	$ 197,268	$ (39,129)	-19.84 %					
Total Digital Payments						Total Digital Payments	$ 179,995	$ 197,268	$ (17,273)	-8.76 %
Total deposits excluding Prepaid deposits	**Total deposits excluding Prepaid deposits**	$ 705,240	$ 663,178	$ 42,062	6.34 %	**Total deposits excluding Prepaid deposits**	$ 657,028	$ 663,178	$ (6,150)	-0.93 %
Total uninsured deposits	Total uninsured deposits	$ 285,752	$ 343,980	$ (58,228)	-16.93 %	Total uninsured deposits	$ 297,612	$ 343,980	$ (46,368)	-13.48 %
Uninsured deposits to total deposits	Uninsured deposits to total deposits	33.10 %	39.98 %			Uninsured deposits to total deposits	35.56 %	39.98 %		
Uninsured deposits to total deposits excluding prepaid deposits		17.71 %	22.35 %							
Uninsured deposits to total deposits excluding Digital Payments deposits						Uninsured deposits to total deposits excluding Digital Payments deposits	17.53 %	22.35 %		

Borrowings

Total borrowings were $237.1 $245.1 million and $115.2 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively. Borrowings consist primarily of FHLB advances, senior notes, subordinated notes, junior subordinated debentures and a note payable. The senior notes, subordinated notes and junior subordinated debentures contain affirmative covenants that require the Company to maintain its and its subsidiaries' legal entity and tax status, pay its income tax obligations on a timely basis, and comply with SEC and FDIC reporting requirements.

Federal Home Loan Bank borrowings

The Company is a member of the Federal Home Loan Bank of Boston ("FHLB-B"). Borrowings from the FHLB-B are limited to a percentage of the value of qualified collateral, as defined on the FHLB-B Statement of Products Policy. Qualified collateral, as defined, primarily consists of mortgage-backed securities and loans receivable that are required to be free and clear of liens and encumbrances, and may not be pledged for any other purposes.

FHLB-B advances are structured to facilitate the Bank's management of its balance sheet and liquidity requirements. Outstanding advances from the FHLB-B increased from $85.0 million at December 31, 2022 to $195.0 $145.0 million at June 30, 2023 September 30, 2023.

At June 30, 2023 September 30, 2023, the FHLB-B advances bore fixed rates of interest ranging from 2.40% to 5.27% 5.53% with maturities ranging from 3 2 days to 1.22 0.96 years, and have a weighted average interest rate of 4.82% 4.89%.

At June 30, 2023 September 30, 2023, collateral for FHLB-B borrowings consisted of a mixture of real estate loans and securities with book value of $369.1 $271.0 million. Remaining unused borrowing capacity under this line totaled $46.3 $30.9 million at June 30, 2023 September 30, 2023.

In addition, Patriot has a $2.0 million revolving line of credit with the FHLB-B. For the three and six nine months ended June 30, 2023 September 30, 2023 and 2022, no funds had been borrowed under the line of credit.

Interest expense incurred for the three and six nine months ended June 30, 2023 September 30, 2023 were $1.7 million $748,000 and $3.0 $3.8 million, respectively. Interest expense incurred for the three and six nine months ended June 30, 2022 September 30, 2022 were $747,000 $806,000 and $1.5 $2.3 million, respectively.

Correspondent Bank - Line of Credit

Patriot has entered into unsecured federal funds sweep and federal funds line of credit facility agreements with certain correspondent banks. Borrowings available under the agreements totaled $17.0 million at both June 30, 2023 September 30, 2023 and December 31, 2022. The purpose of the agreements is to provide a credit facility intended to satisfy overnight federal account balance requirements and to provide for daily settlement of FRB, Automated Clearing House (ACH), and other clearinghouse transactions.

There was no outstanding balance under the agreements at June 30, 2023 September 30, 2023 and December 31, 2022. Interest expense incurred for the three and six nine months ended June 30, 2023 September 30, 2023 was $54,000 $0 and $117,000, respectively, and none for three and six nine months ended June 30, 2022 September 30, 2022.

Other Borrowing

The Federal Reserve Bank of New York ("FRBNY") accepts loan pledges from qualifying depository institutions to secure borrowings from the Discount Window. Patriot has pledged eligible loans as collateral to support its borrowing capacity at the FRBNY. As of June 30, 2023 September 30, 2023, the book value of the pledged loans totaled $18.2 $18.1 million, with a collateral value of $13.0 $12.9 million. A total of $12.0 million was borrowed from the Discount Window under the FRBNY's Borrower-in-Custody ('BIC") program at June 30, 2023 and fully repaid during the nine months ended September 30, 2023. Interest expense incurred for the three and six nine months ended June 30, 2023 September 30, 2023 was $5,000. $43,000 and $48,000, respectively. In 2022, no funds was borrowed under the BIC program, and no interest expense was incurred for the three and six nine months ended June 30, 2022 September 30, 2022.

In addition, during July of 2023, the Bank established a collateralized funding line of $80 million $80.0 million at par value under the Federal Reserve's newly established Bank Term Funding Program. Program ("BTFP"). The program provides additional funding to eligible depository institutions, assuring they can meet the needs of all their depositors. The program serves as an additional source of liquidity against high-quality securities, eliminating the need of an institution to quickly sell those securities in times of stress. The line allows for a fixed rate borrowing at market rates, of for up to one year, with repayment permitted at any time without penalty.

As of September 30, 2023, the collateral value of the pledged securities was $73.1 million. Patriot borrowed a total of $70.0 million under the BTFP program. Interest expense incurred for the three and nine months ended September 30, 2023 was $833,000.

Senior notes

On December 22, 2016, the Company issued $12 million of senior notes ("2016 Senior Notes") bearing interest at 7% per annum. On November 17, 2021, the original maturity date of the 2016 Senior Notes was extended from December 22, 2021 to June 30, 2022.

On June 22, 2022, the Company amended and restated the 2016 Senior Notes. The maturity date of the Senior Notes was further extended to December 31, 2022, and the interest rate increased from (i) 7% to 7.25% from July 1, 2022 until September 30, 2022 and (ii) from 7.25% to 7.50% thereafter. The 2016 Senior Notes was repaid in December 2022.

On December 21, 2022, the Company completed an issuance and sale of $12 million in aggregate principal amount of 8.50% fixed rate senior notes due January 15, 2026 ("2022 Senior Notes"). In connection with the issuance of the 2022 Senior Notes, the Company incurred $347,000 $326,000 of costs, which are being amortized over the term of the 2022 Senior Notes to recognize a constant rate of interest expense. The unamortized debt issuance cost of was deducted from the face amount of the 2022 Senior Notes included in the Consolidated Balance Sheet.

The 2022 Senior Note Purchase Agreement contains certain customary representations, warranties, and covenants made by each of the Company and the Purchasers. The 2022 Senior Notes are not subject to any sinking fund and are not convertible into or exchangeable for any other securities or assets of the Company or any of its subsidiaries. The 2022 Senior Notes are not subject to redemption at the option of the holders. Principal and interest on the 2022 Senior Notes are subject to acceleration only in limited circumstances. The 2022 Senior Notes are an unsecured, unsubordinated obligation and ranks equally in right of payment to all of the Company's existing and future unsecured indebtedness, liabilities and other obligations that are not subordinated in right of payment to the Senior Note, and will be effectively subordinated to any of the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing such indebtedness. The 2022 Senior Notes are the obligations of the Company only and are not obligations of, and are not guaranteed by, any of the Company's affiliates. At June 30, 2023 September 30, 2023 and December 31, 2022, $347,000 $312,000 and $360,000 of unamortized debt issuance costs were deducted from the face amount of the 2022 Subordinated Notes included in the Consolidated Balance Sheet, respectively.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized interest expense of $289,000 $290,000 and $579,000, $869,000, respectively. Interest expense incurred for the three and six nine months ended June 30, 2022 September 30, 2022 was $210,000 $218,000 and $420,000, $638,000, respectively.

Subordinated notes

On June 29, 2018, the Company entered into certain subordinated note purchase agreements with two institutional accredited investors and completed a private placement of $10 million of fixed-to-floating rate subordinated notes with the maturity date of September 30, 2028 (the "Subordinated Notes") pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder.

The Subordinated Notes initially bears interest at 6.25% per annum, from and including June 29, 2018, to but excluding, June 30, 2023, payable semi-annually in arrears. From and including June 30, 2023, until but excluding June 30, 2028 or an early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month LIBOR (but not less than zero) plus 332.5 basis points, payable quarterly in arrears. The Company may, at its option, beginning on June 30, 2023 and on any scheduled interest payment date thereafter, redeem the Subordinated Notes.

In connection with the issuance of the Subordinated Notes, the Company incurred $291,000 of debt issuance costs, which are being amortized over the term of the Subordinated Notes to recognize a constant rate of interest expense. At June 30, 2023 September 30, 2023 and December 31, 2022, $146,000 $138,000 and $160,000 of unamortized debt issuance costs were deducted from the face amount of the Subordinated Notes included in the consolidated balance sheet, respectively.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized interest expense of $164,000 $229,000 and $327,000, $556,000, respectively. Interest expense incurred for the three and six nine months ended June 30, 2022 September 30, 2022 was $165,000 $163,000 and $328,000, $491,000, respectively.

Junior subordinated debt owed to unconsolidated trust

In 2003, the Patriot National Statutory Trust I ("the Trust"), which has no independent assets and is wholly-owned by the Company, issued $8.0 million of trust preferred securities. The proceeds, net of a $240,000 placement fee, were invested in junior subordinated debentures issued by the Company, which invested the proceeds in the Bank. The Bank used the proceeds to fund its operations.

Trust preferred securities currently qualify for up to 25% of the Company's Tier I Capital, with the excess qualifying as Tier 2 Capital.

The junior subordinated debentures are unsecured obligations of the Company. The debentures are subordinate and junior in right of payment to all present and future senior indebtedness of the Company. In addition to its obligations under the junior subordinated debentures and in conjunction with the Trust, the Company issued an unconditional guarantee of the trust preferred securities.

The junior subordinated debentures bear interest at three-month LIBOR plus 3.15% and mature on March 26, 2033, at which time the principal amount borrowed will be due. The placement fee of $240,000 is amortized and included as a component of the periodic interest expense on the junior subordinated debentures, in order to produce a constant rate of interest expense. As of June 30, 2023 September 30, 2023 and December 31, 2022, the unamortized placement fee deducted from the face amount of the junior subordinated debt owed to the unconsolidated trust amounted to $116,000 $113,000 and $120,000, respectively, and accrued interest on the junior subordinated debentures was $10,000 and $9,000, respectively.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized interest expense of $169,000 $180,000 and 332,000, $512,000, respectively. Interest expense incurred for the three and six nine months ended June 30, 2022 September 30, 2022 was $86,000 $113,000 and $157,000, $270,000, respectively.

At its option, exercisable on a quarterly basis, the Company may redeem the junior subordinated debentures from the Trust, which would then redeem the trust preferred securities.

Note Payable

In September 2015, the Bank purchased the property in which its Fairfield, Connecticut branch is located for approximately $2.0 million, a property it had been leasing until that date. The purchase price was primarily satisfied by issuing the seller a $2.0 million, nine-year, promissory note bearing interest at a fixed rate of 1.75% per annum. As of June 30, 2023 September 30, 2023 and December 31, 2022, the note had a balance outstanding of $481,000 $429,000 and $585,000, respectively. The note matures in August 2024 and requires a balloon payment of approximately $234,000 at that time. The note is secured by a first Mortgage Deed and Security Agreement on the purchased property.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company recognized interest expense of $3,000 $2,000 and $5,000, $7,000, respectively. Interest expense incurred for the three and six nine months ended June 30, 2022 September 30, 2022 was $2,000 $3,000 and $6,000, $9,000, respectively.

Derivatives

As of June 30, 2023, Patriot entered into four interest rate swaps ("swaps"). Two swaps are with a loan customer to provide a facility to mitigate the fluctuations in the variable rate on the respective loan. The other two swaps are with an outside third party. The customer interest rate swaps are matched in offsetting terms to the third party interest rate swaps. The swaps are reported at fair value in other assets or other liabilities on the consolidated balance sheets. Patriot's swaps are derivatives, but are not designated as hedging instruments, thus any net gain or loss resulting from changes in the fair value is recognized in other noninterest income. The Company recognized no gain on the swaps for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

Further discussion of the fair value of derivatives is set forth in Note 8 to the consolidated financial statements.

Equity

Equity decreased $7.1 million $19.6 million, from $59.6 million at December 31, 2022 to $52.4 million $40.0 million at June 30, 2023 September 30, 2023, primarily due to a cumulative adjustment to the opening balance of accumulated deficit of $6.2 million $11.5 million upon adoption of CECL effective January 1, 2023, a net loss of $599,000 $5.1 million for the six nine months ended June 30, 2023 September 30, 2023, and a net unrealized holding loss for investment portfolio of $394,000. $3.1 million.

Off-Balance Sheet Commitments

The Company's off-balance sheet commitments primarily consist of commitments to lend of $131.7 million $134.5 million and $154.3 million as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

Average Balances

The following tables present daily average balance sheets, interest income, interest expense and the corresponding yields earned and rates paid for the three and six nine months ended June 30, 2023 September 30, 2023 and 2022:

(In thousands)	*(In thousands)*	**Three Months Ended June 30,**						*(In thousands)*	**Three Months Ended September 30,**				
		June 30, 2023			**June 30, 2022**				**September 30, 2023**			**September 30, 20**	
		Average Balance	**Interest**	**Yield**	**Average Balance**	**Interest**	**Yield**		**Average Balance**	**Interest**	**Yield**	**Average Balance**	**Interest**
ASSETS	**ASSETS**							**ASSETS**					
Interest Earning Assets:	**Interest Earning Assets:**							**Interest Earning Assets:**					
Loans	Loans	$ 916,321	$14,052	6.15 %	$ 819,532	$ 9,044	4.43 %	Loans	$ 921,324	$13,936	6.00 %	$ 877,759	$11,250
Investments	Investments	104,551	858	3.28 %	91,622	575	2.51 %	Investments	99,481	750	3.02 %	94,187	654
Cash equivalents and other	Cash equivalents and other	25,435	399	6.29 %	34,862	68	0.78 %	Cash equivalents and other	25,038	384	6.08 %	25,364	135
Total interest earning assets	**Total interest earning assets**	1,046,307	15,309	5.87 %	946,016	9,687	4.11 %	**Total interest earning assets**	1,045,843	15,070	5.72 %	997,310	12,039
Cash and due from banks	Cash and due from banks	2,348			6,904			Cash and due from banks	2,619			6,891	
Allowance for loan losses	Allowance for loan losses	(16,605)			(9,695)			Allowance for loan losses	(22,611)			(9,862)	
Other assets	Other assets	65,520			67,246			Other assets	68,311			65,963	
Total Assets	**Total Assets**	$1,097,570			$1,010,471			**Total Assets**	$1,094,162			$1,060,302	
Liabilities	**Liabilities**							**Liabilities**					
Interest bearing liabilities:	**Interest bearing liabilities:**							**Interest bearing liabilities:**					
Deposits	Deposits	$ 721,917	$ 5,248	2.92 %	$ 576,310	$ 757	0.53 %	Deposits	$ 742,683	$ 6,220	3.32 %	$ 601,039	$ 1,493
Borrowings	Borrowings	147,374	1,723	4.69 %	91,868	747	3.26 %	Borrowings	135,175	1,624	4.77 %	99,565	806
Senior notes	Senior notes	11,631	289	9.94 %	12,000	210	7.00 %	Senior notes	11,666	290	9.94 %	12,000	218
Subordinated debt	Subordinated debt	17,980	333	7.43 %	17,942	251	5.61 %	Subordinated debt	17,990	409	9.02 %	17,952	276
Note Payable and other	Note Payable and other	496	3	2.43 %	703	2	1.14 %	Note Payable and other	444	2	1.79 %	652	3
Total interest bearing liabilities	**Total interest bearing liabilities**	899,398	7,596	3.39 %	698,823	1,967	1.13 %	**Total interest bearing liabilities**	907,958	8,545	3.73 %	731,208	2,796
Demand deposits	Demand deposits	136,975			239,082			Demand deposits	131,664			258,508	
Other liabilities	Other liabilities	5,470			10,707			Other liabilities	8,184			9,056	
Total Liabilities	**Total Liabilities**	1,041,843			948,612			**Total Liabilities**	1,047,806			998,772	
Shareholders' equity	**Shareholders' equity**	55,727			61,859			**Shareholders' equity**	46,356			61,530	

Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	$1,097,570			$1,010,471			Total Liabilities and Shareholders' Equity	$1,094,162			$1,060,302		
Net interest income	Net interest income		$ 7,713			$ 7,720		Net interest income		$ 6,525			$ 9,243	
Interest margin	Interest margin			2.96 %			3.27 %	Interest margin			2.48 %			
Interest spread	Interest spread			2.48 %			2.98 %	Interest spread			1.99 %			

(In thousands)	*(In thousands)*	Six Months Ended June 30,						*(In thousands)*	Nine Months Ended September 30,					
		2023			2022				2023			2022		
		Average Balance	Interest	Yield	Average Balance	Interest	Yield		Average Balance	Interest	Yield	Average Balance	Interest	Yield
ASSETS	**ASSETS**							**ASSETS**						
Interest Earning Assets:	**Interest Earning Assets:**							**Interest Earning Assets:**						
Loans	Loans	$ 888,461	$ 26,602	6.04 %	$ 784,091	$ 16,708	4.30 %	Loans	$ 899,536	$ 40,538	6.03 %	$ 815,657	$ 27,958	4.58 %
Investments	Investments	102,139	1,673	3.28 %	97,441	1,210	2.48 %	Investments	101,243	2,423	3.19 %	96,345	1,864	2.58 %
Cash equivalents and other	Cash equivalents and other	26,518	680	5.17 %	37,282	89	0.48 %	Cash equivalents and other	26,019	1,064	5.47 %	33,265	224	0.90 %
Total interest earning assets	**Total interest earning assets**	1,017,118	28,955	5.74 %	918,814	18,007	3.95 %	**Total interest earning assets**	1,026,798	44,025	5.73 %	945,267	30,046	4.25 %
Cash and due from banks	Cash and due from banks	3,856			7,584			Cash and due from banks	3,439			6,371		
Allowance for loan losses	Allowance for loan losses	(16,818)			(9,788)			Allowance for loan losses	(22,958)			(9,813)		
Other assets	Other assets	67,028			67,880			Other assets	68,836			68,213		
Total Assets	**Total Assets**	$ 1,071,184			$ 984,490			**Total Assets**	$ 1,076,115			$ 1,010,038		
Liabilities	**Liabilities**							**Liabilities**						
Interest bearing liabilities:	**Interest bearing liabilities:**							**Interest bearing liabilities:**						
Deposits	Deposits	$ 673,440	8,827	2.64 %	$ 552,734	1,166	0.43 %	Deposits	$ 696,776	15,047	2.89 %	$ 569,013	2,659	0.62 %
Borrowings	Borrowings	142,215	3,159	4.48 %	93,542	1,484	3.20 %	Borrowings	119,074	4,783	5.37 %	95,572	2,290	3.20 %
Senior notes	Senior notes	11,625	579	9.96 %	12,000	420	7.00 %	Senior notes	11,639	869	9.96 %	12,000	638	7.09 %
Subordinated debt	Subordinated debt	17,976	659	7.39 %	17,938	485	5.45 %	Subordinated debt	17,980	1,068	7.94 %	17,942	761	5.67 %
Note Payable and other	Note Payable and other	522	5	1.93 %	730	6	1.66 %	Note Payable and other	496	7	1.89 %	703	9	1.71 %
Total interest bearing liabilities	**Total interest bearing liabilities**	845,778	13,229	3.15 %	676,944	3,561	1.06 %	**Total interest bearing liabilities**	845,965	21,774	3.44 %	695,230	6,357	1.22 %

Demand deposits	Demand deposits	163,844		233,111		Demand deposits	153,000		241,670	
Other liabilities	Other liabilities	6,142		10,305		Other liabilities	28,529		9,885	
Total Liabilities	**Total Liabilities**	1,015,764		920,360		**Total Liabilities**	1,027,494		946,785	
Shareholders' equity	**Shareholders' equity**	55,420		64,130		**Shareholders' equity**	48,621		63,253	
Total Liabilities and Shareholders' Equity	**Total Liabilities and Shareholders' Equity**	$ 1,071,184		$ 984,490		**Total Liabilities and Shareholders' Equity**	$ 1,076,115		$ 1,010,038	
Net interest income	**Net interest income**		$ 15,726		$ 14,446	**Net interest income**		$ 22,251		$ 23,689
Interest margin	**Interest margin**		3.12 %		3.17 %	**Interest margin**		2.90 %		3.35 %
Interest spread	**Interest spread**		2.59 %		2.89 %	**Interest spread**		2.29 %		3.03 %

The following table presents the change in interest-earning assets and interest-bearing liabilities by major category and the related change in the interest income earned and interest expense incurred thereon attributable to the change in transactional volume in the financial instruments and the rates of interest applicable thereto, comparing the three and six nine months ended June 30, 2023 September 30, 2023 and 2022.

		Three Months Ended June 30, 2023 compared to 2022			**Six Months Ended June 30, 2023 compared to 2022**				**Three Months Ended September 30, 2023 compared to 2022**			**Nine Months Ended September 30, 2023 compared to 2022**		
(In thousands)	*(In thousands)*	**Increase/(Decrease)**			**Increase/(Decrease)**			*(In thousands)*	**Increase/(Decrease)**			**Increase/(Decrease)**		
		Volume	**Rate**	**Total**	**Volume**	**Rate**	**Total**		**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Earning Assets:	**Interest Earning Assets:**							**Interest Earning Assets:**						
Loans	Loans	$ 1,282	$ 3,726	$ 5,008	$ 2,738	$ 7,156	$ 9,894	Loans	$ 602	$ 2,084	$ 2,686	$ 3,567	$ 9,013	$ 12,580
Investments	Investments	86	197	283	67	396	463	Investments	23	73	96	99	460	559
Cash equivalents and other	Cash equivalents and other	(18)	349	331	(26)	617	591	Cash equivalents and other	(2)	251	249	(49)	889	840
Total interest earning assets	**Total interest earning assets**	1,350	4,272	5,622	2,779	8,169	10,948	**Total interest earning assets**	623	2,408	3,031	3,617	10,362	13,979
Interest bearing liabilities:	**Interest bearing liabilities:**							**Interest bearing liabilities:**						
Deposit	Deposit	379	4,112	4,491	542	7,119	7,661	Deposit	441	4,286	4,727	973	11,415	12,388
Borrowings	Borrowings	432	544	976	704	971	1,675	Borrowings	289	529	818	496	1,997	2,493
Senior notes	Senior notes	(7)	86	79	(13)	172	159	Senior notes	(6)	78	72	(21)	252	231
Subordinated debt	Subordinated debt	—	82	82	—	174	174	Subordinated debt	—	133	133	—	307	307
Note payable and other	Note payable and other	1	—	1	(1)	—	(1)	Note payable and other	(1)	—	(1)	(2)	—	(2)
Total interest bearing liabilities	**Total interest bearing liabilities**	805	4,824	5,629	1,232	8,436	9,668	**Total interest bearing liabilities**	723	5,026	5,749	1,446	13,971	15,417

Net interest income	Net interest income	$ 545	$ (552)	$ (7)	$ 1,547	$ (267)	$ 1,280	Net interest income	$ (100)	$ (2,618)	$ (2,718)	$ 2,171	$ (3,609)	$ (1,438)

Results of Operations

For the three months ended June 30, 2023 September 30, 2023, interest income and dividend income was $15.3 $15.1 million, which increased $5.6 million $3.0 million as compared to $9.7 $12.0 million for the quarter ended June 30, 2022 September 30, 2022. Total interest expense was $7.6 $8.5 million for the three months ended June 30, 2023 September 30, 2023, which increased $5.6 $5.7 million as compared to $2.0 $2.8 million for the quarter ended June 30, 2022 September 30, 2022. Net interest income was $7.7 million $6.5 million for the quarter ended June 30, 2023 September 30, 2023, which was unchanged decreased $2.7 million from net interest income of $7.7 million $9.2 million for the quarter ended June 30, 2022 September 30, 2022 to $6.5 million for the quarter ended September 30, 2023 .

For the six nine months ended June 30, 2023 September 30, 2023, interest income and dividend income was $29.0 $44.0 million, which increased $10.9 $14.0 million as compared to $18.0 $30.0 million for the six nine months ended June 30, 2022 September 30, 2022. Total interest expense was $13.2 $21.8 million, which increased $9.7 $15.4 million as compared to $3.6 $6.4 million for the six nine months ended June 30, 2022 September 30, 2022. Net interest income was $15.7 $22.3 million for the six nine months ended June 30, 2023 September 30, 2023, which increased $1.3 decreased $1.4 million from $14.4 $23.7 million for the six nine months ended June 30, 2022 September 30, 2022.

The net interest margin was 2.96% 2.48% for the quarter ended June 30, 2023 September 30, 2023, compared with 3.27% 3.68% for the quarter June 30, 2022 September 30, 2022. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, the net interest margin was 3.12% 2.90% and 3.17% 3.35%, respectively. The decline in interest margins for the three and six nine months ended June 30, 2023 September 30, 2023 compared to the same periods in 2022, was primarily associated with an increase in the cost of deposits and other borrowings due to the significant rise in market interest rates. rates, only partially mitigated by the rise in variable rate interest earning assets.

Provision for Credit Losses

Beginning January 1, 2023, the Company adopted the CECL accounting standard. Provision for credit losses for the three and six nine months ended June 30, 2023 September 30, 2023, amounted to $1.2 $4.7 million and $2.6 $8.2 million. This encompassed a provision for credit losses on loans of $1.4 $4.8 million and $3.2 $9.6 million, respectively, which was partially offset by a credit reserve of $216,000 and $618,000, respectively, for the off-balance-sheet exposure. exposure of $112,000 and $1.4 million, respectively. For the three and six nine months ended June 30, 2022 September 30, 2022, a loan loss provision of $275,000 $200,000 and $475,000, respectively,was recorded, with no recorded reserve for the off-balance-sheet exposure.

The increase in the provision for credit losses for the quarter ended September 30, 2023 was primarily due to an additional reserve of $4.0 million associated with a single loan balance while the higher provisions in the year to date period also included additional charges associated with the unsecured consumer loan and SBA portfolios.

Non-interest income

Non-interest income for the three months ended June 30, 2023 September 30, 2023 was $829,000, $1.2 million, compared to $798,000 $654,000 for the three months ended June 30, 2022 September 30, 2022. For the six nine months ended June 30, 2023 September 30, 2023 and 2022, non-interest income was $1.7 $2.8 million and $1.6 $2.3 million, respectively. The increase was primarily attributable to higher non-interest income from the prepaid card digital payments program in 2023.

Non-interest expense

Non-interest expense for the three months ended June 30, 2023 September 30, 2023 increased to $8.1 million, compared to $6.5 $7.2 million for the three months ended June 30, 2022 September 30, 2022. Non-interest expense for the six nine months ended June 30, 2023 September 30, 2023 was $15.6 $23.8 million, compared to $12.9 $20.1 million for the six nine months ended June 30, 2022 September 30, 2022. The increase in the first half nine months of 2023 was primarily due to increase in salaries and benefits due to staffing increases needed to support continuing business initiatives.

Provision for income taxes

The Company reported a benefit for income taxes of $206,000 $1.3 million and $225,000 $1.8 million for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to a provision for income taxes of $476,000 $157,000 and $787,000 $944,000 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

Liquidity

The Company's balance sheet liquidity was 8.4% 10.6% of total assets at June 30, 2023 September 30, 2023, compared to 9.3% at December 31, 2022. Liquidity including readily available off-balance sheet funding sources was 13.2% 17.1% of total assets at June 30, 2023 September 30, 2023, compared to 18.0% at December 31, 2022. The readily available liquidity ratio remained well above the Company's 10% policy minimum.

The following categories of assets are considered balance sheet liquidity: cash and due from banks, federal funds sold (if any), short-term investments (if any), loans held for sale, and unpledged available-for-sale securities. In addition, off balance sheet funding sources include collateral-based borrowing available from the FHLB, correspondent bank borrowing lines, and brokered deposits subject to internal limitations.

Liquidity is a measure of the Company's ability to generate adequate cash to meet its financial obligations. The principal cash requirements of a financial institution are to cover downward fluctuations in deposit accounts. Management believes the Company's liquid assets provide sufficient coverage to satisfy loan demand, cover potential fluctuations in deposit accounts, and to meet other anticipated operational cash requirements.

Management manages its capital resources by seeking to maintain a capital structure that will ensure an adequate level of capital to support anticipated asset growth and absorb potential losses while effectively leveraging capital to enhance profitability and return to shareholders. Dividends have not been paid to shareholders since 2020 but may resume in future periods.

The primary source of liquidity at the Company is returns of capital from the Bank. These capital returns are subject to OCC approval and are needed periodically to provide funds needed to service debt payments at the Company.

Capital

In September 2019, the community bank leverage ratio (CBLR) framework was jointly issued by the FDIC, OCC and FRB. The final rule gives qualifying community banks the option to use a simplified measure of capital adequacy instead of risk-based capital, beginning with their March 31, 2020 Call Report. Under the final rule a community bank may qualify for the CBLR framework if it has a Tier 1 leverage ratio of greater than 9%, less than $10 billion in total consolidated assets, and limited amounts of off-balance sheet exposures and trading assets and liabilities. In September 2021, the Bank adopted the CBLR framework.

The Bank's Tier 1 leverage ratio as of June 30, 2023 September 30, 2023 and December 31, 2022 was 8.70% 8.34% and 9.27%, respectively. The bank continues to be classified as "well capitalized" under the CBLR framework as the leverage ratio remains above 8% and the Bank has elected to use the two-quarter grace period provided under the framework. Per the CBLR framework, at the conclusion of the grace period (December 31, 2023), it is the bank's intention to either meet all qualifying criteria to remain in the CBLR framework, or to comply with the generally applicable BASEL III capital rules and the associated reporting requirements. Management continuously assesses the adequacy of the Bank's capital with the goal to maintain a "well capitalized" classification.

Impact of Inflation and Changing Prices

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

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Market risk is defined as the sensitivity of income to fluctuations in interest rates, foreign exchange rates, equity prices, commodity prices and other market-driven rates or prices. The Company's market risk is primarily limited to interest rate risk.

The Company's goal is to maximize long term profitability while minimizing its exposure to interest rate fluctuations. The first priority is to structure and price the Company's assets and liabilities to maintain an acceptable interest rate spread while reducing the net effect of changes in interest rates. In order to accomplish this, the focus is on maintaining a proper balance between the timing and volume of assets and liabilities re-pricing within the balance sheet. One method of achieving this balance is to originate variable rate loans for the portfolio and purchase short-term investments to offset the increasing short-term re-pricing of the liability side of the balance sheet. In fact, a number of the interest-bearing deposit products have no contractual maturity. Therefore, deposit balances may run off unexpectedly due to changing market conditions. Additionally, loans and investments with longer term rate adjustment frequencies can be matched against longer term deposits and borrowings to lock in a desirable spread.

The exposure to interest rate risk is monitored by the Management Asset and Liability Committee consisting of senior management personnel. The Committee reviews the interrelationships within the balance sheet to maximize net interest income within acceptable levels of risk. This Committee reports to the Board of Directors. In addition to the Management Asset and Liability Committee, there is a Board Asset and Liability Committee ("ALCO"), which meets quarterly. ALCO monitors the interest rate risk analyses, reviews investment transactions during the period and determines compliance with the Company's Investment, ALCO and Liquidity policies.

Management analyzes the Company's interest rate sensitivity position to manage the risk associated with interest rate movements through the use of interest income simulation and gap analysis. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest sensitive." An asset or liability is said to be interest sensitive within a specific time period if it will mature or reprice within that time period.

Management's goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income. Interest income simulations are completed quarterly and presented to ALCO. The simulations provide an estimate of the impact of changes in interest rates on net interest income under a range of assumptions.

Changes to these assumptions can significantly affect the results of the simulations. The simulation incorporates assumptions regarding the potential timing in the repricing of certain assets and liabilities when market rates change and the changes in spreads between different market rates.

Simulation analysis is only an estimate of the Company's interest rate risk exposure at a particular point in time. Management regularly reviews the potential effect changes in interest rates could have on the repayment of rate-sensitive assets and funding requirements of rate-sensitive liabilities.

The tables below set forth examples of changes in estimated net interest income and the estimated net portfolio value based on projected scenarios of interest rate increases and decreases. The analyses indicate the rate risk embedded in the Company's portfolio at the dates indicated should all interest rates instantaneously rise or fall. The results of these changes are added to or subtracted from the base case; however, there are certain limitations to these types of analyses. Rate changes are rarely instantaneous and these analyses may therefore overstate the impact of short-term repricings. In certain low interest rate environments, the calculated effects of the 100 and 200 basis point downward shocks cannot absolutely reflect the risk to earnings and equity, since the interest rates on certain balance sheet items have approached their minimums. Therefore, it is not possible for the analyses to fully measure the true impact of these downward shocks.

		Net Portfolio Value - Performance Summary							Net Portfolio Value - Performance Summary					
(In thousands)	*(In thousands)*	June 30, 2023			As of December 31, 2022			*(In thousands)*	September 30, 2023			As of December 31, 2022		
Projected Interest Rate Scenario	**Projected Interest Rate Scenario**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**	**Projected Interest Rate Scenario**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**
+200	+200	$ 113,674	$ (16,044)	(12.37) %	$ 146,888	$ (15,357)	(9.47) %	+200	$ 119,960	$ (9,328)	(7.21) %	$ 146,888	$ (15,357)	(9.47) %
+100	+100	123,876	(5,842)	(4.50) %	157,368	(4,877)	(3.01) %	+100	126,682	(2,606)	(2.02) %	157,368	(4,877)	(3.01) %
BASE	BASE	129,718	—	—	162,245	—	—	BASE	129,288	—	—	162,245	—	—
-100	-100	133,459	3,741	2.88 %	163,472	1,227	0.76 %	-100	130,137	849	0.66 %	163,472	1,227	0.76 %
-200	-200	128,069	(1,649)	(1.27) %	155,386	(6,859)	(4.23) %	-200	121,850	(7,438)	(5.75) %	155,386	(6,859)	(4.23) %

		Net Interest Income - Performance Summary							Net Interest Income - Performance Summary					
(In thousands)	*(In thousands)*	June 30, 2023			December 31, 2022			*(In thousands)*	September 30, 2023			December 31, 2022		
Projected Interest Rate Scenario	**Projected Interest Rate Scenario**	**Estimated Value**	**Change from Base**	**Change from Base (%)**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**	**Projected Interest Rate Scenario**	**Estimated Value**	**Change from Base**	**Change from Base (%)**	**Estimated Value**	**Change from Base ($)**	**Change from Base (%)**
+200	+200	$ 41,089	$ (1,869)	(4.35) %	$ 46,131	$ (1,177)	(2.49) %	+200	$ 41,813	$ 1,243	3.06 %	$ 46,131	$ (1,177)	(2.49) %
+100	+100	42,150	(808)	(1.88) %	46,938	(370)	(0.78) %	+100	41,339	769	1.90 %	46,938	(370)	(0.78) %
BASE	BASE	42,958	—	—	47,308	—	—	BASE	40,570	—	—	47,308	—	—
-100	-100	43,957	999	2.33 %	47,657	349	0.74 %	-100	39,856	(714)	(1.76) %	47,657	349	0.74 %
-200	-200	45,082	2,124	4.94 %	46,747	(561)	(1.19) %	-200	39,198	(1,372)	(3.38) %	46,747	(561)	(1.19) %

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Patriot maintains disclosure controls and procedures that are designed to provide reasonable assurance that information that is required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and accumulated and communicated to management in a timely fashion.

Patriot's management, with the participation of its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation, as of the end of the period covered by this report, of the effectiveness of its disclosure controls and procedures, as such term is defined in Exchange Act Rule 13a-15(e). Based on In connection with this self- evaluation, management references the accounting error which resulted in the restatement of the previously filed March 31, 2023 and June 30, 2023 10Q's and the related 10Q-A's for those reporting periods. Management has since reviewed and improved its controls over the recognition of the ACL, but due to the restatements, Patriot's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, Patriot's disclosure controls and procedures were not operating effectively in those periods and for the quarter ended September 30, 2023. This assessment will be re-evaluated as defined of December 31, 2023 in Rule 13a-15(e), were effective at connection with the reasonable assurance level. Company's filing of the Annual Report on Form 10-K for the year so ending as the passage of additional time period is necessary to reassess the effectiveness of the disclosure controls and procedures.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting during the Company's fiscal quarter ended June 30, 2023 September 30, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. In addition, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and/or procedures may deteriorate.

PART II - OTHER INFORMATION

Item 1: Legal Proceedings

Patriot does not have any pending legal proceedings, other than ordinary routine litigation, incidental to its business, to which Patriot is a party or any of its property is subject. Management is of the opinion that the ultimate disposition of these routine legal matters will not have a material adverse effect on the consolidated financial condition, results of operations, or liquidity of Patriot.

Item 5: Other Information

On August 8, 2023, the Company and the Bank entered into a Retention and Severance Agreement (the "Agreement") with Joseph Perillo, the Executive Vice President and Chief Financial Officer of the Company and the Bank, in exchange for Mr. Perillo's ongoing services to the Company and the Bank, and for providing an orderly transition at the time of Mr. Perillo's retirement in the future. Pursuant to the Agreement, Mr. Perillo will be eligible to receive certain additional compensation including: (i) a payment in the amount of $340,000 (the "Retention Payment"); (ii) an option to convert up to $140,000 of the Retention Payment into restricted stock under the Company's Amended and Restated 2020 Restricted Stock Award Plan, subject to a vesting schedule; and (iii) a payment of the full medical insurance premium under COBRA for up to 12 months after Mr. Perillo's final day of employment (collectively, the "Additional Compensation").

The Additional Compensation is subject to certain conditions and restrictions provided under the Agreement, including that Mr. Perillo provides not less than six months' advance written notice of his retirement, which shall not be tendered prior to January 31, 2024.

The preceding description of the Agreement does not purport to be complete and is qualified in its entirety by reference to the Agreement, a form of which is filed herewith as Exhibit 10.1. None.

ITEM 6: Exhibits

The exhibits marked with the section symbol (#) are interactive data files.

No.	Description
3(i)	Certificate of Incorporation of Patriot National Bancorp, Inc. (incorporated by reference to Exhibit 3(i) to the Company's Current Report on Form 8-K filed on December 1, 1999).
3(i)(A)	Certificate of Amendment of Certificate of Incorporation of Patriot National Bancorp, Inc. dated July 16, 2004 (incorporated by reference to Exhibit 3(i)(A) to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004 filed on March 25, 2005).
3(i)(B)	Certificate of Amendment of Certificate of Incorporation of Patriot National Bancorp, Inc. dated June 15, 2006 (incorporated by reference to Exhibit 3(i)(B) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 14, 2006).
3(i) (C)	Certificate of Amendment of Certificate of Incorporation of Patriot National Bancorp Inc. dated October 6, 2010 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 21, 2010)
3(ii)	Amended and Restated By-laws of Patriot National Bancorp, Inc. (incorporated by reference to Exhibit 3(ii) to the Company's Current Report on Form 8-K filed on November 1, 2010)
10.1	Form of Retention and Severance Agreement, dated August 8, 2023, by and between Patriot Bank, N.A., Patriot National Bancorp, Inc. and Joseph Perillo (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 filed on August 10, 2023).
31(1)	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31(2)	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32*	Section 1350 Certifications
101.INS#	Inline XBRL Instance Document
101.SCH#	Inline XBRL Schema Document
101.CAL#	Inline XBRL Calculation Linkbase Document
101.LAB#	Inline XBRL Labels Linkbase Document
101.PRE#	Inline XBRL Presentation Linkbase Document
101.DEF#	Inline XBRL Definition Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL and contained in Exhibit 101)

The exhibits marked with the section symbol (#) are interactive data files.

* The certification is being furnished and shall not be deemed filed.

SIGNATURES

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

Date: August 10, 2023 November 14, 2023

Patriot National Bancorp, Inc. (Registrant)

By: /s/ Joseph D. Perillo
Joseph D. Perillo
Executive Vice President and Chief Financial Officer

By: /s/ David Lowery
David Lowery
President and Chief Executive Officer

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EXHIBIT 10.1

August 8, 2023

Joseph Perillo

Re: Confidential Retention and Severance Agreement

Dear Joe,

As we have discussed with you, as Executive Vice President & Chief Financial Officer ("CFO") of Patriot Bank, N.A. and Patriot National Bancorp, Inc. (collectively, "Patriot"), your commitment, performance, and productivity are important to the Patriot executive team. To express our appreciation and commitment to you for your valuable ongoing service to Patriot, the Compensation Committee of the Board of Directors has approved the terms and conditions in this Confidential Retention and Severance Agreement (this "Agreement").

This Agreement, and the documents described below, summarize the terms and conditions of additional compensation to be awarded to you in exchange for you providing ongoing services to Patriot and for providing an orderly transition of your CFO role at your time of planned retirement. In exchange for the additional compensation offered in this Agreement, you agree to continue fulfilling your current duties and responsibilities throughout your remaining employment in your role as CFO of Patriot and to effectuate an orderly transition at the time when you decide to retire, which includes you doing the following through your final employment date:

- Continuing to dedicate your time and commitment on a full-time basis as CFO of Patriot, consistent with your historical practice;
- Using your best efforts to perform your CFO duties and responsibilities at the same level of performance, at your usual work schedule, and usual work location, consistent with your historical practice;
- Refraining from seeking employment, consulting, or providing services (paid or unpaid) to any entity other than Patriot (excepting volunteer and charitable activities); and
- Upon submitting your Retirement Notice (defined below), working actively with Patriot's management and the Board to recruit, hire, and effectively transition your
CFO duties and responsibilities to an acceptable CFO for Patriot to succeed your position.

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Provided that you fulfill the responsibilities summarized above, you provide not less than six months' advance written notice of your retirement, whereby such notice shall not be tendered prior to January 31, 2024 (your "Retirement Notice"), and you sign the documents referenced below, you will be eligible to receive the following additional compensation:

- A payment in the amount of $340,000, minus applicable withholdings and taxes (the "Retention Payment"), payable in a lump sum within ten (10) business days following the sooner of: (i) your final day of employment with Patriot; or (ii) the closing of a Change-in-Control event. This payment is subject to and contingent on your receipt, proper execution, non-revocation, and return delivery of the Separation Agreement.

- At any time during the period between Patriot's receipt of your Retirement Notice and your final day of employment, which shall not be not less than six months unless mutually agreed to in writing by you and Patriot (the "Notice Period"), and provided that Patriot National Bancorp, Inc. is: (i) outside of an SEC blackout period; or (ii) not restricted from issuing stock to insiders for any reason, you may elect, by providing written notice to Patriot (the "Conversion Notice") to convert up to $140,000 of your Retention Payment to a Restricted Stock grant. The number of shares of the Restricted Stock grant shall equal the portion of your Retention Bonus that you request to convert, divided by the average closing market price of Patriot's publicly traded stock over the 30-day period preceding Patriot's receipt of your Conversion Notice. Any such Retention Payment amounts that are converted to a Restricted Stock grant shall be deemed a Restricted Stock Award (the "RSA Award") under the Patriot National Bancorp, Inc. Amended and Restated 2020 Restricted Stock Award Plan, which shares shall begin to vest monthly in the amount of 20% per month beginning on the 2nd day of the month following the Board's receipt of your Conversion Notice. In the event of a Change in Control, any unvested RSA Award shares shall immediately vest, and any balance of the Retention Bonus shall be due and payable. The RSA Award is subject to and contingent on your receipt, proper execution, and return delivery of a Patriot National Bancorp, Inc. Restricted Stock Agreement substantially in the form attached hereto as **Exhibit A** and your receipt, proper execution, non-revocation, and return delivery of a Patriot National Bancorp, Inc. Confidential Transition and Separation Agreement (the "Separation Agreement") substantially in the form attached hereto as **Exhibit B**.

- Payment of your full medical insurance premium under COBRA for up to twelve (12) months beginning after your final day of employment, provided that you are eligible for and properly elect COBRA continuation coverage within thirty (30) days after your final day of employment with Patriot, and you do not become eligible for medical insurance at another employer, under your own personal health insurance policy, or through Medicare. The amount of any premiums paid by Patriot for such continuation coverage are not pre-tax and will be included in your gross

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income to the extent the provision of such benefits would be deemed to be discriminatory under Internal Revenue Code Section 105(h). These payments are subject to and contingent on your receipt, proper execution, non-revocation, and return delivery of the Separation Agreement.

Each of the additional compensation items described above shall be forfeited in the event that you are terminated for Cause, you voluntarily resign your employment before your stated retirement date in the Retirement Notice, your death or disability that renders you unable to fulfill your obligations under this Agreement, you do not fulfill your responsibilities throughout the Notice Period, or you do not timely sign and return the above-referenced agreements. Conversely, you will be eligible to receive 100% of the RSA Award shares, the Retention Payment, and the COBRA insurance premiums, in accordance with the above, if your employment is involuntarily terminated by Patriot at any time without Cause. Patriot reserves the right and sole discretion to administer and interpret this Agreement, subject to the terms and conditions of the referenced plan documents. All other terms and conditions will be in accordance with Patriot's policies and procedures.

As used in this Agreement, the term "Change in Control" is defined in the Patriot National Bancorp, Inc. Amended and Restated 2020 Restricted Stock Award Plan. The term "Cause" is defined in the Separation Agreement.

Please acknowledge your understanding of, and acceptance of this Agreement by signing and dating below and then returning a signed copy to me.

Sincerely,

Frederick K. Staudmyer
Executive Vice President &
Chief Administrative Officer

Read and Accepted: ______________________________ Date:___________
Joseph D. Perillo, CFO

CC: M. Carrazza – Chairman
D. Lowery – President & CEO
E. Constantino – Chair Compensation Committee

EXHIBIT 31 (1)

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

I, David Lowery, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David Lowery
David Lowery
(Principal Executive Officer)

August 10, November 14, 2023

EXHIBIT 31 (2)

CERTIFICATION
BY PRINCIPAL FINANCIAL OFFICER

PURSUANT TO RULE 13A-14

I, Joseph D. Perillo, certify that:

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

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

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

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

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

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph D. Perillo
Joseph D. Perillo
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

August 10, November 14, 2023

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Patriot National Bancorp, Inc. (the "*Company*") on Form 10-Q for the period ended June 30, 2023 September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), we, David Lowery and Joseph D. Perillo, the Chief Executive Officer and the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David Lowery

David Lowery
Chief Executive Officer

/s/ Joseph D. Perillo

Joseph D. Perillo
Chief Financial Officer

August 10, November 14, 2023

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission and shall not be considered filed as part of the Report.

DISCLAIMER

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