Risk Factors Comparison 2024-04-01 to 2023-03-29 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Patriot' s financial condition and results of operation are subject to various risks inherent to its business, including those noted below ~~. Risks Related to the Pandemic Although we do not currently expect the effects of COVID- 19 to have material adverse impact on the Company' s business and operations going forward, such expectation may be subject to change depending on future development of the pandemic. The national economy has largely recovered from the COVID- 19 pandemic, as many health and safety restrictions have been lifted and vaccine distribution has increased. Certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist, including labor shortages and disruptions of global supply chains. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has contributed to rising inflationary pressures. Since the inception of the COVID- 19 pandemic governmental authorities enacted regulations, and protocols, including governmental programs to provide economic relief to businesses and individuals. The application of forbearance and payment deferral policies beyond any statutory requirements has had a minimal impact on the Company' s interest income. Although we do not currently expect the COVID- 19 pandemic to have a negative impact on the Company' s operations, the extent to which the consequences of the pandemic may in the future affect the Company' s financial condition, results of operation, and liquidity and capital position will depend on future developments of a number of evolving factors beyond our control, including the severity and duration of any resurgence of COVID- 19 variants, their effects and responsive methods taken by governmental authorities~~ . Risks Related to General Economic and Market Conditions We have been and may continue to be adversely affected by national financial markets and economic conditions, as well as local conditions. Our business and results of operations are affected by the financial markets and general economic conditions in the United States, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under- employment levels, bankruptcies, household income, consumer spending, investor confidence and the strength of the U. S. economy. The deterioration of any of these conditions can adversely affect our securities and loan portfolios, our level of charge- offs and provision for ~~loan~~ **credit** losses, our capital levels, liquidity and our results of operations. In addition, we are affected by the economic conditions within our Connecticut and New York trade areas. Unlike larger banks that are more geographically diversified, the Bank has a total of nine branch offices comprised of eight branch offices located in Fairfield and New Haven Counties, Connecticut and one branch office located in Westchester County, New York. Therefore, any decline in the economy of the Fairfield or New Haven counties of Connecticut or the New York metropolitan area could have an adverse impact on us. Our loans, the ability of borrowers to repay these loans, and the value of collateral securing these loans are impacted by economic conditions. Our financial results, the credit quality of our existing loan portfolio, and the ability to generate new loans with acceptable yield and credit characteristics may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates, adverse employment conditions and the monetary and fiscal policies of the federal government. The Bank' s business is subject to various lending and other economic risks that could adversely impact its results of operations and financial condition. The Company is exposed to changes in economic conditions and general downturns in the U. S. economy, and particularly an economic slowdown in the Fairfield or New Haven counties of Connecticut and the New York metropolitan area could result in the following consequences, any of which may have a material detrimental effect on the Bank' s business: • Increases in:- Loan delinquencies;- Problem assets and foreclosures; or • Decreases in:- Demand for the Bank' s products and services;- Customer borrowing power that is caused by declines in the value of assets and / or collateral supporting the Bank' s loans, especially real estate. During the years 2007 through 2009, the general economic conditions and specific business conditions in the United States, including in Connecticut and New York deteriorated, resulting in increases in loan delinquencies, problem assets and foreclosures, and declines in the value and collateral associated with the Bank' s loans. Two significant impacts resulting from the financial crisis included the housing market suffering falling home prices leading to increased foreclosures and our customer base experiencing rampant unemployment and sustained under- employment. These conditions negatively impacted the credit performance of mortgage and construction loans, and resulted in significant asset- value write- downs by financial institutions, including government- sponsored enterprises, as well as major commercial and investment banks. The loss of mortgage and construction loan asset- value caused many financial institutions to seek additional capital, to merge with larger and financially stronger financial institutions and, in some cases, to fail. Many lenders and institutional investors reduced or ceased providing funding to borrowers, including other financial institutions. During 2010 through 2019, however, the economic climate generally improved, contributing to decreases in the Bank' s problem assets, delinquencies and foreclosures from the levels experienced in the earlier period of economic turbulence. During the course of the COVID- 19 pandemic covering all of 2020 and a significant portion of 2021 and 2022, a temporary disruption and level of uncertainty existed. For a period of time, delinquencies, deferrals and problem assets rose, however foreclosures were relatively unaffected due to the moratorium that was issued by many states. Much of this has stabilized and returned to previous operating levels. The Company is unable to predict, however, future economic conditions and their impact on the Company' s business. Market turmoil, and the tightening of credit by the Fed, could lead to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility, and generally widespread reductions in business activity. The resulting economic pressure on consumers and lack of confidence in the financial markets could adversely affect the Company' s business, financial condition, and results of operations. A worsening of these conditions could likely exacerbate the adverse effects these difficult market conditions could have on the Company and other financial institutions. In particular: • Less than optimal economic conditions may continue to affect market confidence levels and may cause adverse changes in payment patterns, thereby causing increased delinquencies, which could affect the Bank' s provision for ~~loan~~ **credit** losses and charge- off of loans receivable. • The ability to assess the creditworthiness of the Bank' s customers, or to accurately estimate loan collateral value, may be impaired if the models and approaches the Bank uses becomes less predictive of future behaviors, valuations, assumptions, or estimates due to the unpredictable economic climate. • Increasing consolidation of financial services companies, as a result of current market conditions, could have unexpected adverse effects on the Bank' s ability to compete effectively. Market Risk The Bank' s business is subject to interest rate risk and variations in interest rates may negatively affect the Bank' s financial performance. Patriot is unable to predict, with any degree of certainty, fluctuations of market interest rates, which are affected by many factors including inflation, recession, a rise in unemployment, a tightening money supply, domestic and international disorder, and instability in domestic and foreign financial markets. Changes in the interest rate environment may reduce Patriot' s profits. Patriot realizes income from the differential or " spread " between the interest earned on loans, securities, and other interest- earning assets and interest paid on deposits, borrowings, and other interest- bearing liabilities. Net interest spreads are affected by the difference between the maturities and repricing characteristics of interest- earning assets and interest- bearing liabilities. In addition, an increase in the general level of interest rates may adversely affect the ability of some borrowers to pay the interest on and principal of their obligations. Although Patriot has implemented strategies which are designed to reduce the potential effects of changes in interest rates on operations, these strategies may not always be successful. Accordingly, changes in levels of market interest rates could materially and adversely affect Patriot' s net interest spread, asset quality, levels of prepayments, liquidity and cash flow, as well as the market value of its securities portfolio and overall profitability. Patriot' s investment portfolio includes securities that are sensitive to interest rates and variations in interest rates may adversely impact Patriot' s profitability. Patriot' s security portfolio is classified as available- for- sale and is comprised primarily of corporate debt and mortgage- backed securities, which are insured or guaranteed by the U. S. Government. These securities are sensitive to interest rate fluctuations. Unrealized gains or losses in the available- for- sale portfolio of securities are reported as a separate component of shareholders' equity. As a result, future interest rate fluctuations may impact shareholders' equity, causing material fluctuations from quarter to quarter. The inability to hold its securities until market conditions are favorable for a sale, or until payments are received on mortgage- backed securities, could adversely affect Patriot' s earnings and profitability. Inflationary pressures and rising prices may affect our results of operations and financial condition. Inflation **risk is the risk that the value of assets or income from investments will be worthless in the future as inflation decreases the value of money. Inflation** has risen sharply since the end of 2021 to levels not seen in more than 40 years. Small to medium- sized businesses may be impacted more during periods of high inflation, as they are not able to leverage economics of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition. Credit Risk The risks involved in the Bank' s commercial real estate loan portfolio are material. The Bank' s commercial real estate loan portfolio constitutes a material portion of its assets and generally has different risks than residential mortgage loans. Commercial real estate loans generally expose a lender to greater risk of non- payment and loss than one- to four- family residential mortgage loans because repayment of the loans often depends on the successful operation of the property and the income stream of the borrowers. Commercial real estate loans also typically involve larger loan balances to single borrowers or groups of related borrowers both at origination and at maturity. Commercial business loans expose us to additional risks since they typically are made on the basis of the borrower' s ability to make repayments from the cash flow of the borrower' s business and are secured by non- real estate collateral that may depreciate over time. In addition, some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship may expose us to a greater risk of loss. Real estate lending involves risks related to a decline in value of commercial and residential real estate. The market value of real estate can fluctuate significantly in a relatively short period of time, as a result of market conditions in the geographic area in which real estate is located. A deterioration in the national and regional real estate markets could harm our financial condition and results of operations because a large percentage of our loans are secured by real property. Declines in real estate values and sales volumes and high unemployment levels may result in higher than expected loan delinquencies, increases in our levels of nonperforming and classified assets and a decline in demand for our products and services. If real estate values decline, the collateral for the Bank' s loans will provide less security. As a result, the Bank' s ability to recover on defaulted loans by selling the underlying real estate will be diminished, and the Bank will be more likely to suffer losses on defaulted loans. The Bank' s allowance for **credit** ~~loan and lease~~ losses may not be adequate to cover actual losses. Like all financial institutions, the Bank maintains an allowance for **credit** ~~loan and lease~~ losses to provide for loan defaults and non- performance. The allowance for **credit** ~~loan and lease~~ losses is based on an evaluation of the risks associated with the Bank' s loans receivable, as well as **estimates of** the ~~Bank' s prior loss experience~~ **current credit risks and future trends** . Deterioration in general economic conditions and unforeseen risks affecting customers could have an adverse effect on borrowers' capacity to timely repay their obligations before risk grades could reflect those changing conditions. Maintaining the adequacy of the Bank' s allowance for **credit** ~~loan and lease~~ losses may require that the Bank make significant and unanticipated increases in the provision for ~~loan~~ **credit** losses, which would materially affect the results of operations and capital adequacy. The dollar amount of future losses is susceptible to changes in economic, operating, and other conditions including changes in interest rates that may be beyond the Bank' s control and which losses may exceed current allowance estimates. Although the current economic environment has improved, conditions remain uncertain and may result in additional risk of loan losses. Federal regulatory agencies, as an integral part of their examination process, review the Bank' s loan portfolio and assess the adequacy of the allowance for **credit** ~~loan and lease~~ losses. The regulatory agencies may require the Bank to change classifications or grades on loans, increase the allowance for **credit** ~~loan and lease~~ losses by recognizing additional loan loss provisions, or to recognize further loan charge-offs based upon their judgments, which may differ from the Bank' s. Any increase in the allowance for **credit** ~~loan and lease~~ losses required by these regulatory agencies could have a negative effect on the Bank' s results of operations and financial condition. While management believes that the allowance for **credit** ~~loan and lease~~ losses is currently adequate to cover inherent losses, further loan deterioration could occur, and therefore, management cannot assure shareholders that there will not be a need to increase the allowance for **credit** ~~loan and lease~~ losses, or that the regulators will not require management to increase this allowance. Either of these occurrences could materially and adversely affect Patriot' s earnings and profitability ~~. The implementation of Current Expected Credit Loss (" CECL "), which we expect will result in an increase our allowance for loan losses, could have a material adverse effect on our financial condition and results of operation. In June 2016, the Financial Accounting Standards Board (" FASB ") issued ASU 2016- 13, Financial Instruments- Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU changes the methodology for measuring credit losses on financial instruments measured at amortized cost to a current expected loss (" CECL ") model. The new accounting standard is effective for the Company as of January 1, 2023. CECL requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans, other financial instruments and other commitments to extend credit and provide for the expected credit losses as allowances for credit losses. This will change our current method of providing allowance for loan losses that are probable and we expect to record an allowance for credit losses as of January 1, 2023 in excess of our existing allowance for loan losses. CECL also greatly increases the data we need to collect and review to determine the appropriate level of the allowance for credit losses. Although we expect the Bank and the Company will continue to meet all applicable capital adequacy requirements following recording of the impact of adoption to shareholders' equity, future provisioning for expected credit losses under CECL may have a material adverse effect on our financial condition and results of operations~~ . Risks Related to Our Business Operations Patriot is dependent on its locally- based management team and the loss of its senior executive officers or other key employees could impair its relationship with its customers and adversely affect its business and financial results. The Bank' s success is dependent upon the continued services and skills of its long- term locally- based management team. The unexpected loss of services of one or more of these key personnel, because of their skills, knowledge of the Bank' s market, years of industry experience, and the difficulty of promptly finding qualified replacement personnel could have an adverse impact on the Bank' s business. Patriot' s success also depends, in part, on its continued ability to attract and retain experienced commercial lenders and retail bankers, as well as other management personnel. The loss of services of several such key personnel could adversely affect Patriot' s growth and prospects, to the extent replacement personnel are not able to be identified and promptly retained. Competition for commercial lenders and retail bankers is strong, and Patriot may not be successful in retaining or attracting such personnel. Natural disasters, acts of war or terrorism, the impact of health epidemics and other adverse external events could detrimentally affect our financial condition and results of operations. Natural disasters (including severe weather events of increasing strength and frequency due to climate change), acts of war or terrorism, such as the recent outbreak of hostilities between Russia & Ukraine, occurrence of health epidemics and other adverse external events could have a significant negative impact on our ability to conduct business or upon third parties who perform operational services for us or our customers. Such events also could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue or cause us to incur additional expenses. Patriot is subject to certain general affirmative debt covenants, which if it cannot comply, may result in default and actions taken against it by its debt holders. 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. Proceeds of $ 7. 8 million were directly contributed to the Bank. The subordinated debt qualifies for Tier 2 Capital of the Company and the funds contributed to the Bank qualify as Tier 1 capital at the Bank. In December 2022, the Company issued $ 12 million of senior notes that contain certain affirmative covenants, which 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. The senior notes are unsecured, rank equally with all other senior obligations of the Company, are not redeemable nor may they be put to the Company by the holders of the notes, and require no payment of principal until maturity. The affirmative covenants contained in the senior notes and subordinated notes agreements are of a general nature and not uncommon in such debt agreements. Management does not anticipate an inability to maintain its compliance with the affirmative covenants contained in the senior notes and subordinated notes agreements as such compliance is inherent in the Bank' s continued operation and Patriot' s public company status, as well as management' s overall strategic plan. The Bank is subject to environmental liability risk associated with its lending activities. A significant portion of the Bank' s loan portfolio is secured by real property. During the ordinary course of business, the Bank may foreclose on, and take title to, properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties, which may make Patriot liable for remediation costs, as well as for personal injury and property damage. In addition, Patriot owns and operates certain properties that may be subject to similar environmental liability risks. Environmental laws may require the Bank to incur substantial expense and may materially reduce the affected property' s value, or limit the Bank' s ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Bank' s exposure to environmental liability. Although the Bank has policies and procedures requiring the performance of an environmental site assessment before loan approval or initiating any foreclosure action on real property, these assessments may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on Patriot' s financial condition and results of operations. The Company relies on the dividends and return of capital it receives from its subsidiary. The Company is a separate and distinct legal entity from the Bank. The Company' s primary source of revenue is the dividends or other returns of capital it receives from the Bank, which the Company uses to fund its activities, meet its obligations, and remit dividends to its shareholders. Various federal and state laws and regulations limit the amount of dividends or other returns of capital that a bank may pay to its parent company. In addition, the Company' s right to participate in a distribution of assets, upon liquidation or reorganization of the Bank or another regulated subsidiary, may be subordinate to claims by the Bank' s or subsidiary' s creditors. If the Bank were to be restricted from making payments to the Company, the Company' s ability to fund its activities, meet its obligations, or pay dividends to its shareholders might be curtailed. The inability to receive payments from the Bank could therefore have a material adverse effect on the Company. Per agreement with Bank regulators, dividends and return of capital from the Bank to the Company are subject to prior approval from the OCC, and dividends from the Company to third parties are also subject to prior approval from FRB. There is no assurance that Company will pay dividends in the future. ~~Uncertainty relating to the LIBOR determination process and LIBOR discontinuance may adversely affect our results of operations. London Interbank Offered Rate (" LIBOR ") is used extensively in the United States as a benchmark for various commercial and financial contracts, including adjustable rate mortgages, corporate debt, interest rate swaps and other derivatives. LIBOR is set based on interest rate information reported by certain banks. The United Kingdom Financial Conduct Authority (" FCA "), which regulates the process for establishing LIBOR, announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. The administrator for LIBOR announced on March 5, 2021 that it would permanently cease to publish most LIBOR settings beginning on January 1, 2022 and will cease to publish the overnight, one- month, three- month, six- month and 12- month USD LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that it does not intend to persuade or compel banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. In October 2021, the federal bank regulatory agencies issued a Joint Statement on Managing the LIBOR Transition. In that guidance, the agencies offered their regulatory expectations and outlined potential supervisory and enforcement consequences for banks that fail to adequately plan for and implement the transition away from LIBOR. The failure to properly transition away from LIBOR may result in increased supervisory scrutiny. The discontinuance of LIBOR may result in uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments and may also increase operational and other risks to the Company and the industry. We have derivative contracts and limited loan exposure tied to LIBOR. Although we are not yet able to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.~~ Technology Risks A breach of information security could adversely affect Patriot' s operations or reputation and create significant legal and financial exposure. The Company faces cybersecurity risks, including denial of service, hacking, and malware or ransomware attacks, which could result in the disclosure of confidential information, adversely affect the Company' s operations or reputation, and create significant legal and financial exposure. Patriot increasingly depends upon data processing, communications, and information exchange on a variety of computing platforms and networks, and the internet to conduct its business. Patriot cannot be certain that all of its systems are entirely free from vulnerability to attack, despite safeguards it has instituted. In addition, Patriot relies on the services of a variety of vendors to meet its data processing and communication needs. If information security is breached, information can be lost or misappropriated and could result in financial loss or costs to Patriot, or damages to others. These financial losses or costs could materially exceed the amount of Patriot' s insurance coverage, if applicable, which would have an adverse effect on its results of operations and financial condition. In addition, the Bank' s reputation could suffer if its database were breached, which could materially affect Patriot' s financial condition and results of operations. Risks associated with changes in technology. Financial products and services have become increasingly technology- driven. The Bank' s ability to compete for new customers and meet the needs of existing customers, in a cost- efficient manner, is dependent on its ability to keep pace with technological advances and to invest in new technology as it becomes available. Many of the Bank' s competitors have greater resources to invest in technology and may be better equipped to market new technology- driven products and services. Failing to keep pace with technological change could have a material adverse impact on the Bank' s business and therefore on Patriot' s financial condition and results of operations. Regulatory, Compliance and Legal Risks Government regulation may have an adverse effect on Patriot' s profitability and growth. Patriot is subject to extensive regulation, supervision, and examination by the OCC as the Bank' s chartering authority, the FDIC as the insurer of its deposits, and the Fed as its primary regulator. Changes in federal and state banking laws and regulations, or in federal monetary policies, could adversely affect the Bank' s profitability and continued growth. Legislative and regulatory changes are expected, but cannot be predicted. For example, new legislation or regulation could limit the manner in which Patriot may conduct its business, including the Bank' s ability to obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads. The laws, regulations, interpretations, and enforcement policies that apply to Patriot have been subject to significant, and sometimes retroactively applied, changes in recent years, and are likely to change significantly in the future. Legislation enacted by the U. S. Congress, proposing significant structural reforms to the financial services industry, has, among other things, created the CFPB, which is given broad authority to regulate financial service providers and financial products. In addition, the Fed has passed guidance on incentive compensation at financial institutions it regulates and the United States Department of the Treasury and federal banking regulators have issued statements calling for higher capital and liquidity requirements. Complying with any new legislative or regulatory requirements and any programs established thereunder by federal and state governments, could have an adverse impact on Patriot' s operations and the results thereof. The Bank may be required to pay significantly higher FDIC premiums, special assessments, or taxes that could adversely affect its earnings. Market developments have significantly impacted the insurance fund of the FDIC. As a result, the Bank may be required to pay higher premiums, or special assessments, that could adversely affect earnings. The amount of premiums the FDIC requires for the insurance coverage it provides is outside the Bank' s control. If there are additional banks or financial institution failures, the Bank may be required to pay higher FDIC premiums than are currently assessed. Increases in FDIC insurance premiums, including any future increases or required prepayments, may materially adversely affect the Bank' s results of operations. Patriot is subject to risks associated with taxation. The amount of income taxes Patriot is required to pay on its earnings is based on federal and state legislation and regulations. Patriot provides for current and deferred taxes in its financial statements, based on the results of operations, business activity, legal structure, interpretation of tax statutes, assessment of risk of adjustment upon audit, and application of financial accounting standards. Patriot may take tax return filing positions for which the final determination of tax is uncertain. Patriot' s net income or loss and the related amount per share may be reduced, if a federal, state, or local tax authority assesses additional taxes, penalties, or interest that has not been provided for in the consolidated financial statements. Patriot' s equity position and net income or loss can also be reduced if all or apportion of its deferred tax assets are deemed to be unrealizable and require a valuation allowance. There can be no assurance that Patriot will achieve its anticipated effective tax rate, due to a change in a tax law, or the result of a tax audit that disallows previously recognized tax benefits. Changing regulation of corporate governance and public disclosure. Patriot is subject to laws, regulations, and standards relating to corporate governance and public disclosure, SEC rules and regulations, and NASDAQ rules. These laws, regulations, and standards are subject to varying interpretations, and as a result, their practical application may evolve over time as new guidance is provided by regulatory and governing bodies. Due to the evolving legal and regulatory environment, compliance may become more difficult and result in higher costs. Patriot is committed to maintaining high standards of corporate governance and public disclosure. As a result, Patriot' s efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management' s time and attention from revenue- generating activities to compliance activities. Patriot' s reputation may be harmed, if it does not continue to comply with these laws, regulations and standards. Competition Risks Strong competition in Patriot' s geographical market could limit growth and profitability. Competition in the banking and financial services industry is intense. Fairfield County, Connecticut and the New York City metropolitan areas have a high concentration of financial institutions including large money center and regional banks, community banks, and credit unions. Some of Patriot' s competitors offer products and services that the Bank currently does not offer, such as private banking and trust services. Many of these competitors have substantially greater resources and lending limits than the Bank, and may offer certain services that Patriot does not or cannot provide. Price competition might result in the Bank earning less on its loans and paying more for deposits, which would reduce net interest income. Patriot expects competition to increase in the future, as a result of legislative, regulatory and technological changes. Patriot' s profitability depends upon its continued ability to successfully compete in its geographical market. Liquidity Risk Patriot is subject to certain risks with respect to liquidity." Liquidity" refers to Patriot' s ability to generate sufficient cash flows to support its operations and fulfill its obligations, including commitments by the Bank to originate loans, to repay its wholesale borrowings and other liabilities, and to satisfy the withdrawal of deposits by its customers. Patriot' s primary sources of liquidity are the deposits the Bank acquires organically through its branch network and through the **activities of its Digital Payments Division. Funds are also acquired through the** brokered deposit market, borrowed funds, primarily in the form of collateralized borrowings from **the Federal Reserve Bank and** the Federal Home Loan Bank, and the cash flows generated through the collection of loan payments and on mortgage- related securities. In addition, depending on current market conditions, Patriot may have the ability to access the capital markets. Deposit flows, calls of investment securities and wholesale borrowings, and prepayments of loans and mortgage- related securities are strongly influenced by such external factors as the direction of interest rates, whether actual or perceived; local and national economic conditions; and competition for deposits and loans in the markets served. ~~Prepaid deposits~~ **Deposits** coming through the Payments Division will fluctuate on a daily basis based on standard business activity in the underlying customer accounts. Furthermore, changes to the underwriting guidelines for wholesale borrowings, or lending policies may limit or restrict Patriot' s ability to borrow, and could therefore have a significant adverse impact on its liquidity. A decline in available funding could adversely impact Patriot' s ability to originate loans, invest in securities, and meet its expenses, or to fulfill such obligations as repaying its borrowings or meeting deposit withdrawal demands. Risks Related to the Company' s Common Stock The price of the Company' s common stock may fluctuate. The market price of the Company' s common stock could be subject to significant fluctuations due to changes in sentiment in the market regarding the Company' s operations or business prospects. Among other factors, the Company' s stock price may be affected by: • Operating results that vary from the expectations of securities analysts and investors; • Developments in its business or in the financial services sector in- general; • Regulatory or legislative changes affecting its business or the financial services sector in- general; • Operating results or securities price performance of companies that investors consider being comparable to the Company; • Changes in estimates or recommendations by securities analysts or rating agencies; • Announcements of strategic developments, acquisitions, dispositions, financings, and other material events by the Company or the Company' s competitors; and • Changes or volatility in global financial markets and economies, general market conditions, interest or foreign exchange rates, stock, commodity, credit, or asset valuations. **Risks Related to Environmental and Other Global Matters Concerns over the long- term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses also may change their behavior on their own as a result of these concerns. We and our customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. We and our customers may face cost increases, asset value reductions, operating process changes and other issues. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon intensive activities. Among the impacts to us could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- focused companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior.**