Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This report is required by law: Section 5(c)(1) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)(2)); sections 102 (a)(1), 165, and 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. §§ 5311(a)(1), 5365, and 1850a(c)(1)); and sections 8(a) and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106(a) and 3108(a)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Nicholas M. Christ
Name of the Holding Company Director and Official

President, CEO and Trustee
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

NM Christ
Signature of Holding Company Director and Official

03/22/2023
Date of Signature

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2022
Month / Day / Year

Reporter's Name, Street, and Mailing Address

Narragansett Financial Corp.
Legal Title of Holding Company

330 Swansea Mall Drive
(Mailing Address of the Holding Company) Street / P.O. Box

Swansea	MA	02777
City	State	Zip Code

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Marie Pellegrino	SVP & CFO
Name	Title

508-675-4346
Area Code / Phone Number / Extension

508-675-4343
Area Code / FAX Number

mpellegrino@baycoastbank.com
E-mail Address

www.baycoast.bank
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Report Item 1: Annual Report to Shareholders

For holding companies not registered with the SEC, **indicate status of Annual Report to Shareholders:**

☒ is included with the FR Y-6 report

☐ will be sent under separate cover

☐ is not prepared

Checklist

The checklist below is provided to assist the holding company in filing all the necessary responses and verifying changes from the prior year to the various report items. The completed checklist should be submitted with the report. Please see section A of the General Instructions for additional guidance.

Verification of Changes

All Reporters must respond to the following questions by checking the Yes or No box below, as appropriate.

Did the holding company have changes to any reportable FR Y-6 items (2a, 2b, 3, or 4) from the prior year?

☒ Yes ☐ No

If checked Yes, complete the remaining checklist for Report Items 2a, 2b, 3, and 4. For each Report Item, indicate whether there are changes from the prior year by checking Yes or No below. See section A of the General Instructions for additional information.

Report Item 2a: Organization Chart

☐ Yes ☒ No

If checked Yes, the Reporter must submit the organization chart as specified in Report Item 2.a instructions.

Report Item 2b: Domestic Branch Listing

☒ Yes ☐ No

If checked Yes, the Reporter must submit the domestic branch listing as specified in Report Item 2.b instructions.

Report Item 3: Securities Holders

☐ Yes ☒ No

If checked Yes, the Reporter must submit the information as specified in Report Item 3 instructions.

Report Item 4: Insiders

☐ Yes ☒ No

If checked Yes, the Reporter must submit the information as specified in Report Item 4 instructions.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

BayCoast Bank
Legal Title of Subsidiary Holding Company

330 Swansea Mall Drive
(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

Swansea	MA	02777
City	State	Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Report Item 2b.
Narragansett Financial Corporation

Results: A list of branches for your depository institution: BAYCOAST BANK (ID_RSSD: 771609).
This depository institution is held by NARRAGANSETT FINANCIAL CORPORATION (2623430) of SWANSEA, MA.
The data are as of 12/31/2022. Data reflects information that was received and processed through 01/10/2023.

Reconciliation and Verification Steps
1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions
OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information first became valid in the **Effective Date** column.
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the **Effective Date** column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_I	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office I	Comments
		Full Service (Head Office)	771609	BAYCOAST BANK	330 SWANSEA MALL DRIVE	SWANSEA	MA	02777	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5338883	BERKLEY BRANCH	2 LOCUST STREET	BERKLEY	MA	02779	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4861281	DARTMOUTH STREET	714 DARTMOUTH STREET	DARTMOUTH	MA	02748	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	2536370	FAIRHAVEN BRANCH	75 ALDEN ROAD	FAIRHAVEN	MA	02719	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4458627	AIRPORT BRANCH	310 AIRPORT ROAD	FALL RIVER	MA	02720	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	2298780	FALL RIVER BRANCH	1485 PLEASANT STREET	FALL RIVER	MA	02723	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	802307	FALL RIVER BRANCH	335 STAFFORD ROAD	FALL RIVER	MA	02721	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5725429	RIVERS EDGE BRANCH	20 TURNER STREET	FALL RIVER	MA	02720	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	894405	ROBESON STREET BRANCH	490 ROBESON STREET	FALL RIVER	MA	02720	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	209205	TROY STREET BRANCH	81 TROY STREET	FALL RIVER	MA	02721	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5430675	FOXBOROUGH BRANCH	8 FOXBOROUGH BLVD	FOXBOROUGH	MA	02035	NORFOLK	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4220244	ASHLEY BOULEVARD BRANCH	1000 ASHLEY BOULEVARD	NEW BEDFORD	MA	02745	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	3390739	NEW BEDFORD BRANCH	23 ELM STREET	NEW BEDFORD	MA	02740	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4612568	DARTMOUTH BRANCH	299 STATE ROAD	NORTH DARTMOUTH	MA	02747	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	772802	NORTH DIGHTON BRANCH	438 SPRING STREET	NORTH DIGHTON	MA	02764	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	2726582	SEEKONK BRANCH	110 TAUNTON AVENUE	SEEKONK	MA	02771	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	832902	SOMERSET BRANCH	921 G A R HIGHWAY, SOMERSET PLAZA, ROUTE 6	SOMERSET	MA	02725	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4420482	BAYCOAST PLACE BRANCH	330 SWANSEA MALL DRIVE	SWANSEA	MA	02777	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	897004	SWANSEA BRANCH	554 WILBUR AVENUE	SWANSEA	MA	02777	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	4420464	WESTPORT MAIN ROAD BRANCH	787 MAIN ROAD	WESTPORT	MA	02790	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5588213	BRISTOL BRANCH	601 HOPE ST	BRISTOL	RI	02809	BRISTOL	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5371862	CRANSTON BRANCH	85 SOCKANOSSET CROSS ROAD	CRANSTON	RI	02920	PROVIDENCE	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5213793	LITTLE COMPTON	1 MEETING HOUSE LANE	LITTLE COMPTON	RI	02837	NEWPORT	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5700631	PORTSMOUTH BRANCH	1430 EAST MAIN ROAD	PORTSMOUTH	RI	02871	NEWPORT	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	5587403	PROVIDENCE BRANCH	78 DORRANCE ST	PROVIDENCE	RI	02903	PROVIDENCE	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	
		Full Service	3354106	CRANDALL ROAD BRANCH	ONE CRANDALL ROAD	TIVERTON	RI	02878	NEWPORT	UNITED STATES	Not Required	Not Required	BAYCOAST BANK	771609	

WOLF & COMPANY, P.C.

Independent Auditor's Report

To the Audit Committee of Narragansett Financial Corporation:

Opinion on Internal Control Over Financial Reporting
We have audited Narragansett Financial Corporation and Subsidiary's (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the aforementioned criteria.

We also have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the December 31, 2022 consolidated financial statements of the Company, and our report dated March 27, 2023 expressed an unmodified opinion.

Basis for Opinion
We conducted our audit in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting" section of our audit report. We are required to be independent of the Company and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for Internal Control Over Financial Reporting
Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management Report*.

Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting
Our objectives are to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects and to issue an auditor's report that includes our opinion on internal control over financial reporting. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of internal control over financial reporting conducted in accordance with GAAS will always detect a material weakness when it exists.

In performing an audit of internal control over financial reporting in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Obtain an understanding of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act (FDICIA), our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9SP). An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that the receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any evaluation 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 or procedures may deteriorate.

Other Matter

We were not engaged to, and we have not performed any procedures with respect to management's assertion regarding compliance with laws and regulations included in the accompanying *Management Report*. Accordingly, we do not express any opinion, or any other form of assurance, on management's assertion regarding compliance with laws and regulations.

Restriction on Use

This report is intended solely for the information and use of the Board of Directors and management of the Company and regulatory authorities and is not intended to be, and should not be, used by anyone other than these specified parties.

Wolf + Company, P.C.

Boston, Massachusetts
March 27, 2023

Narragansett Financial Corporation

Internal Control Over Financial Reporting
Management Report

Statement of Management's Responsibilities
The management of Narragansett Financial Corporation and Subsidiary (the "Company") is responsible for preparing the Company's annual financial statements in accordance with accounting principles generally accepted in the United States of America; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9SP) and the Federal Financial Institutions Examination Council Instructions for Consolidated Reports of Condition and Income ("call report instructions"); and for complying with the Federal laws and regulations pertaining to insider loans and the federal and, if applicable, state laws and regulations pertaining to dividend restrictions.

Management's Assessment of Compliance with Designated Laws and Regulations
The management of the Company has assessed the Company's compliance with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2022. Based upon its assessment, management has concluded that the Company complied with the Federal laws and regulations pertaining to insider loans and the Federal and, if applicable, state laws and regulations pertaining to dividend restrictions during the fiscal year that ended on December 31, 2022.

Management's Assessment of Internal Control over Financial Reporting
The Company's internal control over financial reporting is a process effected by those charged with governance, management and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., call report instructions The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future

P.O. Box 1311, Fall River, MA 02722-1311 508-678-7641

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 procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal control over financial reporting including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the call report instructions as of, December 31, 2022 based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework in 2013. Based upon its assessment, management has concluded that, as of December 31, 2022, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the call report instructions is effective based on the criteria established in Internal Control—Integrated Framework issued in 2013.

Management's assessment of the effectiveness of internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the call report instructions, as of December 31, 2022, has been audited by Wolf & Company, P.C. an independent public accounting firm, as stated in their report dated March 27, 2023.

Narragansett Financial Corporation

Nicholas M. Christ
President and Chief Executive Officer

Marie Pellegrino
Sr. Vice President & Chief Financial Officer

Narragansett Financial Corporation

March 27, 2023

Wolf & Company, PC.
255 State Street
Boston, MA 02109

This representation letter is provided in connection with your audits of the consolidated financial statements of Narragansett Financial Corporation and Subsidiary (the "Company") which comprise the consolidated balance sheets as of December 31, 2022 and 2021 and the related consolidated statements of net income (loss), comprehensive income (loss), retained earnings, and cash flows for the years then ended, related notes to the consolidated financial statements, for the purpose of expressing an opinion on both the effectiveness of internal control over financial reporting and whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements and Internal Control over Financial Reporting

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated March 18, 2020, for the preparation and fair presentation of the consolidated financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

5. We have performed an evaluation and made our assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013.

6. We did not use your procedures performed during the audits of internal control over financial reporting or the financial statements as part of the basis for our assessment of the effectiveness of internal control over financial reporting.

7. The Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 and 2021 based on criteria established in Internal Control—Integrated Framework issued by the COSO in 2013.

8. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge of and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

9. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

10. All events subsequent to the date of the consolidated financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

11. There were, subsequent to December 31, 2022, no changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by us with regard to significant deficiencies and material weaknesses.

12. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

13. The methods and significant assumptions used to determine fair values of financial instruments are described in Notes 1 and 18 to the consolidated financial statements. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

14. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit or similar arrangements have been properly disclosed.

15. The following have been properly recorded and/or disclosed in the consolidated financial statements:

    a. Guarantees, whether written or oral, under which the institution is contingently liable.
    b. Arrangements with other financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
    c. Lines of credit or similar arrangements.
    d. Agreements to repurchase assets previously sold.
    e. Security agreements in effect under the Uniform Commercial Code.
    f. All other liens or encumbrances on assets and all other pledges of assets.
    g. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.
    h. Investments in debt and equity securities, including debt security classification as available for sale.
    i. All liabilities that are subordinated to any other actual or possible liabilities of the Company.

j. All leases and material amounts of rental obligations under long-term leases.

k. All significant estimates and material concentrations known to management that are to be disclosed in accordance with the Risks and Uncertainties Topic of the FASB Accounting Standards Codification. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year.

l. Assets and liabilities measured at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification.

m. All current and deferred assets and liabilities related to income taxes. Additionally, we have evaluated the tax positions under the two-step approach for recognition and measurement of uncertain tax positions required by the Income Tax Topic of the FASB Accounting Standards Codification.

n. Loans being held for sale.

o. Concentrations of credit risk.

p. Financial instruments with off-balance-sheet market or credit risk.

16. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the consolidated financial statements:

    a. The extent, nature and terms of financial instruments with off-balance-sheet risk;

    b. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments; and

    c. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments.

17. We have evaluated all of our debt securities for which there has been a decline in fair value below the amortized cost. In that regard:

    a. We do not have the intent to sell any of the securities that are in an unrealized loss position.

    b. We have forecasted recovery of these securities and our liquidity and have concluded that it is not more likely than not that we will have to sell the securities prior to forecasted recovery.

    c. We have evaluated these debt securities to determine whether we expect to recover the amortized cost basis of the securities. We have concluded in all cases that we will recover the amortized cost basis of the securities and recorded the entire unrealized loss in other comprehensive income.

   d. Any sales of securities in a loss position are immaterial to the consolidated financial statements and the sale resulted from an overall portfolio evaluation and not as a result of the loss on the security.

18. There was one uncorrected misstatement as of December 31, 2021, related to a change in the interpretation of an employee retirement plan agreement that was corrected by the Company during 2022. The correction of the misstatement had the effect of decreasing salaries and employee benefits expense $1.2 million, and increasing net income $864,000 after taxes for the year ended December 31, 2022. There were no uncorrected misstatements identified as of December 31, 2022.

Information Provided

19. We have provided you with:

    a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation and other matters;

    b. Additional information that you have requested from us for the purpose of the audits;

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence;

    d. Minutes of the meetings of stockholders, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared; and

    e. Reports and correspondence between the Company and regulatory examiners during the period under audit and all supervisory memoranda or agreements, if any, with any federal or state regulatory authority.

20. All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

21. We have disclosed to you the results of our assessment of risk that the consolidated financial statements may be materially misstated as a result of fraud.

22. We have no knowledge of allegations of fraud or suspected fraud affecting the Company's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

23. We have no knowledge of any allegations of fraud or suspected fraud affecting the Company's financial statements received in communications from employees, former employees, analysts, regulators, short sellers or others.

24. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

25. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing consolidated financial statements.

26. We have disclosed to you the identity of the Company's related parties and all the related-party relationships and transactions of which we are aware.

27. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize, and report financial data.

28. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:

    a. The Company has no significant amounts of idle property and equipment.

    b. The Company has no plans or intentions to discontinue the operations of any subsidiary or division or to discontinue any significant product lines.

    c. We consider the decline in fair value of debt securities classified as available for sale to be temporary.

    d. Provision has been made to reduce all assets that have permanently declined in value to their realizable values.

    e. We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable and have appropriately recorded the adjustment.

29. We are responsible for making the accounting estimates included in the consolidated financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, where applicable, adequate provisions have been made:

    a. To maintain an adequate allowance for loan losses.

    b. To reduce deferred tax assets to amounts that are more likely than not to be realized.

    c. For pension and profit sharing obligations, postretirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through December 31, 2022.

    d. To reduce foreclosed assets to fair value less estimated costs to sell.

    e. To adjust securities available for sale to fair value.

    f. For environmental cleanup obligations.

   g. To record loans held for sale at fair value.

30. There are no:
   a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
   b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
   c. Development or construction arrangements which the Company has entered into, acquired participation, or renegotiated previous agreements resulting in arrangements in which the Company as lender, participates in expected residual profit through *(a)* sharing in the profit on sale of real estate projects; *(b)* a higher than normal interest rate; or *(c)* sharing in gross rents or net cash flows from the project.
   d. Material recourse agreements on loans previously sold.
   e. Regulatory examinations currently in progress or for which we have not received examination reports.
   f. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any commitments to extend credit.
   g. Obligations under any loan recourse provisions and the Company has complied with the technical default requirements of all agreements for loans and participations sold to others.

31. There have been no:
   a. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
   b. Unfavorable findings that materially affect mortgage operations or suspensions by the U.S. Department of Housing and Urban Development (HUD) or any investor or regulatory agency within the past 12 months.

32. The Company has satisfactory title to all owned assets.

33. We believe that the past due, watch, impaired, troubled debt restructuring, nonaccrual and loans held for sale listing are complete and accurate as of December 31, 2022.

34. We assert that loan participations sold as of December 31, 2022 qualify for sales treatment and that we are in compliance with the *Transfer and Servicing* Topic of the FASB Accounting Standards Codification.

35. We agree with the findings of specialists in evaluating pension plan liabilities and fair value of mortgage servicing rights and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the consolidated financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be

given, to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

36. We agree with the findings of appraisers used and have adequately considered the qualifications of the appraisers in determining the amounts and disclosures in the consolidated financial statements and underlying accounting records. We did not give or cause any instructions to be given to appraisers regarding the values or amounts derived to attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of these appraisers.

37. In considering the disclosures that should be made about risks and uncertainties, we have concluded that the following risk disclosures are required:

    a. Determination of the allowance for loan losses

    b. Goodwill impairment

    c. Realizability of deferred tax assets

    d. Valuation of post-retirement benefit obligations

38. No action has been taken, nor is any action contemplated, that would cause any portion of the accumulated bad debt deduction to be subjected to income tax.

39. As of December 31, 2022, the most recent notification from the Federal Depositors Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

40. We are responsible for determining that significant events or transactions that have occurred since the balance sheet date and through the date of this letter have been recognized or disclosed in the consolidated financial statements. No events or transactions other than those disclosed in the financial statements have occurred subsequent to the balance sheet date and through the date of this letter that would require recognition or disclosure in, the consolidated financial statements. We further represent that as of the date of this letter, the consolidated financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America and all approvals necessary for issuance of the financial statements had been obtained.

41. During the course of your audits, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

42. With respect to supplementary information presented in relation to the consolidated financial statements as a whole:

    a. We acknowledge our responsibility for the presentation of such information.

    b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. When supplementary information is not presented with the audited consolidated financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the independent auditor's report thereon.

Narragansett Financial Corporation

N M Christ

Nicholas M. Christ
President & Chief Executive Officer

Marie Pelleg

Marie Pellegrino
Sr. Vice President & Chief Financial Officer

Narragansett Financial Corporation and Subsidiary

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

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Independent Auditor's Report

To the Audit Committee of Narragansett Financial Corporation:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Narragansett Financial Corporation and Subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of net income (loss), comprehensive income (loss), changes in retained earnings, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with auditing standards generally accepted in the United States of America (GAAS), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013, and our report dated March 27, 2023 expressed an unmodified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

We conducted our audits in accordance with GAAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MEMBER OF ALLINIAL GLOBAL,
AN ASSOCIATION OF LEGALLY INDEPENDENT FIRMS

255 STATE STREET, BOSTON, MA 02109
P: 617.439.9700

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of within one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, including the consolidating balance sheet and consolidating statement of net income (loss), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wolf + Company, P.C.

Boston, Massachusetts
March 27, 2023

Narragansett Financial Corporation and Subsidiary

Consolidated Balance Sheets

December 31, 2022 and 2021

Assets	2022	2021
	(In thousands)	
Cash and cash equivalents	$ 42,893	$ 29,166
Securities available for sale, at fair value	284,335	261,101
Marketable equity securities, at fair value	2,244	73,028
Federal Home Loan Bank stock, at cost	3,668	1,674
Loans held for sale	3,505	13,623
Loans, net	2,289,193	1,717,998
Mortgage servicing rights, net	16,108	16,397
Bank-owned life insurance	32,823	30,777
Premises and equipment, net	43,860	43,478
Accrued interest receivable	8,854	6,123
Net deferred tax asset	11,207	758
Goodwill and other intangible assets	29,936	22,476
Equity method investments	15,137	24,664
Right of use lease asset	12,884	-
Other assets	47,083	36,989
	$ 2,843,730	$ 2,278,252
Liabilities and Retained Earnings		
Deposits	$ 2,447,568	$ 2,006,127
Borrowings	87,692	14,748
Subordinated debt	108,424	69,003
Lease liability	12,909	-
Other liabilities	47,429	30,813
Total liabilities	2,704,022	2,120,691
Commitments and contingencies (Notes 5, 6 and 14)		
Retained earnings	172,270	177,099
Accumulated other comprehensive loss	(32,562)	(20,313)
Total retained earnings of Narragansett Financial Corporation and Subsidiary	139,708	156,786
Non-controlling interest in Subsidiary	-	775
	139,708	157,561
	$ 2,843,730	$ 2,278,252

The accompanying notes are an integral part of these consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidated Statements of Net Income (Loss)

Years Ended December 31, 2022 and 2021

	2022	2021
	(In thousands)	
Interest and dividend income:		
Interest and fees on loans	$ 88,977	$ 73,259
Interest on debt securities	5,703	4,140
Dividend income	1,300	1,485
Interest on cash equivalents	63	24
Total interest and dividend income	96,043	78,908
Interest expense:		
Interest on deposits	11,836	5,812
Interest on borrowings	2,313	1,176
Interest on subordinated debt	3,887	3,740
Total interest expense	18,036	10,728
Net interest income	78,007	68,180
Provision for loan losses	4,350	6,200
Net interest income, after provision for loan losses	73,657	61,980
Other income:		
Customer service fees	9,024	8,206
Net loan servicing fee income	475	532
Trust department fees	5,223	5,388
Insurance and brokerage commissions	7,850	7,239
(Loss) gain on securities available for sale, net	(542)	479
Gain on trading securities, net	-	2
(Loss) gain on marketable equity securities	(11,833)	12,807
(Loss) gain on sales of portfolio loans	(2,103)	3,012
Mortgage banking income	12,209	27,954
Bank-owned life insurance income	148	1,118
Miscellaneous	1,856	3,324
Total other income	22,307	70,061
Operating expenses:		
Salaries and employee benefits	67,680	70,662
Occupancy and equipment	13,542	11,561
Professional fees	4,284	4,040
Data processing	3,779	3,607
Advertising costs	1,986	2,090
Deposit insurance	1,729	1,336
Amortization of intangible assets	172	179
Other general and administrative	6,736	8,900
Total operating expenses	99,908	102,375
Income (loss) before income taxes	(3,944)	29,666
Provision (benefit) for income taxes	(1,540)	7,424
Net income (loss)	(2,404)	22,242
Net income attributed to non-controlling interest in Subsidiary	107	191
Net income (loss) attributed to Narragansett Financial Corporation and Subsidiary	$ (2,511)	$ 22,051

The accompanying notes are an integral part of these consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2022 and 2021

	2022	2021
	(In thousands)	
Net income (loss)	$ (2,404)	$ 22,242
Other comprehensive loss:		
Securities available for sale:		
Unrealized holding losses	(24,190)	(4,573)
Reclassification adjustment for (gains) losses realized in income [(1)]	542	(479)
Net unrealized losses	(23,648)	(5,052)
Related tax effects	6,452	1,331
Net-of-tax amount	(17,196)	(3,721)
Derivative instruments used for cash flow hedges:		
Unrealized gains	416	828
Related tax effects	(117)	(233)
Net-of-tax amount	299	595
Defined benefit pension plans:		
Gains (losses) arising during the year	5,157	(2,653)
Reclassification adjustment for (gains) losses recognized in net periodic benefit cost [(2)]	1,308	1,289
Net defined benefit pension plan gains (losses)	6,465	(1,364)
Related tax effects	(1,817)	383
Net-of-tax amount	4,648	(981)
Total other comprehensive loss	(12,249)	(4,107)
Comprehensive income (loss)	$ (14,653)	$ 18,135

[(1)] Amounts are reclassified out of accumulated other comprehensive loss and are included in gain (loss) on securities available for sale, net on the consolidated statements of net income (loss). Income tax (benefit) expense associated with these gains/losses for the years ended December 31, 2022 and 2021 was ($152,000) and $134,000, respectively.

[(2)] Amounts are reclassified out of accumulated other comprehensive loss and are included in other general and administrative expense on the consolidated statements of net income. Income tax benefit associated with these expenses for the years ended December 31, 2022 and 2021 was $366,000 and $361,000, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidated Statements of Changes in Retained Earnings

Years Ended December 31, 2022 and 2021

	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Retained Earnings
	(In thousands)			
Balance at December 31, 2020	$155,048	$ (16,206)	$ 584	$ 139,426
Comprehensive income (loss)	22,051	(4,107)	191	18,135
Balance at December 31, 2021	177,099	(20,313)	775	157,561
Comprehensive income (loss)	(2,511)	(12,249)	107	(14,653)
Purchase of non-controlling interest in subsidiary. See Note 1.	(2,318)	-	(882)	(3,200)
Balance at December 31, 2022	$172,270	$ (32,562)	$ -	$139,708

The accompanying notes are an integral part of these consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ (2,404)	$ 22,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of securities available for sale	392	431
Loss (gain) on securities available for sale, net	542	(479)
Loss (gain) on marketable equity securities, net	11,833	(12,807)
Gain on trading securities, net	-	(2)
Loss (gain) on sales of portfolio loans	2,103	(3,012)
Provision for loan losses	4,350	6,200
Mortgage servicing rights capitalized	(3,906)	(10,271)
Amortization of mortgage servicing rights	4,195	4,771
Decrease in valuation allowance of mortgage servicing rights	-	(1,476)
Depreciation and amortization of premises and equipment and intangible assets	4,576	4,149
Bank-owned life insurance income	(148)	(952)
Losses from equity method investments	24	38
Deferred tax provision (benefit)	(5,931)	3,871
Net change in:		
Loans held for sale	10,118	15,347
Accrued interest receivable	(2,731)	1,489
Other assets and other liabilities	14,007	(14,462)
Net cash provided by operating activities	37,020	15,077
Cash flows from investing activities:		
Securities available for sale:		
Proceeds from sales	23,055	50,886
Proceeds from calls/maturities and principal payment	29,076	58,716
Purchases	(99,946)	(153,169)
Trading securities:		
Proceeds from sales	-	4,901
Purchases	-	(4,899)
Marketable equity securities:		
Proceeds from sales	71,315	13,508
Purchases	(12,596)	(18,889)
Purchase of FHLB stock	(63,276)	(7,146)
Redemption of FHLB stock	61,282	9,378
Purchase of bank-owned life insurance	(1,898)	(1,808)
Proceeds from bank-owned life insurance	-	858
Proceeds from sales of portfolio loans	96,565	279,134
Loan originations, net of amortization and payoffs	(674,212)	(367,324)
Additions to premises and equipment	(4,829)	(8,667)
Proceeds from the disposal of premises and equipment	43	14
Net change in equity method investments	9,503	(16,735)
Net cash paid in acquisition of insurance agencies	(7,632)	(2,600)
Net cash used in investing activities	(573,550)	(163,842)

The accompanying notes are an integral part of these consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
	(In thousands)	
Cash flows from financing activities:		
Net change in non-brokered deposits	158,372	280,062
Net change in brokered deposits	283,069	(15,017)
Net change in borrowings with maturities of three months or less	67,944	8,922
Repayment of borrowings with maturities in excess of three months	-	(44,132)
Borrowings with maturities in excess of three months	5,000	-
Repayment of PPPLF borrowings	-	(120,320)
Issuance of subordinated debt, net of issuance costs	39,072	44,005
Repayment of subordinated debt	-	(19,750)
Purchase of non-controlling interest	(3,200)	-
Net cash provided by financing activities	550,257	133,770
Net change in cash and cash equivalents	13,727	(14,995)
Cash and cash equivalents at beginning of year	29,166	44,161
Cash and cash equivalents at end of year	$ 42,893	$ 29,166
Supplemental cash flow information:		
Interest paid on deposits	$ 10,290	$ 5,854
Interest paid on borrowings and subordinated debt	5,892	5,439
Income taxes paid, net	3,420	4,245
Non-cash activities		
Right-of-use assets obtained in exchange for lease liabilities	$ 13,850	-

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

The consolidated financial statemdtaents include the accounts of Narragansett Financial Corporation (the "Company") and its wholly-owned subsidiary, BayCoast Bank (the "Bank"), and the Bank's subsidiaries. The Bank provides a variety of financial services to individuals and businesses through its offices in southeastern Massachusetts and Rhode Island. Its primary deposit products are checking, savings, money market and term certificates, and its primary lending products are residential, commercial and multi-family mortgages and commercial loans.

The Bank's wholly-owned subsidiaries include BCBOZ Investment, LLC, which holds real estate property; BayCoast Financial Services ("BFS"), which sells non-deposit investment products to individuals and entities; Troy Security Corporation and B.F.R. Corp., which buy, hold, and sell securities on their own behalf; 1851 Corporation, which holds investments and real estate property; Partners Insurance Group, LLC ("Partners"), a wholly-owned subsidiary of BFS, which provides insurance products to consumers and businesses; BayCoast Mortgage Company, LLC ("BCMC"), which originates and sells conforming and jumbo residential mortgages; Priority Funding, LLC ("Priority Funding") which originates and sells manufactured home loans; and Team Work Mortgage, LLC ("Team Work Mortgage") a wholly owned subsidiary of Priority Funding, which provides broker lender services manufactured home loans and primarily conducts business in Arizona; Plimoth Trust Company, LLC, d/b/a Plimoth Investment Advisors ("Plimoth") provides investment management and trust services. Plimoth acts as a fiduciary and provides portfolio and/or trust services to its clients. Plimoth was an 80% owned subsidiary of the bank as of December 31, 2021. On November 10, 2022, Plimoth purchased the remaining 20% portion from the non-controlling interest. Retained earnings was reduced by $2,318,000 and non-controlling interest was eliminated.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, post-retirement benefit obligations, and valuation of mortgage servicing rights.

Fair value hierarchy

The Company groups its assets and liabilities that are measured at fair value in three levels, based on the markets in which they are traded and the reliability of the assumptions used to determine fair value.

Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities. Valuations are obtained from readily available pricing sources.

Level 2 – Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads, and new issue data for substantially the full term of the assets and liabilities.

Level 3 – Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include those whose value is determined using unobservable inputs to pricing models, discounted cash flow methodologies, or similar techniques, as well as those for which the determination of fair value requires significant management judgment or estimation.

Reclassifications

Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

Significant group concentrations of credit and other risks

Most of the Company's activities are with customers located in southeastern Massachusetts and Rhode Island. Note 4 includes the types of lending in which the Company engages. The Company does not have any significant concentrations to any one industry or customer.

Cash and cash equivalents

Cash and cash equivalents include balances due from banks and short-term investments, which consist of interest-bearing deposits and federal funds sold, which mature overnight or on demand and are carried at cost. The Company normally maintains balances on deposit with other financial institutions in excess of federally insured limits.

Restricted cash represents collateral amounts pledged by the Company with certain interest rate swap derivative counterparties. See Note 2.

Securities

Marketable equity securities are measured at fair value with changes in fair value reported on the Company's consolidated statements of net income as a component of other income, regardless of whether such gains and losses are realized.

Securities that are held principally for resale in the near term are classified as trading and recorded at fair value with changes in fair value recorded in earnings. Interest and dividends are included in net interest income. There were no trading securities held at December 31, 2022 and 2021.

Securities not classified as marketable equity securities or trading are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Premiums on callable bonds are amortized through the earliest call date. Gains and losses on the sale of securities available for sale are recorded on the trade date and determined using the specific identification method.

Each reporting period, the Company evaluates all securities available for sale with a decline in fair value below the amortized cost of the investment to determine whether or not the impairment is deemed to be other than temporary ("OTTI"). OTTI is required to be recognized (1) if the Company intends to sell the security; (2) if it is "more likely than not" that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) if the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For impaired debt securities that the Company intends to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI through earnings. For all other impaired debt securities, credit-related OTTI is recognized through earnings and non-credit related OTTI is recognized in other comprehensive income/loss, net of applicable taxes.

Federal Home Loan Bank stock

The Company, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB of Boston. Based on the redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis in the stock. As of December 31, 2022 and 2021, no impairment has been recognized.

Loans held for sale

The Company utilizes the fair value option for its loans being held for sale in the secondary market. Fair value is determined based on either commitments in effect from investors or prevailing market prices and includes the value of mortgage servicing rights. The Company elected the fair value option to better match the accounting method with management's strategies for managing the risks of loans held for sale. Changes in fair value are recorded on the consolidated statements of net income.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and premiums on purchased loans. Interest income is accrued on the unpaid principal balance. Loan origination costs, net of certain direct origination fees, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Allowance for loan losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general, allocated and unallocated components, as further described below.

General component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the Company's loan segments. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting; experience, ability and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions and effects of changes in credit concentrations. There were no changes in the Company's policies or methodology pertaining to the general component of the allowance for loan losses during 2022 and 2021. The qualitative factors are determined based on the various risk characteristics of each loan segment.

The accrual of interest on all loans is discontinued at the time a loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual earlier if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent without private mortgage insurance and does not generally grant loans that would be classified as sub-prime upon origination. All loans in this segment are collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial and multi-family real estate – Loans in this segment include owner-occupied and non-owner occupied multi-family and income-producing properties throughout New England. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Construction – Loans in this segment include pre-sold and speculative real estate development loans for which payment is derived from sale of the property. The Company also originates construction loans which generally provide 12-month construction periods followed by a permanent mortgage loan, and follow the Bank's normal mortgage underwriting guidelines. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Home equity lines of credit ("HELOC") and second mortgages – Loans in this segment are collateralized by residential real estate and payment is dependent on the credit quality of the individual borrower. The Company has first and second liens on property securing these loans.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will affect credit quality in this segment. In addition, this segment includes loans issued under the United States Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). These loans are guaranteed and are not allocated a general reserve because the Company has not experienced losses on such loans and management expects the guarantees will be effective, if necessary.

Consumer – Loans in this segment include loans secured with collateral and unsecured loans with repayment dependent on the credit quality of the individual borrower.

Allocated component

The allocated component relates to loans that are classified as impaired. Based on internal credit analyses, residential real estate loans, commercial, commercial real estate and multi-family and construction loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring ("TDR") agreement.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a TDR. All TDRs are initially classified as impaired.

Unallocated component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general components.

Loan servicing

Capitalized mortgage servicing rights are reported on the consolidated balance sheet and are amortized into mortgage banking income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. Mortgage servicing rights are evaluated for impairment based upon the fair value of the rights compared to amortized cost. Impairment is determined by stratifying rights by predominate risk characteristics, such as interest rates and terms. Impairment, if material, is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the carrying amount of the stratum. Changes in the valuation allowance are reported in mortgage banking income. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income, using certain prepayment assumptions that may not be observable in the market place.

Foreclosed real estate

Real estate acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at fair value, less costs to sell, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations, changes in the valuation allowance and any direct write-downs are included in other general and administrative expense. Gains and losses on sales are included in miscellaneous income. There were no foreclosed real estate assets recorded as of December 31, 2022, or 2021.

Premises and equipment

Land is carried at cost. Buildings, equipment and leasehold improvements are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the expected terms of the leases or estimated useful lives of the assets if shorter. Estimated useful life for buildings is 35-40 years, leasehold improvements is 5-10 years and equipment is 3-5 years. Expected terms include lease option periods to the extent that the exercise of such option is reasonably assured.

Leases

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)* retrospectively at the beginning of 2022. The adoption did not result in any cumulative-effect adjustment to beginning retained earnings. The Company has elected certain practical expedients upon adoption and therefore has not reassessed whether any expired or existing contracts contain leases, has not reassessed the lease classification for any expired or existing leases and has not reassessed initial direct costs for any existing leases. Management adopted this ASU on January 1, 2022, and recorded an increase in assets and liabilities of $13.8 million on the consolidated balance sheet as a result.

The Company determines if an arrangement is a lease at inception. The Company does not have any finance leases.

Right of use ("ROU") assets represent the right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, an incremental borrowing rate is used, which is generally the Federal Home Loan Bank classic advance rate, based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset is net of lease incentives. The Company's lease terms may include options to extend or terminate the lease when there is reasonable certainty that the option will be exercised. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. The Company has not elected the practical expedient to account for lease and non-lease components as one lease component.

Bank-owned life insurance

Bank-owned life insurance policies are reflected on the consolidated balance sheets at cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received in excess of cash surrender value, are reflected in bank-owned life insurance income on the consolidated statements of net income and are not subject to income taxes.

Transfers of financial assets

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets.

During the normal course of business, the Company may transfer a portion of a loan. In order to be eligible for sales treatment, the transferred portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

Derivative financial instruments

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheet, measured at fair value and recorded in other assets and other liabilities.

Interest Rate Swap Agreements

The Company enters into interest rate swap agreements to provide for the needs of its customers or to manage the interest rate risk of its balance sheet. An interest rate swap is an agreement whereby one party agrees to pay a fixed rate of interest on a notional principal amount in exchange for receiving a floating rate of interest on the same notional amount for a predetermined period of time from the second party. In the case of customer-based transactions, derivatives are offset with matching derivatives with other correspondent bank counterparties in order to minimize interest rate risk to the Company.

The customer based interest rate derivative instruments are recorded on the consolidated balance sheets as either an asset or liability measured at fair value. These derivatives do not qualify for hedge accounting. As such, all changes in fair value of these derivative instruments are included in other miscellaneous income.

The Company also uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Derivatives that are used as part of the asset/liability management process are linked to specific assets or liabilities and have a high correlation between the contract and the underlying item being hedged, both at inception and throughout the hedge period. Most interest rate swaps involve the exchange of fixed and floating interest payments. The Company uses interest rate swaps to convert a portion of its short-term, variable interest funding sources to long-term, fixed-rate funding sources (cash flow hedge).

Interest rate swaps are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. The gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings.

Mortgage Banking Derivatives

Mortgage loan commitments qualify as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. Forward loan sale commitments mitigate the risk of potential decreases in the values of loans that would result from the exercise of mortgage loan commitments. These derivatives, if material, are recognized at fair value on the consolidated balance sheets in other assets and other liabilities with changes in their fair values recorded in other income.

Goodwill and other intangible assets

The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost (or the fair value of the entity acquired) over the fair value of the net assets acquired and is not subsequently amortized. Management assesses goodwill for impairment at least on an annual basis to determine if events or changes in circumstances indicate that the carrying value may be less than the fair value of the reporting entity. If the carrying amount exceeds fair value, an impairment charge is recorded through operations. See Note 7.

Other intangible assets represent the long-term value of customer relationships acquired and are being amortized over their estimated lives on a straight-line basis. The Company evaluates the realizability of other intangible assets based on the value of the underlying customer relationships whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If that value is less than the carrying amount of the intangible assets and is considered permanent, the Company would recognize an impairment loss. See Note 7.

Equity method investments

The company accounts for its investment in limited liability companies using the equity method. The Company owns less than 50% of each limited liability company and does not have the ability to exercise significant influence over operating and financial policies. Priority distributions received from the equity investments reduce the Company's recorded investment and the investments are evaluated for impairment. The Company’s share of equity losses are included in other general and administrative expenses in the consolidated statements of net income (loss).

Insurance commissions

The Company’s insurance revenue, which represents commissions earned for performing agency–related services, is earned at the point in time when the agent has satisfied its performance obligations of placement services. In addition, the Company may receive additional performance commissions based on achieving certain sales and loss experience measures. Such commissions are recognized when determinable, which is generally when such commissions are received or when the Company receives data from the insurance companies that allows the reasonable estimation of these amounts.

Pension plan

The compensation cost of an employee's pension benefit is recognized on the projected unit credit method over the employee's approximate service period. The aggregate cost method is utilized for funding purposes. The Company accounts for its defined benefit pension plan using an actuarial model that allocates pension costs over the service period of employees in the plan. The Company accounts for the over-funded or under-funded status of its defined benefit plan as an asset or liability in its consolidated balance sheets and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income or loss.

The service cost component of net periodic pension cost is reported in salaries and employee benefit expense. The other components of net periodic pension benefit/cost are reported in other general and administrative expenses. See Note 17.

Income taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws in the period of enactment. A valuation allowance is established against deferred tax assets when, based upon the available evidence including historical and projected taxable income, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company does not have any uncertain tax positions at December 31, 2022 and 2021 which require accrual or disclosure.

The Company records interest and penalties as part of income tax expense. No interest or penalties were recorded for the years ended December 31, 2022 and 2021.

Trust assets

Trust assets held in a fiduciary or agency capacity are not included in the Company's consolidated financial statements. Trust department fees are primarily comprised of fees earned from trust administration services. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based on the daily accrual of the market value of the investment accounts and the applicable fee rate.

Advertising costs

Advertising costs are expensed as incurred.

Comprehensive income/loss

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income (loss). Although certain changes in assets and liabilities are reported as a separate component of the retained earnings section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income/loss.

The components of accumulated other comprehensive loss, included in retained earnings, are as follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Securities available for sale:		
Net unrealized loss	$ (26,844)	$ (3,196)
Tax effect	7,292	840
Net-of-tax amount	(19,552)	(2,356)
Derivative instruments used for cash flow hedges:		
Net unrealized gain (loss)	33	(383)
Tax effect	(9)	108
Net-of-tax amount	24	(275)
Defined benefit pension plans:		
Unrecognized actuarial loss	(18,130)	(24,595)
Tax effect	5,096	6,913
Net-of-tax amount	(13,034)	(17,682)
	$ (32,562)	$ (20,313)

An actuarial loss of $746,000 included in accumulated other comprehensive loss at December 31, 2022, is expected to be recognized as a component of net periodic pension cost for the year ending December 31, 2023.

Recent accounting pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Management adopted this ASU on January 1, 2023, which resulted in a significant change in the methodology used in calculating the allowance for loan losses; however, there were no material impacts to the consolidated financial statements (unaudited).

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This Update provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR"). The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The adoption did not have a material impact on the consolidated financial statements.

In January 2021, ASU 2021-01, *Reference Rate Reform (Topic 848)*: Scope was subsequently issued and expanded application of the optional expedients to derivative transactions affected by the transition. The Company does not anticipate that the adoption of these updates will have a material impact on the Company's financial statements.

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*. This ASU allows for nonprepayable financial assets to also be included in a closed portfolio hedged using the portfolio layer method. The expanded scope permits an entity to apply the same portfolio hedging method to both prepayable and nonprepayable financial assets resulting in more consistent accounting for similar hedges. All amendments in this ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this standard on the Company's financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in this ASU eliminate the existing accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables – TDRs by Creditors and instead requires that an entity evaluate whether a modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements for certain loan refinancing and restructuring by creditors when a borrower is experiencing financial difficulty. All amendments in this update are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this standard on the Company's financial statements.

2. RESTRICTIONS ON CASH AND AMOUNTS DUE FROM BANKS

The Company is periodically required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2022 and 2021, there was no reserve requirement.

At both December 31, 2022 and 2021, the Company pledged $500,000 in cash held at a correspondent bank to the state of Maine to establish the Plimoth Trust Company, LLC.

The Company has minimum collateral posting thresholds with certain of its interest rate swap derivative counterparties. At December 31, 2022 and 2021, collateral of $7,983,000 and $1,930,000 respectively, was pledged by the Company to its counterparties.

3. SECURITIES

Available for Sale

The amortized cost and fair value of securities available for sale with gross unrealized gains and losses, follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
December 31, 2022				
U.S. Government bonds	$ 89,972	$ -	$ (6,161)	$ 83,811
Government sponsored enterprises	68,787	-	(9,192)	59,595
State and municipal bonds	45,424	-	(1,287)	44,137
Corporate bonds	75,547	-	(8,164)	67,383
Subordinated debt and collateralized debt obligations	31,450	-	(2,041)	29,409
Total securities available for sale	$ 311,180	$ -	$(26,845)	$ 284,335

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(In thousands)		
December 31, 2021				
U.S. Government bonds	$ 84,089	$ 74	$ (819)	$ 83,344
Government sponsored enterprises	68,831	-	(1,850)	66,981
State and municipal bonds	43,122	-	(88)	43,034
Corporate bonds	47,005	7	(1,332)	45,680
Subordinated debt and collateralized debt obligations	21,250	812	-	22,062
Total securities available for sale	$ 264,297	$ 893	$ (4,089)	$ 261,101

Securities with an amortized cost of $43,331,000 and $38,837,000 and a fair value of $40,176,000 and $38,500,000 at December 31, 2022 and 2021, respectively, were pledged to secure public funds and other such purposes as required by law.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2022 is as follows. Expected maturities will differ from contractual maturities on certain securities because of call or prepayment provisions.

	Amortized Cost	Fair Value
	(In thousands)	
Within 1 year	$ 12,513	$ 12,321
After 1 year through 5 years	201,145	183,605
After 5 years through 10 years	72,082	63,050
Over 10 years	25,440	25,359
	$ 311,180	$ 284,335

For the years ended December 31, 2022 and 2021, proceeds from sales of securities available for sale amounted to $23,055,000 and $50,886,000, respectively. Gross realized gains amounted to $0 and $705,000, respectively, and gross realized losses amounted to $542,000 and $226,000, respectively.

Information pertaining to securities available for sale with gross unrealized losses at December 31, 2022 and 2021, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)			
December 31, 2022				
US Government bonds	$ 1,503	$ 30,983	$ 4,657	$ 52,828
Government sponsored enterprises	-	-	9,192	59,596
State and municipal bonds	324	4,045	963	9,683
Corporate bonds	1,619	33,359	6,545	33,025
Subordinated debt	2,041	22,409	-	-
Total securities available for sale	$ 5,487	$ 90,796	$ 21,357	$ 155,132

At December 31, 2022, 127 debt securities have unrealized losses with aggregate depreciation of 9.84% from the Company’s amortized cost basis, all of which is deemed to be temporary.

The unrealized losses on these investments were primarily caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the investment. Because the decline in fair value is attributable to changes in interest rates and not to credit quality, and because the Company does not intend to sell the investments and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2022.

Marketable Equity Securities

Marketable equity securities consist of common stocks, preferred stocks and money market mutual funds. For the years ended December 31, 2022 and 2021, the Company held marketable equity securities with an aggregate fair value of $2,244,000 and $73,028,000, respectively. During the years ended December 31, 2022 and 2021, net unrealized losses recognized on marketable equity securities still held at December 31, 2022 amounted to $1,115,000 and net unrealized gains recognized on marketable equity securities still held at December 31, 2021 amounted to $9,317,000.

4. LOANS

A summary of the balances of loans follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Mortgage loans on real estate:		
Residential	$ 511,121	$ 247,530
Commercial and multi-family	1,028,065	943,649
Construction	267,070	212,319
HELOC and second mortgages	133,769	79,071
	1,940,025	1,482,569
Commercial loans:		
Commercial	254,108	155,840
SBA PPP	1,621	24,495
	255,729	180,335
Consumer loans	115,533	79,303
Total loans	2,311,287	1,742,207
Allowance for loan losses	(21,793)	(22,847)
Net deferred loan fees	(301)	(1,362)
Loans, net	$ 2,289,193	$ 1,717,998

Residential, commercial and multi-family, HELOC and second mortgage loans are subject to a blanket lien securing FHLB borrowings. See Note 11.

Activity in the allowance for loan losses for the years ended December 31, 2022 and 2021, and allocation of the allowance to loan segments at December 31, 2022 and 2021, follows:

	Residential Real Estate	Commercial & Multi-family Real Estate	Construction	HELOC & Second Mortgages	Commercial	Consumer	Unallocated	Total
	(In thousands)							
Balance at December 31, 2020	$ 803	$ 10,030	$ 447	$ 311	$ 2,454	$ 1,285	$ 2,310	$ 17,640
Provision (credit) for loan losses	(125)	3,724	933	(5)	(398)	2,234	(163)	6,200
Loans charged-off	-	-	-	-	(1)	(1,211)	-	(1,212)
Recoveries	9	-	-	9	130	71	-	219
Balance at December 31, 2021	687	13,754	1,380	315	2,185	2,379	2,147	22,847
Provision (credit) for loan losses	535	4,279	353	216	879	125	(2,037)	4,350
Loans charged-off	(6)	(4,965)	-	(8)	-	(497)		(5,476)
Recoveries	12	-	-	10	-	50	-	72
								-
Balance at December 31, 2022	$ 1,228	$ 13,068	$ 1,733	$ 533	$ 3,064	$ 2,057	$ 110	$ 21,793
December 31, 2022								
Allowance related to impaired loans	$ 64	$ -	$ -	$ -	$ 529	$ -	$ -	$ 593
Allowance related to non-impaired loans	1,164	13,068	1,733	533	2,535	2,057	110	21,200
Total allowance for loan losses	$ 1,228	$ 13,068	$ 1,733	$ 533	$ 3,064	$ 2,057	$ 110	$ 21,793
Impaired loans	$ 2,387	$ 2,729	$ 67	$ 354	$ 1,258	$ 173	$ -	$ 6,968
Non-impaired loans	508,734	1,025,336	267,003	133,415	254,471	115,360	-	2,304,319
Total loans	$ 511,121	$ 1,028,065	$ 267,070	$ 133,769	$ 255,729	$ 115,533	$ -	$ 2,311,287
December 31, 2021								
Allowance related to impaired loans	$ 69	$ 2,461	$ -	$ -	$ 607	$ -	$ -	$ 3,137
Allowance related to non-impaired loans	618	11,293	1,380	315	1,578	2,379	2,147	19,710
Total allowance for loan losses	$ 687	$ 13,754	$ 1,380	$ 315	$ 2,185	$ 2,379	$ 2,147	$ 22,847
Impaired loans	$ 2,978	$ 15,839	$ 69.00	$ 268	$ 1,325	$ 228	$ -	$ 20,707
Non-impaired loans	244,552	927,810	212,250	78,803	179,010	79,075	-	1,721,500
Total loans	$ 247,530	$ 943,649	$ 212,319	$ 79,071	$ 180,335	$ 79,303	$ -	$ 1,742,207

LOANS

The following is a summary of information pertaining to impaired loans:

	December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Impaired loans without a valuation allowance:			
Mortgage loans on real estate:			
Residential	$ 1,568	$ 1,568	
Commercial and multi-family	2,729	2,729	
Construction	67	67	
HELOC and second mortgages	354	354	
Commercial	689	689	
Consumer	173	173	
	5,580	5,580	
Impaired loans with a valuation allowance:			
Residential mortgage loans on real estate	819	819	$ 64
Commercial	569	569	529
	1,388	1,388	593
Total	$ 6,968	$ 6,968	$ 593

	Year Ended December 31, 2022		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
		(In thousands)	
Mortgage loans on real estate:			
Residential	$ 3,638	$ 128	$ 128
Commercial and multi-family	13,173	77	248
Construction	67	1	1
HELOC and second mortgages	377	15	15
Commercial	1,304	82	82
Consumer	390	31	31
Total	$ 18,949	$ 334	$ 505

	December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In thousands)	
Impaired loans without a valuation allowance:			
Mortgage loans on real estate:			
Residential	$ 2,391	$ 2,391	
Commercial and multi-family	1,272	1,272	
Construction	69	69	
HELOC and second mortgages	268	268	
Commercial	263	263	
Consumer	228	228	
	4,491	4,491	
Impaired loans with a valuation allowance:			
Mortgage loans on real estate:			
Residential	587	587	$ 69
Commercial and multi-family	14,567	14,567	2,461
Commercial	1,062	1,062	607
	16,216	16,216	3,137
Total	$ 20,707	$ 20,707	$ 3,137

	Year Ended December 31, 2021		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
		(In thousands)	
Mortgage loans on real estate:			
Residential	$ 4,244	$ 138	$ 77
Commercial and multi-family	15,182	272	167
Construction	69	-	-
HELOC and second mortgages	331	4	3
Commercial	1,426	79	79
Consumer	378	12	13
Total	$ 21,630	$ 505	$ 339

The Company has no commitments to advance additional funds in connection with impaired loans at December 31, 2022.

The following is a summary of past due and non-accrual loans at December 31, 2022 and 2021:

	December 31, 2022					
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Past Due 90 Days or More and Still Accruing	Loans on Non-accrual
	(In thousands)					
Mortgage loans on real estate:						
Residential	$ 241	$ -	$ 694	$ 935	$ -	$ 1,376
Commercial and multi-family	191	-	1,884	2,076	-	1,884
HELOC and second mortgages	193	-	242	434	-	341
Commercial	-	-	-	-	-	569
Consumer	744	320	154	1,218	-	283
Total	$ 1,369	$ 320	$ 2,974	$ 4,663	$ -	$ 4,453

	December 31, 2021					
	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More	Total Past Due	Past Due 90 Days or More and Still Accruing	Loans on Non-accrual
	(In thousands)					
Mortgage loans on real estate:						
Residential	$ 179	$ 783	$ 177	$ 1,139	$ -	$ 1,070
Commercial and multi-family	-	-	7,078	7,078	-	10,852
HELOC and second mortgages	102	86	156	344	-	242
Commercial	-	-	-	-	-	1,325
Consumer	798	358	668	1,824	-	708
Total	$ 1,079	$ 1,227	$ 8,079	$ 10,385	$ -	$ 14,197

Troubled debt restructures were not significant in 2022 and 2021.

Credit Quality Information

The Company utilizes a ten-grade internal loan rating system for commercial and multi-family real estate, construction and commercial loans as follows:

Loans rated 1 – 6 are considered “pass” rated loans with low to average risk.

Loans rated 7 are considered “special mention.” These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 8 are considered “substandard” and are inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

LOANS

Credit Quality Information

Loans rated 9 are considered "doubtful" and have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 10 are considered uncollectible and of such little value that their continuance as a loan is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on substantially all commercial and multi-family real estate, construction and commercial loans. Annually, the Company engages an independent third party to review a significant portion of loans within these segments. Management uses the results of these reviews as part of its annual review process.

On a monthly basis, the Company reviews the residential real estate, HELOC and second mortgage, and consumer portfolios for credit quality primarily through the use of delinquency reports.

The following table presents the Company's loans by risk rating at December 31, 2022 and 2021. PPP loans, included within the commercial loan segment, have been excluded from the below table as they are fully guaranteed by the SBA.

	Commercial and Multi-family Real Estate	Commercial	Construction
		(In thousands)	
December 31, 2022			
Loans rated 1 - 6	$ 1,024,386	$ 252,850	$ 267,003
Loans rated 7	1,368	-	67
Loans rated 8	615	1,258	
Loans rated 9	1,696	-	-
	$ 1,028,065	$ 254,108	$ 267,070
December 31, 2021			
Loans rated 1 - 6	$ 926,162	$ 154,432	$ 212,250
Loans rated 7	2,087	83	69
Loans rated 8	15,400	1,325	-
	$ 943,649	$ 155,840	$ 212,319

5. LOAN SALES AND SERVICING

The Company has transferred a portion of its originated commercial loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in the Company's accompanying consolidated balance sheets. The Company and participating lenders share ratably in any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Company continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers, and remits payments to participating lenders. At December 31, 2022 and 2021, the Company was servicing loans for participants aggregating $24,988,000 and $28,703,000, respectively.

Additionally, the Company continues to transfer a portion of its originated manufactured loans to participating lenders. At December 31, 2022 and 2021, the Company was servicing loans for participants aggregating $28,449,000 and $34,381,000, respectively. These loans are not included in the accompanying consolidated balance sheets.

Residential mortgage loans sold and serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of residential mortgage loans serviced for others totaled $1,856,602,000 and $1,758,461,000 at December 31, 2022 and 2021, respectively. Certain of these loans were sold with recourse provisions. At both December 31, 2022 and 2021, the related maximum contingent recourse liability amounted to $89,000, which is not recorded in the consolidated financial statements.

The risks inherent in servicing rights relate primarily to changes in prepayments that result from shifts in interest rates. The fair value of servicing rights was determined using discount rates ranging from 9.5% to 12.5% at December 31, 2022 and 9.0% to 12.0% as of December 31, 2021. Annual prepayment speeds ranging from 6.6% CPR to 25.7% CPR were utilized as of December 31, 2022 and from 8.1% CPR to 24.8% CPR as of December 31, 2021. The following summarizes mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	Years Ended December 31, 2022	2021
	(In thousands)	
Mortgage servicing rights:		
Balance at beginning of year	$ 16,397	$ 10,897
Additions	3,906	10,271
Amortization	(4,195)	(4,771)
Balance at end of year	16,108	16,397
Valuation allowances:		
Balance at beginning of year	-	1,476
Recoveries	-	(1,476)
Balance at end of year	-	-
Mortgage servicing assets, net	$ 16,108	$ 16,397
Fair value of mortgage servicing assets	$ 20,788	$ 17,440

For the years ended December 31, 2022 and 2021, contractually specified servicing fees included in net loan servicing fee income, amounted to $4,674,000 and $3,830,000, respectively.

For the years ended December 31, 2022 and 2021, gains on sales of loans amounted to $10,842,000 and $33,306,000, respectively, which is included in mortgage banking income.

6. PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation and amortization of premises and equipment follows:

	December 31, 2022	2021
	(In thousands)	
Premises:		
Land	$ 5,414	$ 5,414
Buildings	39,520	34,424
Leasehold improvements	13,984	13,823
Construction in progress	578	3,820
Equipment	17,850	15,765
	77,346	73,246
Less accumulated depreciation and amortization	(33,486)	(29,768)
	$ 43,860	$ 43,478

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 amounted to $4,404,000 and $3,970,000, respectively.

At December 31, 2021, construction in progress represented costs primarily incurred for construction at new and existing branch locations and for the installation of solar panels at a branch location. These projects were completed and placed in service in 2022. At December 31, 2022, there was $39,000 in additional outstanding commitments related to these projects.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Goodwill and other intangible assets include previously acquired businesses.

On December 29, 2022, Partners Insurance acquired Hadley Insurit Group Insurance Agency, Inc. for $7,632,000. Goodwill of $2,671,000 and intangible assets of $4,961,000 were recorded as part of this acquisition.

On June 6, 2021, Priority Funding acquired Team Work Mortgage LLC for $1,500,000. Goodwill of $1,500,000 was recorded as part of this acquisition.

On February 1, 2021, Partners Insurance acquired Interstate Insurance Agency for $1,100,000. Goodwill of $377,000 and intangible assets of $700,000 were recorded as part of this acquisition.

The changes in the carrying value of goodwill for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
	(In thousands)	
Balance at beginning of year	$ 21,453	$ 19,576
Increase in goodwill due to acquisitions	2,671	1,877
Balance at end of year	$ 24,124	$ 21,453

Intangible assets

Information pertaining to intangible assets is as follows:

	Gross Carrying Amount	Accumulated Amortization (In thousands)	Net Carrying Amount	Average Amortization Period
December 31, 2022:				
Customer lists, acquired May 31, 2017	$ 645	$ 360	$ 285	10 years
Insurance agency customer lists, acquired 2003 through 2022	6,161	634	5,527	10 years
	$ 6,806	$ 994	$ 5,812	
December 31, 2021:				
Customer lists, acquired May 31, 2017	$ 645	$ 295	$ 350	10 years
Insurance agency customer lists, acquired 2003 through 2021	1,200	527	673	10 years
	$ 1,845	$ 822	$ 1,023	

At December 31, 2022, estimated amortization expense for identifiable intangible assets for the next five years and thereafter is as follows:

Year Ending December 31,	Customer Lists	Insurance Agencies
	(In thousands)	
2023	$ 64	$ 566
2024	64	566
2025	64	566
2026	64	566
2027	27	566
Thereafter	-	2,696
	$ 283	$ 5,526

For the years ended December 31, 2022 and 2021, amortization expense was $172,000 and $179,000, respectively.

8. EQUITY METHOD INVESTMENTS

The Bank has a 45% ownership interest in JNK Realty, LLC, which was formed to convert a Fall River, Massachusetts, property into 4 separate residential lots and a 34-unit apartment complex. As of December 31, 2022, all units are leased. The Bank's total investment was $8,879,000 and $12,185,000 as of December 31, 2022 and 2021, respectively. The Bank invested cash of $700,000 and $8,070,000 during 2022 and 2021, respectively. There were no equity losses recorded for the year ending December 31, 2022 and 2021.

The Bank has a 45% ownership interest in BCBBK, LLC, which was formed to construct The Residences at River's Edge in Fall River, Massachusetts, that consists of 49 residential units and a BayCoast Bank branch. As of December 31, 2022, the building is complete, and all units are leased. The Bank's total investment was $5,065,000 and $11,311,000 as of December 31, 2022 and 2021, respectively. The Bank invested cash of $3,725,000 and $8,550,000 during 2022 and 2021, respectively. There were no equity losses recorded for the year ending December 31, 2022 and 2021.

The Bank has a 45% ownership interest in Oakwood BayCoast WWTF, LLC, which was formed to construct a private wastewater treatment facility on a shared site with the Bank. With a capacity of 24,000 gallons per day, this company provides wastewater treatment services to the Bank. The Bank's total investment was $1,193,000 and $1,168,000 as of December 31, 2022 and 2021, respectively. Oakwood BayCoast WWTF, LLC has experienced losses over the past five years. Total losses of $24,000 and $38,000 were recorded in 2022 and 2021, respectively.

One of the Company's key management personnel is a managing member of these investments; therefore, these investments are considered related parties.

9. LEASES

The Company has operating leases for the operations center, branch locations, loan production offices and stand-alone ATMs. These leases have remaining lease terms of two years to fifteen years and certain of these leases have options to extend the lease for up to thirty years. The renewal period was included if there is reasonable certainty the option will be exercised. The Company has elected the short-term practical expedient for short term leases.

The components of lease expense for the years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Operating lease cost	$ 1,620	$ 1,365

Supplemental cash flow and other information related to leases as of and for the year ended December 31, 2022 is as follows (dollars in thousands):

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	1,276
Weighted Average Remaining Lease Term (in years)		
Operating leases		11.70
Weighted Average Discount Rate		
Operating leases		2.75%

Maturities of lease liabilities are as follows (in thousands):

Year Ending December 31,		Amount (In thousands)
2023		$ 55
2024		138
2025		86
2026		144
2027		388
Thereafter		14,372
	Total lease payments	15,183
	Less imputed interest	(2,274)
		$ 12,909

10. DEPOSITS

A summary of deposit balances, by type, is as follows:

	December 31, 2022	December 31, 2021
	(In thousands)	
Demand deposits	$ 453,060	$ 502,689
NOW	416,262	398,260
Regular and other savings	378,009	379,787
Money market deposits	526,733	370,178
Total non-certificate accounts	1,774,064	1,650,914
Term certificates less than $250,000	562,615	254,775
Term certificates of $250,000 or more	110,889	100,438
Total certificate accounts	673,504	355,213
Total deposits	$2,447,568	$2,006,127

Brokered deposits included in term certificates at December 31, 2022 and 2021 amounted to $329,999,000 and $46,770,000, respectively.

A summary of term certificate accounts by maturity is as follows:

	December 31, 2022		December 31, 2021	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
Within 1 year	$ 606,759	2.98%	$ 249,038	0.54%
Over 1 year to 2 years	51,539	2.14	76,694	0.49
Over 2 years to 3 years	12,392	1.49	16,780	1.36
Over 3 years to 4 years	2,234	0.84	11,385	1.23
Over 4 years to 5 years	580	0.59	1,316	0.72
	$ 673,504	2.88%	$ 355,213	0.59%

11. BORROWINGS

Federal Home Loan Bank

Fixed-rate advances from the FHLB of Boston are as follows:

Maturing	Amount 2022	Amount 2021	Weighted Average Rate 2022	Weighted Average Rate 2021
	(In thousands)			
Within 1 year	$ 76,936	$ 8,922	4.38%	0.43%
Over 5 years	5,000	5,000	4.11%	4.11%
Amortizing advances maturing 2022-2033	756	826	3.44%	3.45%
	$ 82,692	$ 14,748	4.53%	1.85%

At December 31, 2022, amortizing advances require monthly principal and interest payments of $8,000.

The Company has an available line of credit with the FHLB at an interest rate that adjusts daily. At December 31, 2022 and 2021, borrowings under the line were limited to $6,996,000. There were no advances outstanding on the line as of December 31, 2022 and 2021. Borrowings from the FHLB are secured by a blanket lien on first mortgage loans on owner-occupied residential property, defined principally as 75% of the carrying value of first mortgage loans on owner-occupied residential property amounting to $251,661,000 as well as $178,112,000 in commercial and multifamily loans and $43,316,000 in HELOC and second mortgage loans as of December 31, 2022.

During the year ended December 31, 2021, the Company pre-paid FHLB advances of $34.2 million resulting in pre-payment penalties of $537,000 which is included in other general and administrative expenses on the consolidated statements of net income.

Federal Reserve Bank discount window

At December 31, 2022 and 2021, the Company has pledged certain qualifying commercial, construction, and consumer loans amounting to $152,707,000 and $103,654,000, respectively, for access to the discount window advances through the Borrower-In-Custody Program. At December 31, 2022 and 2021, there were no outstanding advances under this program.

Other

The Company also has available unsecured lines of credit with correspondent banks at interest rates that adjust daily. At December 31, 2022 and 2021, the Company has borrowing capacity of $59,000,000 and no advances were outstanding under these lines of credit. In September 2022, the Company entered into a revolving line of credit with a financial institution. The loan was fully advanced in the amount of $5,000,000 and accrued interest at a rate of 7.39% as of December 31, 2022. The loan matures in March 2023.

The Company has an agreement with the American Financial Exchange, LLC (AFX) that enables the Company access to unsecured overnight borrowings with various counterparties. At December 31, 2022 and 2021, the Company has a credit limit of $399,000,000. There were no borrowings outstanding at December 31, 2022 and 2021.

12. SUBORDINATED DEBT

On December 1, 2022, the Company issued subordinated debt (the "2022 Debt") in a private placement offering in the principal amount of $40,000,000. In connection with the issuance of the 2022 Debt, the Company incurred $928,000 in issuance costs that were recorded as a discount on the 2022 Debt and are amortized, using the straight-line method, over the life of the 2022 Debt.

The 2022 Debt accrues interest at 8.5% per annum for the first five years. From and including December 1, 2027, to the maturity date or early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month SOFR plus 481 basis points. Interest on the 2022 Debt will be payable semi-annually on June 1 and December 1 of each year through December 1, 2027, and quarterly thereafter on March 1, June 1, September 1 and December 1 of each year through the maturity date or early redemption date. The 2022 Debt matures on December 1, 2032 but may be redeemed on any scheduled interest payment date beginning December 1, 2027 and thereafter by the Company, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2022 Debt to be redeemed plus accrued and unpaid interest.

On April 30, 2021, the Company issued subordinated debt (the "2021 Debt") in a private placement offering in the principal amount of $45,000,000. In connection with the issuance of the 2021 Debt, the Company incurred $995,000 in issuance costs that were recorded as a discount to the 2021 Debt and are amortized, using the straight-line method, over the life of the 2021 Debt.

The 2021 Debt accrues interest at 3.875% per annum for the first five years. From and including May 15, 2026, to the maturity date or early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month SOFR plus 319 basis points. Interest on the 2021 Debt will be payable semi-annually on May 15 and November 15 of each year through May 15, 2026, and quarterly thereafter on February 15, May 15, August 15 and November 15 of each year through the maturity date or early redemption date. The 2021 Debt matures on May 15, 2031 but may be redeemed on any scheduled interest payment date beginning on May 15, 2026 and thereafter by the Company, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2021 Debt to be redeemed plus accrued and unpaid interest.

On November 28, 2017, the Company issued subordinated debt (the "2017 Debt") in a private placement offering in the principal amount of $25,000,000. In connection with the issuance of the 2017 Debt, the Company incurred $734,000 in issuance costs that were recorded as a discount to the 2017 Debt and are amortized, using the straight-line method, over the life of the 2017 Debt.

The 2017 Debt accrues interest at 5.875% per annum for the first five years. From and including December 15, 2022, to the maturity date or early redemption date, the interest rate shall reset quarterly to an interest rate per annum equal to the then current three-month LIBOR rate plus 375 basis points. Interest on the 2017 Debt will be payable semi-annually on June 15 and December 15 of each year through December 15, 2022, and quarterly thereafter on March 15, June 15, September 15 and December 15 of each year through the maturity date or early redemption date. The 2017 Debt matures on December 15, 2027, but may be redeemed on any scheduled interest payment date beginning on December 15, 2022 and thereafter by the Company, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2017 Debt to be redeemed plus accrued and unpaid interest.

On July 21, 2016, the Company issued subordinated debt (the "2016 Debt") in a private placement offering in the principal amount of $19,750,000. On July 30, 2021, the 2016 debt was redeemed.

During both years ended December 31, 2022 and 2021, interest expense included $349,000 and $341,000, respectively, in amortization of issuance costs.

Under the applicable capital rules of the Federal Reserve Bank, the 2022 Debt, the 2021 Debt and 2017 Debt qualify as Tier 2 capital for the Bank subject to certain restrictions.

13. INCOME TAXES

Allocation of the federal and state income taxes between current and deferred portions is as follows:

	Years Ended December 31, 2022	2021
	(In thousands)	
Current tax provision:		
Federal	$ 2,938	$ 2,362
State	1,453	1,191
	4,391	3,553
Deferred tax provision:		
Federal	(4,046)	2,630
State	(1,885)	1,241
	(5,931)	3,871
Total tax provision (benefit)	$ (1,540)	$ 7,424

The reasons for the differences between the statutory federal income tax provision and the provision for income taxes are summarized as follows:

	Years Ended December 31, 2022	2021
	(In thousands)	
Statutory federal income tax rate	$ (851)	$ 6,190
Increase (decrease) resulting from:		
State taxes, net of federal tax benefit	(340)	1,921
Tax exempt income	(248)	(409)
Tax credits	(42)	(98)
Dividends received deduction	(111)	(134)
Tax exempt gain on donated stock	-	(47)
Other, net	52	1
Provision (benefit) for income taxes	$(1,540)	$ 7,424

The components of the net deferred tax asset are as follows:

	Years Ended December 31, 2022	2021
	(In thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 6,126	$ 6,422
Impairment losses on securities available for sale	278	267
Defined benefit pension plan - deferred actuarial losses	5,096	6,913
Net unrealized loss on securities available for sale	7,292	840
Depreciation and amortization	1,437	1,056
Leases	3,629	-
Customer relationship intangible	45	64
Derivatives	-	108
Other carryovers	-	114
Accrued expenses	398	622
Net deferred loan fees	85	382
Other, net	131	195
	24,517	16,983
Deferred tax liabilities:		
Employee benefit plans	(4,277)	(4,638)
Gain on marketable equity securities	(87)	(5,990)
Leases	(3,622)	-
Derivatives	(9)	-
Investment in limited partnerships	(114)	(155)
Deferred gain	(673)	(833)
Mortgage servicing rights	(4,528)	(4,609)
	(13,310)	(16,225)
Net deferred tax asset	$ 11,207	$ 758

A summary of the change in the net deferred tax asset is as follows:

	Years Ended December 31, 2022	2021
	(In thousands)	
Balance at beginning of year	$ 758	$ 3,148
Deferred tax provision	5,931	(3,871)
Changes reflected in other comprehensive income/loss:		
Defined benefit pension plan	(1,817)	383
Derivatives	(117)	(233)
Securities available for sale	6,452	1,331
Balance at end of year	$ 11,207	$ 758

The federal income tax reserve for loan losses at the Company's base year amounted to $2,924,000. If any portion of the reserve is used for purposes other than to absorb loan losses, approximately 150% of the amount actually used (limited to the amount of the reserve) would be subject to taxation in the year in which used. As the Company intends to use the reserve only to absorb loan losses, a deferred tax liability of $822,000 has not been provided.

The Company's income tax returns are subject to review and examination by federal and state taxing authorities. The Company is currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended October 31, 2019 through December 31, 2022. The years open to examination by state taxing authorities vary by jurisdiction; no years prior to 2019 are open.

14. OTHER COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding commitments which are not reflected in the accompanying consolidated financial statements.

Loan commitments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and advance funds on outstanding lines of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of the commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 2022 and 2021, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2022	2021
	(In thousands)	
Commitments to grant loans	$ 78,940	$ 98,860
Unadvanced funds on construction loans	127,205	106,662
Unadvanced funds on home equity lines of credit	176,398	111,380
Unadvanced funds on commercial loans and lines of credit	193,686	210,226
Standby letters of credit	2,350	2,720
Consumer lines of credit	2,305	39

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 generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Funds disbursed under commitments to grant loans, construction loans and home equity lines of credit are primarily secured by real estate, and commercial loans and lines of credit are generally secured by business assets.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These letters of credit are primarily issued to support borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Standby letters of credit are generally collateralized by real estate and business assets.

Employment agreements

The Company has entered into employment agreements with several employees of Priority Funding and Partners Insurance that generally provide for a specified minimum annual compensation and the continuation of benefits from the date of execution of the agreements. The agreements also include a non-compete clause that prevents these employees from competing for a period of five years after separation of service. The Priority Funding agreements expired in September 2022 and were not renewed. The Partners Insurance agreements associated with the Interstate Insurance and Hadley Insurit Group Insurance Agency acquisition expire in February 2026 and December 2025, respectively.

Other contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

15. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Interest Rate Risk Management - Cash Flow Hedging Instruments

The Company uses short-term funding sources, such as FHLB advances and brokered deposits, to fund the Company's lending and investment activities and other general business purposes. These instruments expose the Company to variability in interest payments due to changes in interest rates when the short-term funding rolls over. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, generally hedges a portion of its variable interest payments. To meet this objective, management enters into interest rate swap agreements whereby the Company receives variable interest rate payments and makes fixed interest rate payments. Management intends on rolling over the short-term funding sources through the term of the interest rate swap agreements.

Information pertaining to outstanding interest rate swap agreements designated as cash flow hedges is as follows:

	December 31,	
	2022	2021
	(Dollars in thousands)	
Notional amount	$ 15,000	$ 30,000
Weighted average pay rate	2.61%	2.60%
Weighted average receive rate	2.23%	0.16%
Weighted average remaining term in years	0.1	0.6
Unrealized gain (loss) relating to interest rate swap	$ 33	$ (383)

These agreements provide for the Company to receive payments at a variable rate determined by a specified index (three-month LIBOR) in exchange for making payments at a fixed rate plus a set spread.

Interest Rate Risk Management – Non-Hedging Derivatives

The Company manages a matched book with respect to its interest rate derivative instruments provided to customers in order to minimize its net risk exposure from such transactions.

The Company executes interest rate swaps with certain commercial banking customers to facilitate their respective risk management strategies. These interest rate swaps are simultaneously offset with interest rate swaps that the Company executes with a third party, thereby minimizing its net risk exposure resulting from such transactions. These derivatives are not designated as hedges. Changes in the fair value of both the customer swaps and the offsetting interest rate swaps are recognized directly in earnings. During the years ended December 31, 2022 and 2021, the Company recognized no net holding gain or loss related to such derivatives.

The Company has agreements with its interest rate swap derivative counterparties that contain a provision whereby if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

If the Company had breached any of these provisions, it would have been required to settle its obligations under the agreements at the termination value. In addition, the Company had cross-default provisions with its commercial customer loan agreements which provide cross-collateralization with the customer loan collateral.

At December 31, 2022 and 2021, the following interest rate swaps were outstanding:

	2022		2021	
	With commercial loan borrowers	With third-party financial institutions	With commercial loan borrowers	With third-party financial institution
	(Dollars in thousands)			
Notional amount	$ 72,954	$ 72,954	$ 89,751	$ 89,751
Weighted average rate	3.7%	(3.7%)	3.7%	(3.7%)
Weighted average remaining term	6 Years	6 Years	7.4 Years	7.4 Years
Unrealized fair value gain (loss)	$ (8,333)	$ 8,333	$ 234	$ (234)

The variable rate component of these agreements is set at a variable rate plus the prevailing three-month LIBOR rate.

Risk Participation Agreements

In 2019, the Company entered into three risk participation agreements with financial institution counterparties for interest rate swaps related to loans in which the Company is a participant. The risk participation agreements provide credit protection to the financial institution should the borrower fail to perform on its interest rate derivative contract with the financial institution.

The notional amount of risk participation agreements was $22,104,000 at December 31, 2022 and 2021. There were no fair value adjustments from risk participation agreements at December 31, 2022 or 2021.

Mortgage Banking Derivatives-Interest rate lock commitments

The Company enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time.

Outstanding interest rate lock commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of rate-locked mortgage loan commitments at December 31, 2022 and 2021 was $11,379,000 and $62,161,000, respectively, with a fair value asset of $32,000 and $546,000 respectively.

Mortgage Banking Derivatives - Forward loan sale commitments

The Company utilizes best efforts and mandatory delivery forward loan sale commitments to mitigate the risk of potential decreases in the values of loans held for sale and loan commitments that would result from the exercise of the derivative loan commitments. With a mandatory delivery contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date.

If the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall. With best efforts commitments, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the underlying loan closes. Generally, the price the investor will pay is specified prior to the loan being funded. The notional amount of forward loan sale commitments at December 31, 2022 and 2021, was \$3,941,000 and \$14,021,000, respectively, with a fair value asset of \$20,000 and \$108,000, respectively.

16. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Company (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company’s and Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The regulations require a minimum ratio of total capital to risk-weighted assets of 8%, common equity Tier 1 capital to risk-weighted assets of 4.5%, a minimum ratio of Tier 1 capital to risk-weighted assets of 6% and a minimum leverage ratio of 4% for all banking organizations. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses.

For regulatory capital purposes, loans made under the PPP are risk-weighted at 0% in risk-based capital calculations. For the Tier 1 leverage ratio computation, PPP loans pledged to the PPPLF are excluded from total average assets. Any PPP loan that is not pledged to the PPPLF is included in total average assets for purposes of the Tier 1 leverage ratio calculation.

As of December 31, 2022, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action.

To be categorized as well capitalized, an institution must maintain minimum capital ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category.

Management believes, as of December 31, 2022 and 2021, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

The Company's and the Bank's actual capital amounts and ratios as of December 31, 2022 and 2021 are also presented in the following table.

	Actual		Minimum Capital Requirements		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
December 31, 2022:						
Total capital to risk-weighted assets:						
Consolidated	$ 272,549	11.8%	$ 185,347	8.0%	N/A	N/A
Bank	243,807	10.6	184,031	8.0	$ 230,039	10.0%
Common equity tier 1 capital to risk-weighted assets:						
Consolidated	142,332	6.1	104,258	4.5	N/A	N/A
Bank	222,014	9.7	103,518	4.5	149,525	6.5
Tier 1 capital to risk-weighted assets:						
Consolidated	142,332	6.1	139,010	6.0	N/A	N/A
Bank	222,014	9.7	138,023	6.0	184,031	8.0
Tier 1 capital to average assets:						
Consolidated	142,332	5.3	108,067	4.0	N/A	N/A
Bank	222,014	8.3	107,514	4.0	134,392	5.0
December 31, 2021:						
Total capital to risk-weighted assets:						
Consolidated	$ 246,472	12.1%	$ 162,897	8.0%	N/A	N/A
Bank	223,919	11.0	162,219	8.0	$ 202,773	10.0%
Common equity tier 1 capital to risk-weighted assets:						
Consolidated	154,622	7.6	91,630	4.5	N/A	N/A
Bank	201,072	9.9	91,248	4.5	131,803	6.5
Tier 1 capital to risk-weighted assets:						
Consolidated	154,622	7.6	122,173	6.0	N/A	N/A
Bank	201,072	9.9	121,664	6.0	162,219	8.0
Tier 1 capital to average assets:						
Consolidated	154,622	6.9	90,217	4.0	N/A	N/A
Bank	201,072	9.0	89,553	4.0	111,941	5.0

17. EMPLOYEE BENEFIT PLANS

Defined benefit pension plan

The Company provides basic and supplemental pension benefits for eligible employees through a defined benefit pension plan. Each employee reaching the age of 21 and having completed at least 1,000 hours of service in one twelve-month period beginning with such employee's date of employment, or any anniversary thereof, automatically becomes a participant in the retirement plan. All participants with three years of service are fully vested. Information pertaining to the activity in the plan is as follows:

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 79,062	$ 66,314
Service cost	6,064	5,017
Interest cost	2,459	1,919
Actuarial (gain) loss (1)	(26,691)	6,535
Plan amendments (2)	-	1,084
Benefits paid	(709)	(1,807)
Benefit obligation at end of year	60,185	79,062
Change in plan assets:		
Fair value of plan assets at beginning of year	90,171	71,129
Actual return on plan assets	(15,037)	10,849
Employer contribution	-	10,000
Benefits paid	(709)	(1,807)
Fair value of plan assets at end of year	74,425	90,171
Funded status and pension asset at end of year	$ 14,240	$ 11,109
Accumulated benefit obligation at end of year	$ 46,744	$ 57,080

(1) The actuarial gain for the year ended December 31, 2022, was due to an increase in the discount rate.
(2) Represents the "service buyback" for the Interstate Insurance Agency acquisition.

Actuarial assumptions used to determine the projected benefit obligation are as follows:

	December 31,	
	2022	2021
Discount rate	5.50%	3.25%
Rate of compensation increase	4.25	3.75

The components of net periodic pension cost are as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
	(In thousands)	
Service cost	$ 6,064	$ 5,017
Interest cost	2,459	1,919
Expected return on plan assets	(6,946)	(5,504)
Amortization of prior service cost	325	-
Recognized net actuarial loss	1,058	1,202
	$ 2,960	$ 2,634

The service cost component of pension cost is included in salaries and employee benefits expense and the remaining components are included in other general and administrative expense on the consolidated statements of net income.

Actuarial assumptions used to determine net periodic pension cost are as follows:

	Years Ended December 31, 2022	Years Ended December 31, 2021
Discount rate	3.25%	3.25%
Expected long-term rate of return on plan assets	8.00	8.00
Annual salary increase	3.75	3.00

The discount rate was selected to reflect the expected long-term rate of return based on prevailing yields on high quality fixed income investments. The expected long-term rate of return on plan assets is based on prevailing yields on high quality fixed income investments increased by a premium of 3% to 5% for equity securities.

The Company, through its Investment Committee, selected Plimoth Investment Advisors as the defined benefit plan's investment manager and custodian. An Investment Policy Statement was approved which is consistent with the provisions of the Employee Retirement Income Security Act (ERISA). The policy is also consistent with Modern Portfolio Theory practices, which requires sufficient levels of diversification to promote maximum investment return per unit of risk taken. The policy is not only designed to diversify market and security risk, but also inflation risk which can deteriorate the value of capital over time. The policy sets a strategic asset allocation mix between stocks, bonds and other diversifying assets, along with allowable ranges within each asset class. The policy also includes permitted and prohibited asset classes and security types, along with setting minimum asset quality parameters. The target allocation mix for the portfolio calls for an equity-based investment deployment range of 45% to 75% of total portfolio assets, fixed income investments from 20% to 40%, short-term from 0-10% and other investments (preferred stock, real estate investment trusts (REITs), master limited partnerships (MLPs)) from 0% to 35%.

In establishing the above referenced Investment Policy, Plimoth has worked with the Company to create a level of expectation on behalf of the Company as to the prudent management of plan assets, monitoring of plan assets/holdings, evaluating management of the plan and communicating plan activity.

Plimoth Investment Advisors, in its role as Investment Manager, provides input as to the appropriate asset allocation, time horizon, and risk profile. Utilizing their investment discipline and security selection processes, Plimoth shall manage the assets in accordance with the Investment Policy Statement and shall report on investment performance and other matters impacting the effective management of plan assets. The overall investment return objective should emphasize both a total return in excess of established benchmarks and lower aggregate portfolio volatility. This shall be conducted in a manner consistent with all parameters of the Investment Policy Statement.

The fair value of the Company's pension plan assets are summarized below:

	Level 1	Level 2	Level 3	Total Fair Value
		(In thousands)		
December 31, 2022				
Corporate bonds	$ -	$ 18,459	$ -	$ 18,459
Equity securities	42,701	-	-	42,701
Mutual funds	8,850	-	-	8,850
Other	4,415	-	-	4,415
Total plan assets	$ 55,966	$ 18,459	$ -	$ 74,425
December 31, 2021				
Corporate bonds	$ -	$ 6,885	$ -	$ 6,885
Equity securities	54,418	-	-	54,418
Mutual funds	19,588	-	-	19,588
Other	9,280	-	-	9,280
Total plan assets	$ 83,286	$ 6,885	$ -	$ 90,171

The plan assets measured at fair value in Level 1 are based on quoted market prices in an active exchange market. Plan assets measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

Year Ending December 31,	Amount
	(In thousands)
2023	$ 5,879
2024	5,266
2025	4,494
2026	4,022
2027	3,742
2028-2032	16,430

EMPLOYEE BENEFIT PLANS

401(k) plan

The Company has a 401(k) savings plan, which provides for voluntary contributions by participating employees as allowed by federal tax laws. Under the terms of the plan, an employee is eligible for the Company's Safe Harbor contribution of 3% of the employee's compensation after one year of service and a minimum of 1,000 hours. Total 401(k) plan expense for the years ended December 31, 2022 and 2021 amounted to $1,480,000 and $1,375,000, respectively.

Nonqualified deferred compensation plan

The Company has a nonqualified executive deferred compensation plan, which provides for a select group of management or highly compensated employees to participate in the plan and make voluntary pre-tax contributions, which are 100% vested. Under the terms of the plan, the Company can make discretionary contributions, which vest ratably over 5 years. The corresponding invested assets are held in Rabbi Trusts which are included in other assets on the consolidated balance sheets. The company had income of $156,000 for the year ended December 31, 2022, and expense of $1,049,000 for the year ended December 31,2021.

Supplemental executive retirement plan

The Company has a Supplemental Executive Retirement Plan which provides for certain of the Company's executives to receive monthly benefits upon retirement, subject to certain limitations as set forth in the Plan. The present value of these future benefits is accrued over the executives' terms of employment. The company had income of $374,000 for the year ended December 31, 2022, and expense of $618,000 for the year ended December 31,2021.

Supplemental director retirement plan

The Company has adopted an unfunded Supplemental Director Retirement Plan which provides for all the Company's Directors to receive annual benefits upon retirement, subject to certain limitations set forth in the Plan.

At December 31, 2022 and 2021, the projected benefit obligation and accumulated benefit obligation amounted to $1,752,000 and $2,039,000, respectively.

The discount rates used in determining the projected benefit obligation at December 31, 2022 and 2021 were 5.10% and 2.40%, respectively. The fee inflation assumption used to determine the projected benefit obligation at December 31, 2022 and 2021 was 2.00%.

For the years ended December 31, 2022 and 2021, both the Company contributions and benefits paid amounted to $130,000 and $141,000, respectively, and net periodic retirement costs amounted to $217,000 and $171,000, respectively. The discount rate used in determining net periodic pension cost for the years ended December 31, 2022 and 2021 was 2.40% and 1.85%, respectively.

Projected benefit payments, which reflect expected future service, as appropriate, are as follows:

Year Ending December 31,	Amount (In thousands)
2023	$ 89
2024	214
2025	214
2026	214
2027	214
2028-2032	995

Split-dollar life insurance agreements

In connection with the supplemental retirement plans, the Company has purchased life insurance policies applicable to certain executive officers and directors included in the aforementioned plans. The policies are reflected on the consolidated balance sheets at cash surrender value. Increases in cash surrender value are reflected in other income in the consolidated statements of net income. The Company is the sole owner of these life insurance policies. The Company has entered into agreements with these executives and directors whereby the Company will pay to the executives and directors' estates or beneficiaries a portion of the death benefit that the Company will receive as beneficiary of such policies. The cost of these agreements is being accrued over the respective service periods.

18. FAIR VALUE OF ASSETS AND LIABILITIES

Determination of fair value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments measured at fair value on a recurring and non-recurring basis:

Marketable equity securities and securities available for sale – Fair value measurements are obtained from a third-party pricing service and are not adjusted by management. The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data. There were no securities measured at fair value in Level 3.

Loans held for sale – Fair values are based on commitments in effect from investors or prevailing market prices.

Impaired loans – Fair values for collateral dependent loans are based on the appraised value of the underlying collateral considering discounting factors, if deemed appropriate, and adjusted for selling costs. Current appraisals are obtained when it is determined that the Company is considering foreclosure. In instances where a current appraisal is not obtained, the most recent appraisal may be discounted based on management's historical knowledge, expertise or changes in market conditions from time of valuation. Given the significance of management's judgement in discounting the appraisals, these are considered Level 3 fair value measurements.

Interest rate swap agreements – The fair values of interest rate swap agreements are based on a valuation model that uses primarily observable inputs, such as benchmark yield curves and interest rates and also include the value associated with counterparty credit risk.

Mortgage banking derivatives - The fair values of interest rate lock commitments and forward loan sale commitments are based on fair values of the underlying mortgage loans, including servicing values, and the probability of such commitments being exercised.

Assets and liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Level 1	Level 2	Level 3	Total Fair Value
December 31, 2022		(In thousands)		
Assets:				
Securities available for sale	$ -	$ 284,335	$ -	$ 284,335
Marketable equity securities	2,244	-	-	2,244
Loans held for sale	-	3,505	-	3,505
Forward loan sale commitments	-	20	-	20
Interest rate lock agreements	-	32	-	32
Interest rate swap agreements	-	8,366	-	8,366
	$ 2,244	$ 296,258	$ -	$ 298,502
Liabilities:				
Interest rate swap agreements	$ -	$ 8,333	$ -	$ 8,333
	$ -	$ 8,333	$ -	$ 8,333
December 31, 2021				
Assets:				
Securities available for sale	$ -	$ 261,101	$ -	$ 261,101
Marketable equity securities	73,028	-	-	73,028
Loans held for sale	-	13,623	-	13,623
Forward loan sale commitments	-	108	-	108
Interest rate lock agreements	-	546	-	546
Interest rate swap agreements	-	234	-	234
	$ 73,028	$ 275,612	$ -	$ 348,640
Liabilities:				
Interest rate swap agreements	$ -	$ 617	$ -	$ 617
	$ -	$ 617	$ -	$ 617

The Company may also be required, from time to time, to measure certain other assets and liabilities at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

Assets and liabilities measured at fair value on a nonrecurring basis

Certain impaired loans were adjusted to the fair value, less costs to sell, of the underlying collateral securing these loans resulting in losses. The loss is not recorded directly as an adjustment to current earnings, but rather as a component in determining the allowance for loan losses. Fair value was measured using appraised values of collateral and adjusted as necessary by management based on unobservable inputs for specific properties.

Assets measured at fair value on a nonrecurring basis are summarized below:

	December 31, 2022			Year Ended December 31, 2022
	Level 1	Level 2	Level 3	Total Losses
			(In thousands)	
Impaired loans	$ 2,172	$ -	$ -	$ 2,687
	$ 2,172	$ -	$ -	$ 2,687

	December 31, 2021			Year Ended December 31, 2021
	Level 1	Level 2	Level 3	Total Losses
			(In thousands)	
Impaired loans	$ 12,561	$ -	$ -	$ 2,461
	$ 12,561	$ -	$ -	$ 2,461

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.

Narragansett Financial Corporation and Subsidiary

Consolidating Balance Sheet
December 31, 2022
(in thousands)

Assets	BayCoast Mortgage	Priority Funding & Sub	BayCoast Bank	Other Subsidiaries	Eliminating Entries	Consolidated BayCoast Bank	Narragansett Financial	Eliminating Entries	Consolidated Narragansett Financial
Cash and cash equivalents	$ 27,133	$ 14,528	$ 38,634	$ 21,746	$ (59,147)	$ 42,894	$ 10,487	$ (10,488)	$ 42,893
Securities available for sale, at fair value	-	-	219,358	56,820	-	276,178	8,157	-	284,335
Marketable equity securities, at fair value	-	-	2,244	-	-	2,244	-	-	2,244
FHLB stock, at cost	-	-	3,668	-	-	3,668	-	-	3,668
Loans held for sale	-	-	3,505	-	-	3,505	-	-	3,505
Loans, net	8,317	898	2,279,384	-	(9,423)	2,279,176	10,048	(31)	2,289,193
Mortgage servicing rights	-	-	16,108	-	-	16,108	-	-	16,108
Bank-owned life insurance	-	-	32,823	-	-	32,823	-	-	32,823
Premises and equipment, net	353	93	38,479	4,935	-	43,860	-	-	43,860
Accrued interest receivable	-	-	8,635	197	-	8,832	22	-	8,854
Net deferred tax asset	-	-	10,121	922	-	11,043	164	-	11,207
Goodwill and other intangible assets	-	1,583	19,093	16,960	(7,700)	29,936	-	-	29,936
Equity method investments	-	-	15,137	-	-	15,137	-	-	15,137
Other assets	(13)	572	52,441	1,833	560	55,393	2,092	2,482	59,967
Investment in subsidiaries	-	-	141,987	-	(141,987)	-	251,952	(251,952)	-
	$ 35,790	$ 17,674	$ 2,881,617	$ 103,413	$ (217,697)	$ 2,820,797	$ 282,922	$ (259,989)	$ 2,843,730
Liabilities and Retained Earnings									
Deposits	-	-	2,517,223	-	(59,167)	2,458,056	-	(10,488)	2,447,568
Borrowings	-	-	82,692	-	-	82,692	5,000	-	87,692
Subordinated debt	-	-	-	-	-	-	108,424	-	108,424
Warehouse line of credit	9,423	-	-	-	(9,423)	-	-	-	-
Other liabilities	1,645	1,110	58,617	5,986	(7,120)	60,238	(2,382)	2,482	60,338
Total liabilities	11,068	1,110	2,658,532	5,986	(75,710)	2,600,986	111,042	(8,006)	2,704,022
Commitments and contingencies (Notes 5 and 12)									
Retained earnings	24,722	16,564	251,968	100,686	(141,987)	251,953	172,300	(251,983)	172,270
Accumulated other comprehensive loss	-	-	(28,883)	(3,259)	-	(32,142)	(420)	-	(32,562)
Total retained earnings of Narragansett Financial Corp. and Subsidiary	24,722	16,564	223,085	97,427	(141,987)	219,811	171,880	(251,983)	139,708
	$ 35,790	$ 17,674	$ 2,881,617	$ 103,413	$ (217,697)	$ 2,820,797	$ 282,922	$ (259,989)	$ 2,843,730

Narragansett Financial Corporation and Subsidiary

Consolidating Statement of Net Income (Loss)
Year Ended December 31, 2022
(in thousands)

	BayCoast Mortgage	Priority Funding & Sub	BayCoast Bank	Other Subsidiaries	Eliminating Entries	Consolidated BayCoast Bank	Narragansett Financial	Eliminating Entries	Consolidated Narragansett Financial
Interest and dividend income:									
Interest and fees on loans	$ 183	$ 42	$ 88,809	$ -	$ (92)	$ 88,942	$ 26	$ 9	$ 88,977
Interest on debt securities	-	-	4,239	1,428	-	5,667	36	-	5,703
Dividend income	-	-	1,273	27	-	1,300	4,700	(4,700)	1,300
Interest on cash equivalents	-	-	63	-	-	63	-	-	63
Total interest and dividend income	183	42	94,384	1,455	(92)	95,972	4,762	(4,691)	96,043
Interest expense:									
Interest on deposits	-	-	11,902	-	(56)	11,846	-	(10)	11,836
Interest on borrowings	81	11	2,256	-	(92)	2,256	57	-	2,313
Interest on subordinated debt	-	-	-	-	-	-	3,887	-	3,887
Total interest expense	81	11	14,158	-	(148)	14,102	3,944	(10)	18,036
Net interest income	102	31	80,226	1,455	56	81,870	818	(4,681)	78,007
Provision for loan losses	-	-	4,350	-	-	4,350	-	-	4,350
Net interest income, after provision for loan losses	102	31	75,876	1,455	56	77,520	818	(4,681)	73,657
Other income:									
Customer service fees	-	-	9,024	-	-	9,024	-	-	9,024
Net loan servicing fee income (expense)	-	-	475	-	-	475	-	-	475
Trust department fees	-	-	-	5,223	-	5,223	-	-	5,223
Insurance and brokerage commissions	-	62	1,240	6,548	-	7,850	-	-	7,850
Loss on securities available for sale, net	-	-	(148)	(321)	-	(469)	(73)	-	(542)
Loss on marketable equity securities, net	-	-	(11,575)	(258)	-	(11,833)	-	-	(11,833)
Loss on sales of portfolio loans	-	-	(2,103)	-	-	(2,103)	-	-	(2,103)
Mortgage banking income	11,109	9,803	(8,736)	-	-	12,176	33	-	12,209
Bank-owned life insurance income	-	-	148	-	-	148	-	-	148
Miscellaneous	(285)	1,028	1,149	4	-	1,896	(40)	-	1,856
Total other income	10,824	10,893	(10,526)	11,196	-	22,387	(80)	-	22,307
Operating expenses:									
Salaries and employee benefits	10,069	4,764	44,444	8,283	-	67,560	120	-	67,680
Occupancy and equipment	707	205	11,700	930	-	13,542	-	-	13,542
Professional fees	113	137	3,779	251	-	4,280	4	-	4,284
Data processing	630	7	3,062	80	-	3,779	-	-	3,779
Advertising costs	204	52	1,659	71	-	1,986	-	-	1,986
Deposit insurance	-	-	1,729	-	-	1,729	-	-	1,729
Amortization of intangible assets	-	-	-	172	-	172	-	-	172
Other general and administrative	668	582	4,937	549	-	6,736	0	-	6,736
Total operating expenses	12,391	5,747	71,310	10,336	-	99,784	124	-	99,908
Income (loss) before income taxes	(1,465)	5,177	(5,960)	2,315	56	123	614	(4,681)	(3,944)
Provision (benefit) for income taxes	-	-	(394)	(12)	-	(406)	(1,134)	-	(1,540)
Net income (loss)	(1,465)	5,177	(5,566)	2,327	56	529	1,748	(4,681)	(2,404)
Net income attributed to non-controlling interest in subsidia	-	-	-	107	-	107	-	-	107
Net income (loss) attributed to Narragansett Financial Corp. and Subsidiary	$ (1,465)	$ 5,177	$ (5,566)	$ 2,220	$ 56	$ 422	$ 1,748	$ (4,681)	(2,511)