

*Managing Inorganic Growth with Structural Realignment and  
Process Improvements of the Commercial Lending Function*

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TRADITIONAL CAPSTONE PROJECT  
ABA STONIER GRADUATE SCHOOL OF BANKING

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## Executive Summary

This capstone project provides an examination of how the commercial lending function of Patriot Bank can pursue structural realignment and process improvements to better manage the bank's historical inorganic growth and be better prepared for future organic or inorganic growth. Patriot Bank is a leading regional bank in the Greater Boston area that has undergone several Mergers & Acquisitions (M&A) since becoming a publicly traded in 2020. In the half-decade following the Initial Public Offering, the bank essentially doubled in size from ~\$16 Billion in Assets to ~\$31 Billion in Assets due to a high level of M&A activity. This capstone project aims to provide recommendations for how Patriot Bank can realign structures and improve processes to manage the increased scale. The commercial lending department of Patriot Bank was specifically chosen as it is seen as a primary driver of the bank's revenue and profitability. If the proposals for the commercial lending department are implemented and are successful, similar initiatives could be executed in other departments of the bank. The big picture goal of this project is to address existing issues that have arose from the bank's rapid increase in scale and provide a framework for the bank to successfully continue growth objectives. The proposals for structural realignment and process improvements of the commercial lending function include:

- I. Establishing a Managing Director position.*
- II. Realignment of the Groups within the Commercial Lending Function.*
- III. Raising approval levels for Credit Committee and Managed by Exception loans.*
- IV. Increasing specialization of the Loan Support Groups.*

A strategy and implementation plan for the proposals is provided explaining the Who, What, Why, Where & How of the project. The competitive advantages of pursuing the project and the resources required to move forward are given. The pros & cons of the proposals are discussed along with the

responsibilities of various groups. A timeline of the proposals is outlined with a roadmap for implementation. Both the financial and non-financial impacts of the proposals are thoroughly examined. For the financial impact, the cost of investment to pursue the project is estimated. A cost-benefit analysis is conducted on each proposal along with an overall cost-benefit analysis of all the proposals. The impact of negative consequences is reviewed along with a risk management strategy. The probability of positive, neutral, and negative outcomes is modeled and an overall justification for the investment proposals is given. For the non-financial impact, the logistical or organizational challenges are addressed along with how the bank would navigate these challenges. The impact of the various key stakeholders of the bank is examined. Several non-financial metrics for tracking project success post-implementation are derived along with the outlook of how successful implementation will influence long-term profitability of the bank.

The main takeaway from the project is that a bank's existing structures and processes may not adapt at the same pace while growing inorganically as it would growing organically, however by addressing issues with historical inorganic growth proactively future growth prospects can be successful. Based on the in-depth analysis conducted, this project is a call to action for the leadership of Patriot Bank to consider implementing the proposals as outlined. By pursuing the recommended structural realignment and process improvements of the commercial lending function, the bank will improve one of the primary drivers of the bank's overall productivity and profitability. As any bank grows organically, the structures and processes are able to adapt and evolve cohesively. However, with the benefits of inorganic growth such as an instantaneous increased scale come the negatives of misaligned structures and inefficient processes. By implementing the proposals, the leadership of Patriot Bank will be investing in both the current efficiency of the bank and also a future of strong growth whether organic and inorganic.

## Introduction & Background

A central goal for any banking institution is to achieve growth. With growth brings the ability to increase market share, expand the customer base and provide additional banking services. A bigger bank can obtain a larger deposit base, expand the volume of lending, generate higher revenues, allocate expenses efficiently and ultimately increase profits. Whether a bank is privately owned or publicly traded, the stakeholders of the institution expect the bank's management to be focused on maintaining a balance of operational efficiency while growing the bank.

Nearly all banks would prefer to focus on organic growth by expanding business operations year after year through existing resources and internal efforts. Organic growth offers more stability, less risk, preserves organizational culture and allows the bank to scale at a pace with structures and processes evolving naturally. However, the main issue with organic growth is the amount of effort and length of time needed to grow, especially in the banking industry. In a highly regulated industry littered with competitors and where century old institutions are only able to achieve minor gains in market share through organic growth, it is difficult to organically grow a bank. Organic growth measures may be impacted by unexpected economic cycles, interest rate volatility, regulations, high competition, and difficulty in obtaining sticky customers of other banks.

Inorganic growth is an alternative method to grow via a Mergers & Acquisitions (M&A). Inorganic growth can instantly increase an institution's scale by combining the operations of two organizations. Although the process to successfully complete an M&A entails a high level of regulatory oversight and is a costly endeavor, there are immediate benefits. Upon execution of an M&A, the new organization instantly has higher market share, less competition, an expanded customer base and economies of scale. However, with inorganic growth comes its own set of issues including more complexity, additional financial risks, increased attrition and most prevalently

adapting in place structures and processes for a larger combined institution.

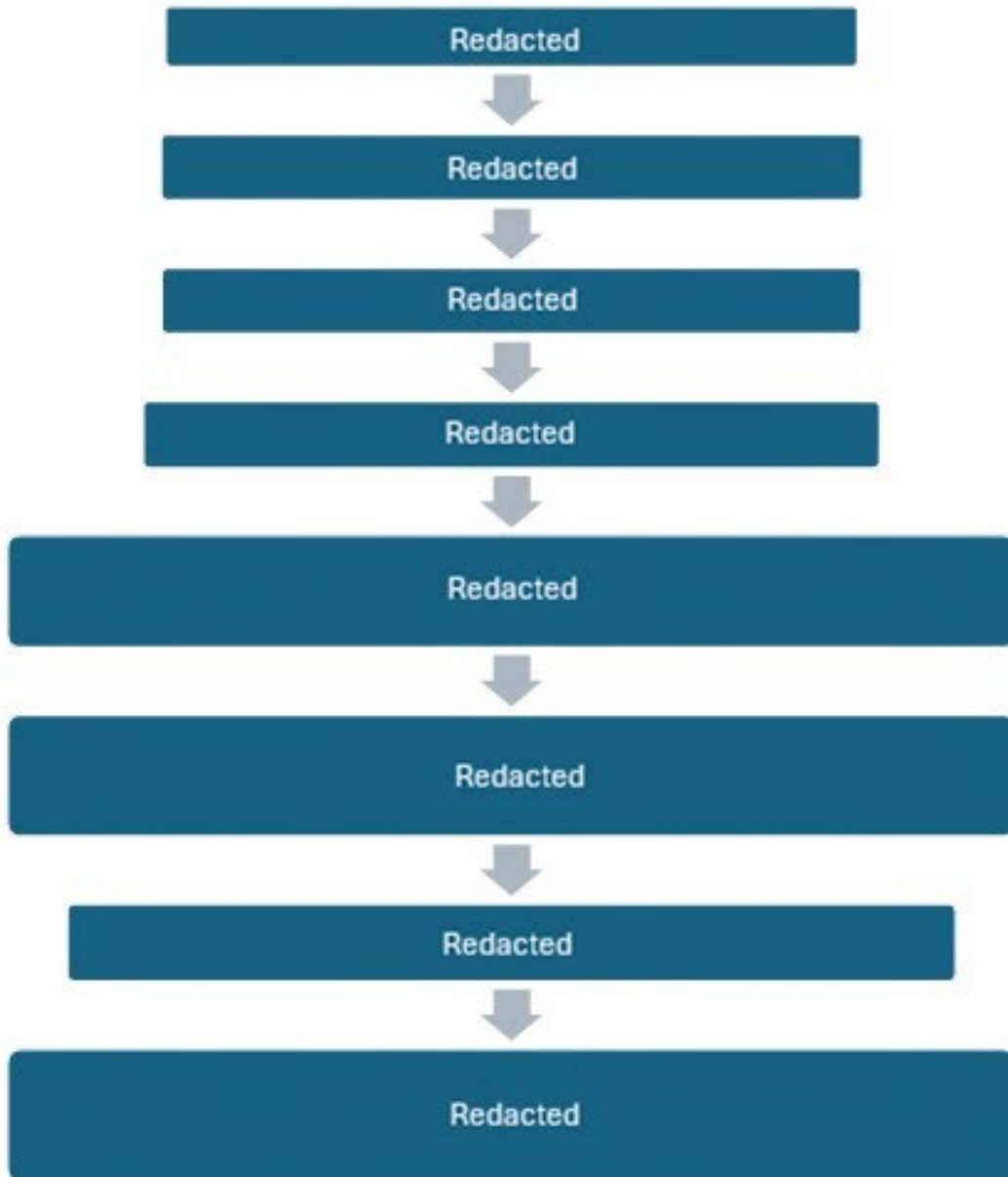
This capstone project aims to address the issues surrounding inorganic growth at Patriot Bank from prior acquisitions and potential future acquisitions by specially addressing how the commercial lending function of the bank can improve efficiency. Patriot Bank has grown significantly via M&A in the past several years. The structural design of the commercial lending department and current processes and procedures have not developed in the same manner or pace as if the bank had grown organically. This change project would be a complete review and evaluation of the current structures and processes of the commercial lending department to determine what potential changes would be beneficial to improve productivity and alleviate stress points as Patriot Bank continues to grow and increase in scale.

## Patriot Bank

Patriot Bank is a leading regional bank in the Greater Boston area and is headquartered in Boston, MA. The bank is held under Patriot Bankshares, Inc. and is traded on the NASDAQ under the ticker PAT. Patriot currently has more than 125 branch locations and serves communities in eastern Massachusetts, southern and coastal New Hampshire, Rhode Island, and Connecticut. The company has around 2,500 employees as of 12/31/25, and ~\$30.6 Billion in assets as of 12/31/25. Patriot Bank was the 77<sup>th</sup> largest bank in the USA as of 9/30/2025 (Federal Reserve, 2025), prior to the latest merger with Bruin Bank. Patriot Bank provides a range of banking and wealth management solutions for consumers and businesses including its Celtic Wealth Management division, which is the largest bank-owned independent investment advisor in Massachusetts with \$9.6 Billion AUM as of 12/31/25. The bank is deeply involved in the community via the Patriot Bank Charitable Foundation, which has provided more than \$240 Million in charitable giving since 1994. “Patriot Bank prides itself on its inclusive nature and is comprised of deeply committed professionals who value relationships with their customers, colleagues and communities” (Patriot Bank, 2025).

## History

Patriot Bank can trace its origins back to over 200 years ago and has experienced periods of both organic growth in its early years and inorganic growth in its later years as in this table:



Patriot Bank was originally founded in 1800 in Boston, Massachusetts as Patriot Five Cent Savings Bank. In 1976, Patriot Five Cent Savings Bank merged with Revolution Bank to become First Patriot Bank which rebranded to Patriot Savings Bank in 1981. In 1989, Patriot Savings Bank reorganized into a mutual

holding company named Patriot Bank Corporation and was the first bank mutual holding company of Massachusetts. The new mutual holding company began acquiring several banks in the 1990's. Patriot Bank Corporation continued an aggressive expansion program in the late 1990's through the early 2000's. In 2020, Patriot Bank announced that it would be demutualizing to become a publicly traded bank named Patriot Bankshares, Inc. At the time of demutualizing, Patriot Bank was both the oldest and largest mutual bank in the United States and the largest community bank in Massachusetts. In the past five years, Patriot Bank has continued its aggressive growth model including the most recent merger with Bruin Bank in 2025. Patriot Bank is now the largest Massachusetts-based community bank.

### Vision, Mission & Values

Patriot Bank's vision statement is *"We envision a thriving regional economy and community where economic hierarchies are dismantled, and systems of oppression based on race, ethnicity, gender, gender identity, parental income, ZIP code or other elements of difference and resulting disparities are eliminated so that these distinctions are no longer predictors of economic outcomes for our neighbors."* (Patriot Bank, 2025). Patriot Bank prides itself on its inclusivity and has been at the forefront of advocacy efforts in the communities that it services.

Patriot Bank's mission is *"To commit our full complement of resources to build strong, equitable and just communities in Massachusetts, New Hampshire, and Rhode Island by listening deeply, trusting the priorities voiced by our communities, and partnering for positive change that enhances the lives of our neighbors."* (Patriot Bank, 2025). Patriot Bank's current slogan is to "Join Us For Good", which reflects an invitation to its customers and members of the community to join the bank as it embarks to make a positive change in the community and also invites new customers to join the bank for the long term.

Patriot Bank has five core values – (i) *Collaboration and Teamwork* – embrace expertise and efforts of collaborators, including nonprofits, funders, policymakers, community leaders, and others; (ii) *Commitment* - see lasting change in the communities served, recognize that change takes persistence and strive to act with integrity in all endeavors; (iii) *Connection* - remain accessible and build authentic ties with community stakeholders and employees to continuously learn, connect, convene and effect positive change; (iv) *Diversity, Equity and Inclusion* - celebrate differences, champion and empower the best contributions from all; and (v) *Innovation* - support work that challenges norms and moves beyond the confines of what is known.

## Strategy & Business Model

Patriot Bank’s strategy has been to grow into the premier regional bank in New England, while keeping the feel of a local community bank and being a strong positive influence in the community. Patriot Pat is the Executive Chair and Chair of the Board of Directors and was formerly CEO from 2017 until the 2024 (when former Celtic Bank CEO Lucky Leprechaun assumed the role following the merger). Mr. Pat joined Patriot Bank in 2006 and has been at the helm of the rapid growth of Patriot Bank over the past two decades. Mr. Pat is highly active in the Boston community, being consistently in the top ten of Boston Magazines’ *Most Influential Bostonians* for several years (Boston Magazine, 2025). Patriot Bank’s strategy and business model is to continue growth and hold a strong presence in the local market.

As the largest Massachusetts-based community bank, Patriot Bank offers a variety of products and financial services to its customers. This includes individual checking, savings, CD’s, debit & credit cards, mortgages, personal loans, retirement planning and online & mobile banking services. For businesses, the bank offers business checking, savings, CD’s, business debit & credit cards, business loans, cash management, merchant services, specialized services, digital bank, and online & mobile banking services.

For commercial customers, the bank offers loans for business banking, commercial real estate (CRE), commercial & industrial (C&I), community development, asset-based lending, franchise lending, innovation banking, and other specialized lending services. Patriot Bank also provides Small Business Administration (SBA) loans and has been the number one SBA Lender in Massachusetts for 16 years in a row since 2008 (Patriot Bank, 2025). Patriot Bank provides other specialized services such as a variety of treasury services, escrow express, government/municipal banking, international banking, IOLTA services.

The bank also provides private banking services and wealth management services via its Celtic Wealth Management division, which is the largest bank-owned independent investment advisor in Massachusetts. Prior to the merger with Celtic Bank in 2024, Patriot Bank sold its subsidiary Patriot Insurance Group to the New York Jet Corporation in 2023 and transitioned out of the insurance business to focus on growing the wealth management aspect of the business. Patriot Bank is also deeply committed to the communities they service through the Patriot Bank Charitable Foundation which was established in 1994 and continues to be one of the biggest bank-owned charitable foundations in Massachusetts. As the bank has scaled to its current size of ~\$25 Billion in assets (to be ~\$31 Billion following the upcoming acquisition of Bruin Bank) it is able to offer an expansive range of products and services.

## Customer Base & Geographic Coverage

Patriot Bank's customer base is mainly comprised of individuals and businesses located in the New England region of the USA. As the company is headquartered in Boston, MA, the bank has its strongest presence in eastern Massachusetts. The bank has expanded its geographic coverage into southern and coastal New Hampshire, Connecticut, and Rhode Island with limited coverage in Vermont and Maine. The branch



network is contained within Massachusetts, New Hampshire, and Rhode Island. Following the most recent merger with Bruin Bank, the bank has expanded their presence in Rhode Island and Connecticut even further. Following the merger and branch consolidation, there are more than 125 branches. The bank does not have current ambitions to penetrate markets outside of the New England region and continues to focus on increasing market share within these markets.

## Market Share and Competitors

Patriot Bank has been able to grow its market share in the Greater Boston market via M&A. It was the largest community bank based in Massachusetts with \$30.6 Billion in Assets and one of the largest depositors with \$25.7 Billion in Deposits as of 12/31/25 (IBankNet, 2025). This is after the Bruin Bank merger which added \$4.5 Billion in loans and \$4.3 Billion in Deposits. Outside of State Street Bank of Boston, MA (\$366.1 Billion in Assets), which is an institutional bank that does not provide retail services, Patriot Bank is considered to be one of the leaders in the market. However, main competitors in the market has been continually active in M&A activity recently.

Rockland Trust Company of Rockland, MA (\$20.1 Billion in Assets as of 6/30/25), closed on a merger with Enterprise Bank and Trust Company of Lowell, MA (\$5 Billion in Assets as of 6/30/25) as of

July 1<sup>st</sup>, 2025. The entity which will remain under the Rockland Trust name will have ~\$25 Billion in Assets (Rockland Trust, 2025). Additionally, two other highly competitive banks in the market – Berkshire Bank of Pittsfield, MA (\$12 Billion in Assets) and Brookline Bank of Brookline, MA (\$7 Billion in Assets) closed on a merger as of September 1<sup>st</sup>, 2025. The combined entity will be named Beacon Financial Corporation and is projected to have ~\$24 Billion in Assets including assets from the Bank of Rhode Island and PCSB Bank which were previously held by Brookline Bank’s parent company. (Beacon Financial Corporation, 2025). While Rockland Trust and Beacon Financial will be comparable in size to Patriot Bank, following the merger Bruin Bank, Patriot Bank now has ~\$30.6 Billion in Assets, making Patriot Bank retain the title of largest community bank in the market. Patriot Bank’s other primary competitors in this market are Salem Five Bank of Salem, MA (\$8.5 Billion in Assets), Cambridge Savings Bank of Cambridge, MA (\$6.9 Billion in Assets) and Middlesex Savings Bank of Natick, MA (\$6.2 Billion in Assets).

### Financial Performance

While the Q4 2025 results have been released, the consolidated FY25 year-end results are not finalized with all adjustments. Patriot Bank’s financial performance the prior three years (FY22 – FY24) was impacted by several different factors, including M&A activity and strategic restructuring. The acquisition of Red Sox Bank in 2021 had an impact on FY22 results, strategic restructuring from the sale of low yielding investment securities and the sale of the Patriot Insurance Group to New York Jet Corporation impacted FY23 results and the merger with Celtic Bank impacted FY24 results. This trend continued into FY25 as the bank completed another sale of investment low yielding securities in early 2025 and the merger with Bruin Bank which closed in October 2025. While these strategic actions may distort the analysis of normal operating results from the past three years, the bank has continued to grow its balance sheet and report favorable results.

Patriot Bank Financials - (in 000's )	FYE 12/31/22	FYE 12/31/23	FYE 12/31/24
<u>Statement of Income</u>			

Net interest income	\$568,054	\$550,409	\$607,597
Noninterest income (loss)	\$76,750	(\$237,753)	\$123,917
Noninterest expense	\$388,649	\$418,602	\$508,368
Provision for allowance for loan losses	\$17,925	\$20,052	\$67,380
Net income (loss) from continuing operations	\$186,511	(\$62,689)	\$119,561
Net income from discontinued operations	\$13,248	\$294,866	\$0
Net Income	\$199,759	\$232,177	\$119,561
<b>Balance Sheet Total</b>			
Assets	\$22,646,858	\$21,133,278	\$25,557,880
Total Loans	\$13,575,531	\$13,973,428	\$18,079,084
Total Deposits	\$18,974,359	\$17,596,217	\$21,291,619
Total Shareholder's Equity	\$2,471,790	\$2,974,855	\$3,611,967
<b>Performance Ratios</b>			
Return on Assets (ROA)	0.89%	1.07%	0.51%
Return on Equity (ROE)	7.05%	9.03%	3.66%
Net Interest Margin	2.69%	2.73%	2.85%
Net Charge-Offs	0.00%	0.09%	0.27%
Nonperforming Loans	0.28%	0.38%	0.76%
<b>Per-Share Data</b>			
Earnings per share, diluted	\$1.21	\$1.43	\$0.66
Book Value per share	\$14.03	\$16.86	\$16.89
Tangible book value per share	\$10.28	\$13.65	\$11.98
Stock Price as FYE	\$17.24	\$14.49	\$17.38

Net Interest Income remained strong across all periods with a record report in FY24 at \$607.6 Million. The company reported a Noninterest loss of \$(237.8) Million in FY23 due to the sale of securities to reposition the bank's investment portfolio at more favorable interest rates. Noninterest expense trended upwards due to the increased scale following the M&A activity. The bank had to increase the Provision for allowance for loan losses to \$67.3 Million in FY24 primarily due to the absorption of Celtic Bank's loan portfolio. Net Income was highest in FY23 at \$232.2 Million, but this was primarily driven by one-time gains from strategic repositioning. Net Income fell to \$119.6M Million, primarily due to merger-related expenses and accounting adjustments. To better illustrate the impact of the restructuring actions, the Net Income was reported for both continuing operations and discontinued operations. Net Interest Income for FY25 is estimated at ~\$828.5 Million with a Noninterest loss of ~\$(105.8) Million due to a sale of securities. Noninterest expense is estimated at ~\$596.9 million with an estimated Net Income of ~\$88.1 Million due to the merger.

Total Assets fell from \$22.6 Billion in FY22 to \$21.1 Billion in FY23 primarily due to the sale of the insurance division, however it increased to \$25.6 Billion in FY24 due to the acquisition of Celtic Bank. Total Loans continued to grow year over year with a large increase in FY24 to \$18.1 Billion, mainly from the Celtic

Bank merger. Total Deposits grew as well in FY24 to a high of \$21.3 Billion due to the Celtic Bank merger. Total Shareholder's Equity increased year over year to a high of \$3.6 Billion in FY24. While not finalized, the Total Assets are estimated at ~\$30.6 Billion for FY25, with total loans of ~\$21.5 Billion. Total Deposits are estimated to be ~\$24.3 Billion.

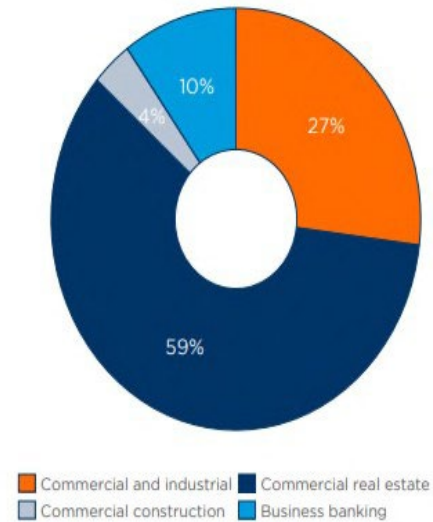
Performance Ratios were also influenced by the various activities, with inflated measures in FY23 due to the strategic restructuring events and deflated measures in FY24 due to the merger. Net Interest Margin continued to expand from 2.69% in FY22 to 2.85% in FY24, reflecting growth in normal business operations. Net Charge-offs and Nonperforming Loans both increased each period, mainly impacted by the absorption of Celtic Bank. The stock price has remained within the \$14-\$18 range during this time period, with a dip in FY23 to \$14.49 at the end of the year. EPS and Tangible Book value were \$0.66 and \$11.98 in FY24 due to the Celtic Bank merger. Total performance ratios were not provided for FY25, however the stock price did close at \$18.57 on 12/31/25.

### Alignment of Project with Patriot Bank's Strategy

After understanding the contrast between the benefits and costs of inorganic growth and understanding the background of Patriot Bank, it is clear that Patriot Bank has reaped many benefits from their strategy of rapid expansion through M&A. While the bank has grown and is among the top regional banks in the market in terms of presence and total asset size, the rate of the expansion may have outpaced the structures and processes that are in place. Patriot Bank's total asset size was ~\$16 Billion at the end of 2020 and is ~\$30.6 Billion following the merger with Bruin Bank in 2025, a nearly doubling of size in a period of 5 years.

This project will specifically review the commercial lending function at Patriot Bank, which is a primary driver of the bank's revenue and profitability and employees around 500 individuals. The commercial portfolio was approximately \$16 Billion in loans as of 12/31/25, accounting for about 70% of the total loan portfolio. Of the commercial loan portfolio as of 12/31/25, 59% are commercial real estate, 27% are C&I, 10% are business banking and 4% are commercial construction.

Commercial loan composition



The commercial division is led by the Chief Commercial Banking Officer, who oversees several cost centers including CRE Boston, CRE Regional, C&I North, C&I Boston, C&I NH, C&I South, Community Development Lending, Asset-Based Lending, Franchise Lending, and International Banking. Business Banking is reserved for smaller loan sizes. With the M&A activity, retained employees have been placed on various teams leading to stress points for certain areas and lack of resources for other areas. Additionally, there has been overlap between loan portfolios, leading to misalignment where loans would have typically been held had they been originated organically.

In addition to a review of the structure of the commercial lending department, a review of the in place processes will be evaluated. The commercial department is customer facing and tasked with loan growth. The credit function of the bank is separated, however all underwriting, loan modifications, loan extensions, annual reviews are handled by the commercial team. Many other functions such as loan processing, loan servicing, appraisal & environmental have been centralized, which is appropriate given the increase in scale but has led to siloed departments that don't communicate well. The increase in volume and specialization has led to friction and delays.

## Strategy & Implementation Plan

Now that the background of Patriot Bank has been discussed along with various issues that have arose from the bank's strategy of inorganic growth, the focus can shift to the strategy and implementation plan for the proposal. The following section will provide a description of the change project and provide a roadmap for the initiative to be implemented and executed. By proactively realigning the current structures and improving processes the bank can be best prepared for future growth objectives. "Larger banks often have complex, vertical structures with narrower spans of control and longer reporting lines. They may consist of specialized departments and divisions, each with their own hierarchy, creating a more intricate and multi-layered organizational chart. These complex structures often require a more detailed and nuanced approach." (Henry, 2025).

The following section will expand on the "Who, What, Why, Where & How" of the proposal in detail. The *Who* will be the stakeholders of Patriot Bank who require buy-in including senior management and the leaders of the commercial lending function. The *What* will be realignment of the current structures and improvements to current processes and what we can expect to achieve. The *Why* is to create a better foundation for continued inorganic growth to help Patriot Bank continue its growth strategy and become better equipped to thrive for future inorganic growth. The *Where* includes the various resources needed to carry out the proposal including financial, organizational, employee and other stakeholders that will be needed in order to achieve the objective. Finally, the *How* will be the step-by-step plan for the implementation and execution of the project including a timeline and implementation of the structural realignments and process improvements. The ultimate objective is to provide a robust roadmap for how Patriot Bank could implement changes in the commercial lending function to better absorb any future inorganic growth.

## Overview of Project, What it will Achieve and Other Options

The proposed change project will be a multifaceted review of the current structures and processes of the commercial lending function at Patriot Bank. The commercial lending function is one of the most important and most profitable divisions for the bank. Due to the inorganic growth of Patriot Bank via M&A, the commercial lending division has grown at a rapid pace. The first component that will be analyzed is the structure of the commercial division in terms of the organizational chart and how it could be rearranged to alleviate stress points caused from the rapid expansion. The second component that will be analyzed will be the current processes of the commercial division in terms of policies and procedures and how these may be improved or changed to better suit the increased scale of the commercial division.

This project will achieve improved efficiency in the commercial lending function. The ultimate goal would be to proactively implement changes for the commercial division that would result in a level of efficiency that would have been achieved if the bank had grown organically. The more efficient the commercial lending function becomes, the better it will operate with increased scale. By addressing the issues now in the current structures and processes, the commercial lending function will be better equipped for any future M&A activity. "Proactive reorganization during scaling improves long-term value by increasing efficiency, mitigating risks, and boosting morale. It helps by realigning roles to new strategic goals, reducing redundancy, optimizing resources for financial efficiency, and creating a more agile structure that can adapt more easily than a company forced into reactive changes" (L'Estrange, 2022). The other option would be to keep the status quo and not adjust the organization of the commercial lending function and keep all the current processes and systems in place. While the commercial lending function would continue to operate if nothing were to change, the division would likely not be able to absorb another M&A.

## Alignment of Project with Patriot Bank's Strategy

Patriot Bank's strategy is to be the region's leading bank, and the bank has pursued this goal by growing inorganically via M&A. When the bank demutualized in 2020 and issued an IPO to become publicly traded, it gained significant capital which was deployed over the last several years by acquiring Red Sox Bank in 2021, Celtic Bank in 2024 and Bruin Bank in 2025. While M&A activity makes the balance sheet grow overnight, it takes time to successfully integrate the assets, people, and cultures into one bank. As each merger was successfully executed, there were lessons learned for improvements in the future. Patriot Bank's strategy will be to continue to grow for years to come whether that is organically or inorganically. This project will be proactive approach to make sure that Patriot Bank is ready for that growth, especially if it is inorganic.

To better understand how the project will align with Patriot Bank's strategy, it is important to understand the size and scale of Patriot Bank, especially the commercial lending department. The commercial lending team has approximately \$16 Billion of total loans as of 12/31/25, accounting for about 70% of the total loan portfolio with the remaining comprised of residential and consumer loans. The majority of the loan portfolio is comprised of Commercial Real Estate with \$9.5 Billion, C&I with \$4.3 Billion, Business Banking with \$1.6 Billion and Construction of \$640 Million. As of 12/31/25, the yield on the commercial loan portfolio was 5.50%. The overall Operating efficiency ratio for the bank was 50.1% as of 12/31/25. There were 62 total relationship managers prior to the Bruin Bank merger as of 10/31/25, with 1,378 relationships and 3,539 individual notes. The average size of each relationship is \$10.8 Million. Loan Growth has been strong with \$2 Billion in closed new money (with \$1.3 Billion funded) across all commercial groups as of 10/31/25. While it will take some time for the new relationship managers to adjust post-merger, the bank is expecting continued strong growth in the commercial lending department.

## Competitive Advantages

There are many competitive advantages of proactive reorganization and realignment of the current structure. “Reorganization provides competitive advantages by enhancing efficiency, boosting financial health, and improving strategic flexibility. It can lead to better productivity and cost reduction, a sharper focus on core, profitable activities, and a stronger balance sheet through managing debt and improving cash flow. A reorganized structure can also make a company more agile and adaptable to market changes and competitive pressures, while clarifying roles for employees and improving decision-making speed” (Prosci, 2024). By realigning the current structures of the commercial lending function, the division will be able to improve productivity. There are competitive advantages to improving processes. “Process improvements provide competitive advantages by lowering costs and increasing efficiency through streamlined operations, which in turn boosts productivity and profitability. They also enhance agility, allowing companies to adapt quickly to market changes, and can improve employee satisfaction and engagement, leading to better talent retention.” (Strata Results, 2023).

## Description of Proposed Structural Realignment

The issue with the current organizational structure in the commercial lending function is that it has become too horizontal opposed to vertical through the various mergers and acquisitions. When the commercial employees of acquired banks were integrated, they were essentially added into existing groups creating additional responsibility for that Group Director to manage. For example, with the Celtic Bank merger in 2024, the entire commercial real estate lending group at Celtic Bank was integrated into the Commercial Real Estate Boston Group. This led to more responsibility and strain being placed onto the Group Director for approvals and management, leading to less efficiency. This was repeated for other groups across the commercial division such as C&I, Community Lending and other specialty lending groups leading to friction. Creating a more vertical

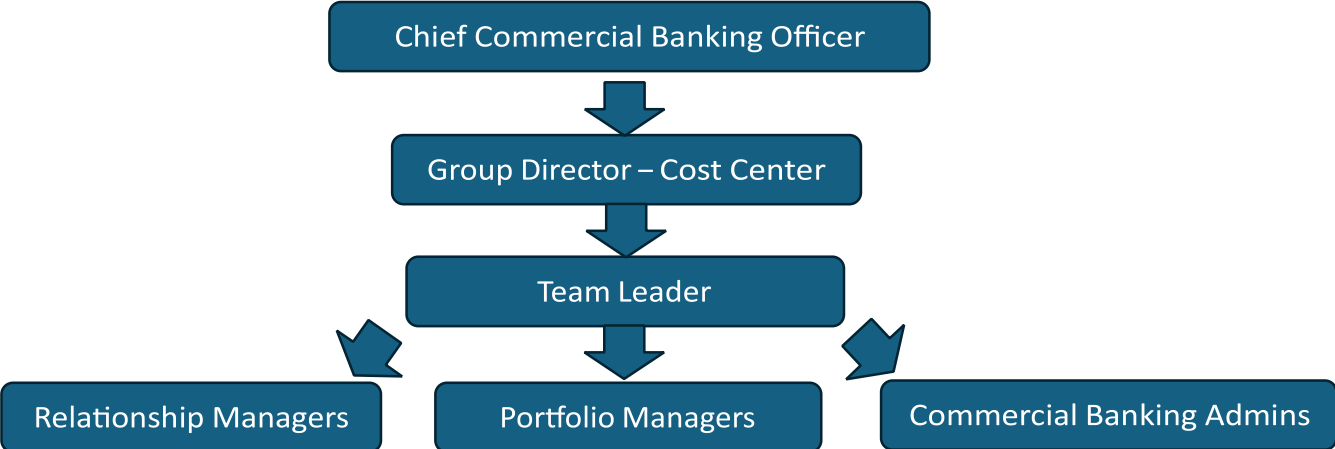
organization chart will allow the bank to alleviate those misallocations and prepare for scaling.

Additionally, the larger lending groups such as Commercial Real Estate and Commercial & Industrial were segmented geographically prior to the various mergers. For example, there is a Commercial Real Estate Boston Group and Commercial Real Estate Regional Group. These segmentations made sense when Patriot Bank was at a smaller scale and was able to delegate relationships geographically but as the bank has grown inorganically various relationships have been moved to certain groups due to overlap. Additionally, there may be clients that have loans for businesses in different parts of the region but are in a single group under a single relationship manager. With the various mergers and Patriot Bank almost doubling in asset size in the span of five years, the allocation of lending relationships in these groups have changed and they do not represent what the names imply any more. By realigning these groups, future growth can be better supported.

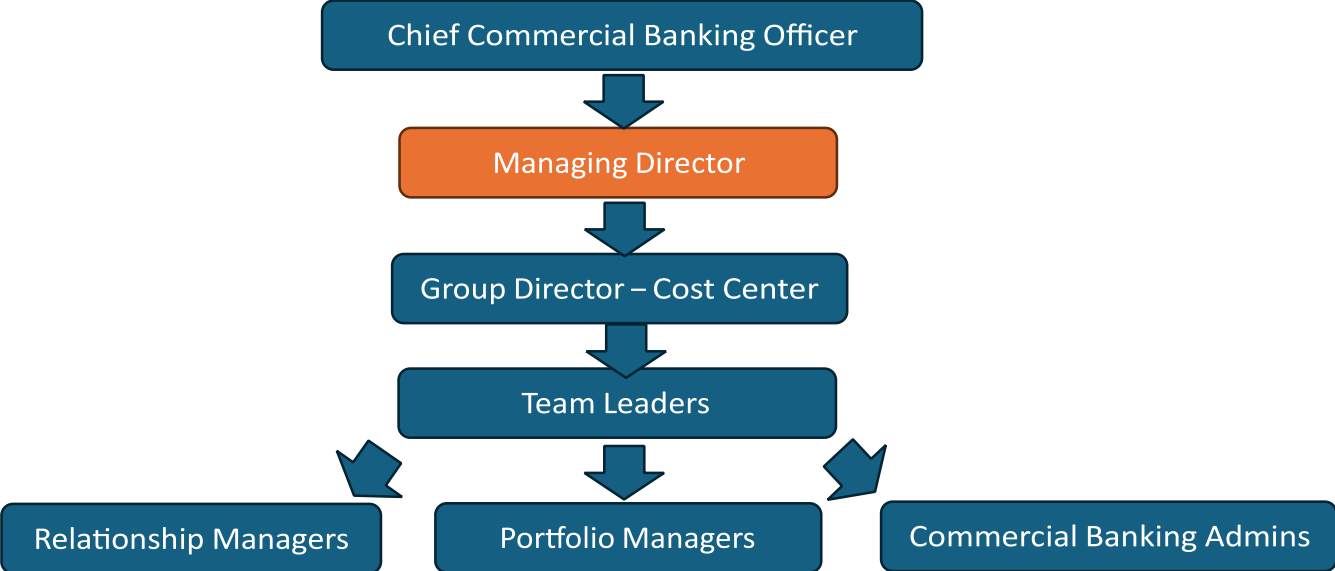
A proposed structural change involves creating Managing Directors for each Lending specialty to oversee the Group Directors. This will add another level to the organizational chart within the commercial lending function making it more vertical. Opposed to there being a Group Director for each Commercial Real Estate cost center reporting to the CCBO, there will be a single Managing Director of Real Estate that will oversee the group directors. As the commercial lending function grows this additional layer to the organizational chart will allow some of the pressure to be taken off the Group Directors as the number of employees underneath them scales upward. There would be a Managing Director of CRE overseeing all real estate cost centers, a Managing Director of C&I overseeing all C&I cost centers and a Managing Director of Specialty Lending overseeing all other cost centers. Each would report up to the Chief Commercial Banking Officer. "A vertical structure is generally better for larger banks because it provides the necessary hierarchy, defined roles, and coordination for large, complex operations, while a horizontal structure is better for smaller, more agile companies or specialized teams needing flexibility and faster

decision-making. For larger banks, the stability, clear lines of command, and ability to manage risk that come with a vertical structure outweigh the potential benefits of a horizontal one, such as faster communication and innovation.” (Henry, 2025).

**Current Commercial Organizational Structure**



**Proposed Commercial Organizational Structure**

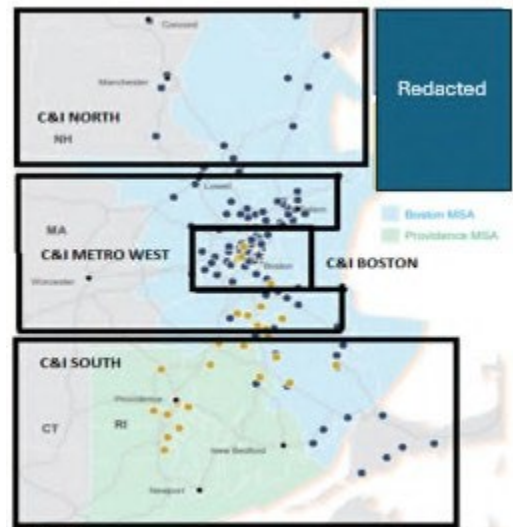


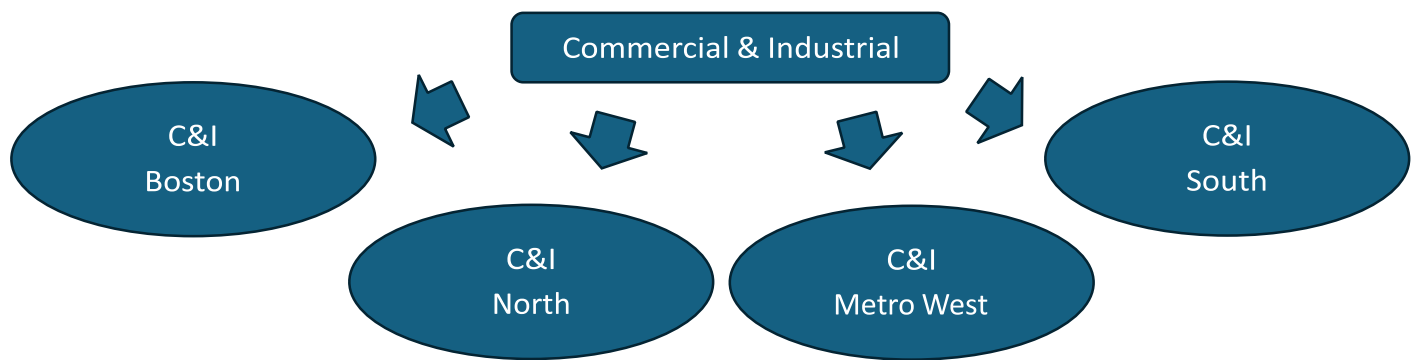
In addition, the outdated geographically based divisions within the Real Estate cost centers could be restructured to ensure an appropriate allocation of resources. A more appropriate division of various cost centers for CRE could be based on the type of sponsor, such as having a group dedicated to

institutional investors, one group for middle-market and one group for smaller less sophisticated investors. This makes more sense for CRE given the type of investors is more prevalent than location and there is a lot of cross-over.



For C&I, it makes sense to continue to retain the geographical structure based on the type of lending, however a more appropriate structure could be to consolidate the groups into four specific categories – C&I Boston, C&I North, C&I West, and C&I South. Given Patriot Bank’s market being the New England region, it makes sense to realign the groups with Boston being central point. The Boston group would be responsible for Boston metro areas. The North group could be responsible for New Hampshire, Vermont, & Maine. The West group for nonmetro Boston and Western Massachusetts. The South group would be responsible for Rhode Island and Connecticut, especially given the further expansion into these markets with the Bruin Bank merger. The most important factor is to ensure that each group has the proper number of resources for each group, which could vary if the market for certain asset types fluctuates.





### Description of Proposed Process Improvements

The issue with the current processes of the commercial lending function is that they have been slow to evolve as the bank has absorbed other banks from M&A. The processes that worked when the bank was \$15 Billion in assets are not adequate to support a bank that is now \$30 Billion plus in assets. There are various process improvements that can be reviewed and recommended.

It will be important to review the current credit policy and determine if it is adequate as the bank scales. For example, with the current policy if a relationship with over \$5 Million in one-obligor exposure requests a new loan, the loan needs to be formally presented at Credit Committee. This can become a burden for the credit department, who needs to hold Credit Committee twice a week to review and approve new loan requests. Depending on the time of year and loan volume, the Credit Committee may review 20 + individual credit approvals throughout the week at both meetings. While the Credit Committee does their best to review the intricacies of each request, the amount of time needed to really retain and understand the details of each request is burdensome. A proposed process improvement would be to raise the threshold needed for credit committee to a higher level to ease the burden. Additionally, the individual approval levels could be raised outside of credit, with the Managing Director having a larger signature approval. Currently the Group Director can approve new loans if the relationship is less than \$5 Million. If this were to double to \$10 Million, it could

improve the efficiency of booking new loans and would more accurately reflect the size of the bank.

Another process improvement could be to raise the Managed By Exception (MBE) level. “*Managed by Exception* is a management practice applied to loan servicing where the primary focus is on identifying and addressing deviations from established policies, procedures, or documentation requirements, rather than manually reviewing every single loan file” (Alogent, 2025). Essentially, loans that are considered MBE do not require annual documentation collection, covenant testing, and other management that is normally required. This allows loans that are in good-standing, passrated, consistently making payments, are below a certain size threshold to not require additional management in the portfolio. This allows the department to better allocate their time towards monitoring larger and more complex credits. If a loan misses a payment or has another trigger event, they are removed from MBE status. Currently, all CRE loans less than \$1.5 Million and C&I loans less than \$1MM can qualify for MBE. As the bank continues to grow, the allocation of resources to monitor all these loans can become burdensome, especially when any losses from these smaller loans would not materially impact the bank’s position. If the MBE threshold were doubled to \$3MM for CRE loans and increased to \$1.5MM for C&I loans, it would alleviate a lot of additional strain on a bank that has scaled. It is estimated that there are approximately 400 CRE loans that are between \$1.5 - \$3MM that would qualify and around 100 C&I loans that are between \$1MM - \$1.5MM that would qualify. This would equate to about 15% of new MBE loans comparative to total loans and about 5% of new MBE exposure comparative to total loans. By monitoring these loans on a MBE basis with quarterly trigger event monitoring, the bank would be able to spend less time on completing annual reviews and be able to shift focus to underwriting new money and reviewing larger and more impactful loans.

Lastly, many other functions of the bank such as loan processing, loan servicing, appraisal & environmental have been centralized which is appropriate given the increase in scale but has led to siloed departments that don’t communicate well. The increase in volume and specialization has led to friction

and delays. Currently when a loan needs to be processed, serviced or have an appraisal/environmental ordered, it goes into a general queue and is assigned randomly. A proposed process improvement would increase specialization within these groups. For example, a loan processing team could specifically be assigned to work with business line group. That way the groups continue to work together instead of relying on a different representative for each transaction. While the bank has grown, these departments have felt more siloed, and the lack of communication has caused issues. A proposal could be to assign specialization, and members report on a dotted line to a specific group head. The more specialization is increased, the better the bank will function.

**Current & Improved Processes**

Patriot Bank	Current Processes	Improved Processes
<b>Credit Committee Approval</b>	Relationships > \$5MM	Relationships > \$10MM
<b>Managed By Exception</b>	CRE = < \$1.5MM, C&I = < \$1MM	CRE = < \$3MM C&I = < \$1.5MM
<b>Loan Support Groups</b>	General queue, no specialization	Specific specialization

**Resources needed to Move Forward**

The change project will require collective buy-in and require resources in order to move forward. First, in order for any of the proposed changes to be implemented the Board of Directors will need to presented the information and agree with the proposals. Secondly, financial resources will be needed in order to promote or acquire the talent needed to implement a Managing Director position. There will also be financial costs to realigning the structure of commercial lending department to ensure that talent is

properly allocated. Human Resources will also have to be a resource in order to ensure that the organizational chart is realigned. The credit department will need to be resource in order to sign off the process improvements for credit committee approval and MBE levels. The directors of the loan support groups will need to be a resource and agree with the specialization of their departments. Other resources include the time and knowledge needed to implement the proposed changes. The structural realignments and process improvements will take time to be executed and knowledge in change management will be required.

### Pros & Cons of Project implementation

There are both positives and negatives that could arise from the proposed change plan. “Change Management offers a multitude of advantages for organizations, empowering them to navigate transitions effectively and seize opportunities for growth and development through the implementation of a change management plan. The main challenges of Change Management include employee resistance to new ways of working and communication issues that can lead to confusion and delays. Additionally, lack of resources and difficulty with technology adoption are significant hurdles.” (Evans, 2023)

The positives of successful implementation of the structural realignment and process improvement proposals would be the commercial lending department operating more efficiently and being better suited for future inorganic growth. By creating a more vertical organizational chart and realigning the various group lending divisions, the department will be better structured. Furthermore, by implementing the proposed process improvements, the commercial lending department will be able to drive further growth, allocate resources effectively and produce results at a quicker pace. The process improvements would be reflective of a larger regional bank. The customers will reap the benefits of the improvements with better service and quicker turnarounds on loans being approved.

The negatives of implementation would be the pushback from the stakeholders. There may be employees who feel slighted by the realignment especially group heads who are now another layer below in the organizational chart. Realignment of the groups may not receive positive feedback from employees if they feel they are changing to an unwanted position. It may also lead to some conflict if relationship managers and portfolio managers need to be split up or have certain loans reassigned to more appropriate groups. Additionally, the customer as a stakeholder may be impacted from having a new relationship manager assigned to their account. For the process improvements, the negatives could be a recession in credit quality. The business line would have increased responsibility with a higher approval threshold and a higher MBE level. If not properly executed this could lead to loan-losses and an impact of credit culture. Additionally, while the change project is working to address the commercial lending department, the loan support groups which are underneath the credit umbrella may not want increased specialization. There may be some impacts to the customer initially before the benefits of the process improvements are realized. It will be vital to ensure that the majority of stakeholders agree and approve of the proposed changes.

### Role in Project

My role in the project will be to lead the proposed change efforts for the structural realignment and the process improvements. As a member of the commercial lending function, I will need to work with the Chief Commercial Banking Officer and other members of the bank to approach them about these proposed changes. I will need to present research to ensure that the project is viable. Once I achieve buy-in from the commercial lending function, I will need to prepare a presentation to the Board of Directors with my proposals. If any or all of the proposals are accepted, I will need to organize and oversee the implementation of the changes. I will be the key point person in the initial directives but as I do need to continue my normal job, I will likely need additional support and to work with a team that can implement the changes. The structural realignments will likely require a third-party such as a consulting firm to

oversee that aspect of the proposed changes due to the complexities of the implementation. However, the proposed process improvements could be managed by an in-house change management team once approved. “A project change manager's role is to guide a project through organizational transitions by planning, implementing, and overseeing the human and procedural aspects of change. Key responsibilities would include assessing the need for change, communicating impacts to stakeholders, managing resistance, and ensuring the new processes or systems are adopted effectively” (AMPG International, 2024).

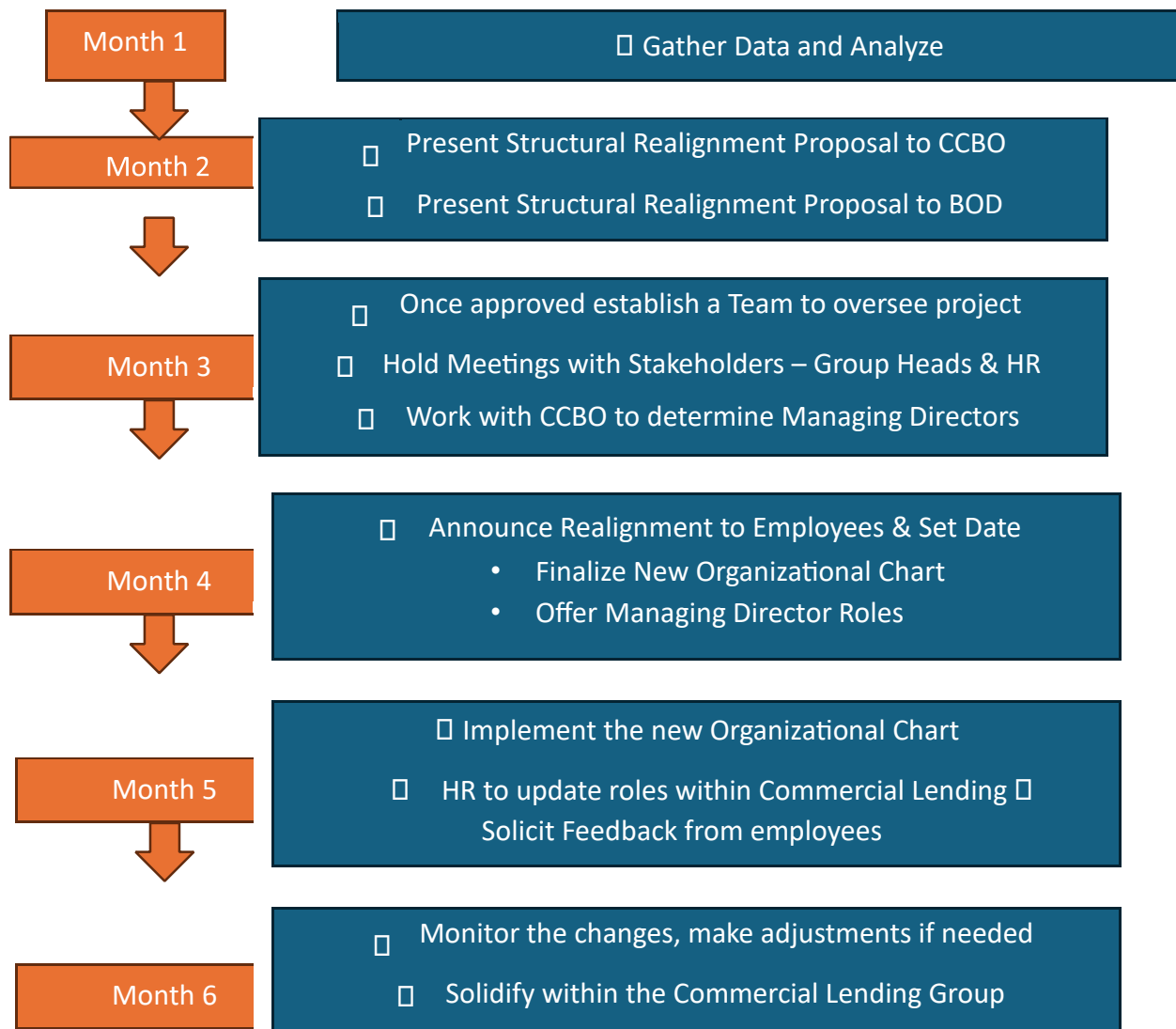
## Implementation Plan

As previously indicated, the scope of these proposed changes will require buy-in from several stakeholders including commercial lending department leadership, employees of the commercial lending function, other groups and ultimately the Board of Directors. Before any implementation of the project would begin, it is vital to know that the majority of these stakeholders would be agreeable to the changes. Illustrating the pros of the structural realignment and process improvements versus the cons of changing existing structures and processes will be important to ensure buy-in. We can ensure the readiness to begin project implementation when we have gathered sufficient data to demonstrate the impact that the proposed changes will have on the department and stakeholders of the bank as a whole.

Assuming that we have sufficient buy-in and approval to implement the project, we need to construct a timeline for implementing and executing the project. This will provide a guide point of major tasks and who would be responsible for those tasks. “A project timeline is crucial for managing change because it provides a roadmap to track progress, allocate resources efficiently, and ensure accountability. It acts as a visual guide, helping teams coordinate tasks, identify dependencies, and foresee potential roadblocks before they cause delays. By communicating deadlines and milestones to all stakeholders, a

timeline fosters transparency, manages expectations, and allows for timely adjustments when unexpected issues arise” (Tan, 2023). The timeline needs to be detailed and provide enough information that someone else would be able to follow and complete it. This may be particularly important as once the project is approved a separate team may need to implement the project or a third party may need to be hired based on the scale of the project.

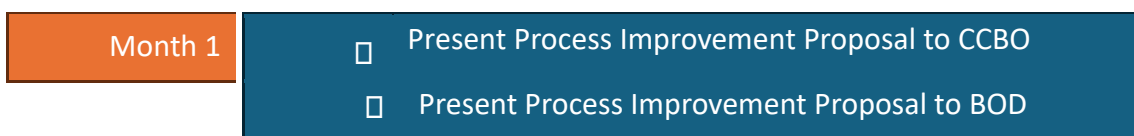
### Timeline of Structural Realignment

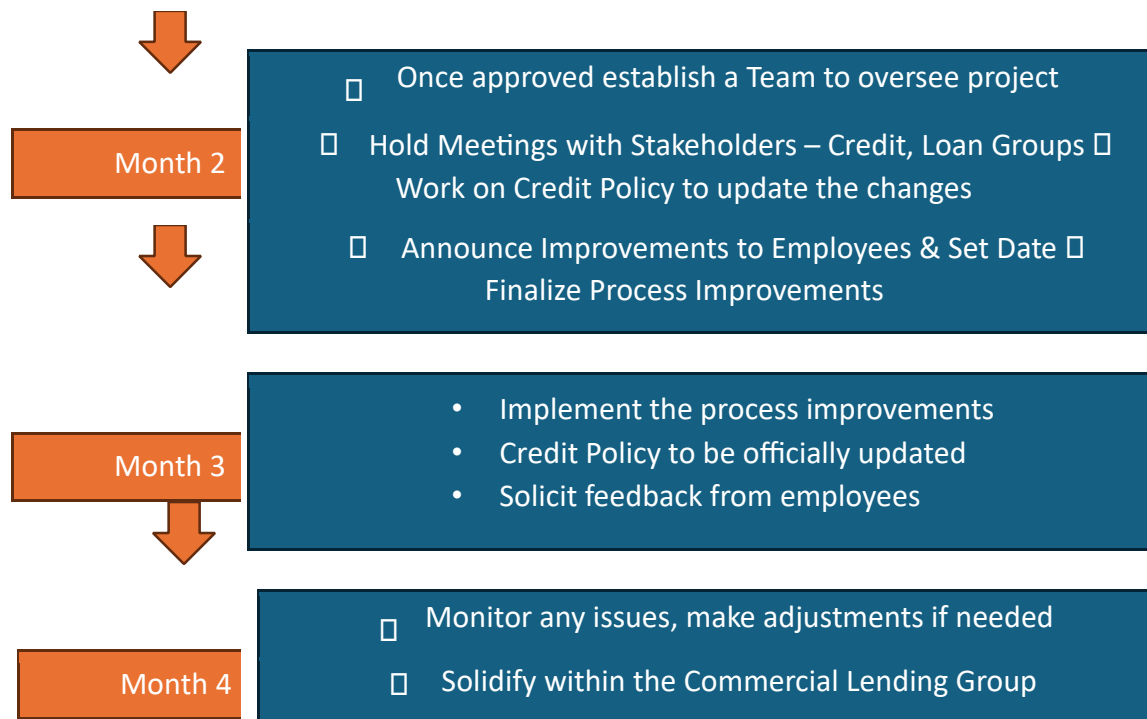


The proposed timeline for the structural realignment is estimated to take about 6-months. The first month will involve gathering further data on the proposed changes. This would include determining the cost and benefits of the managing director position along with the impact of realigning the various

lending groups. If sufficient, the next step would be presenting the proposal to the CCBO. Once there is buy-in, a presentation will be drafted for the Board of Directors, which will need to be scheduled when they are meeting. If the project is accepted, then the implementation strategy would begin. A project management team would be established to oversee the initial stages of the project. Due to the complexities of the structural realignment, an external consulting team likely will need to be hired opposed to an in-house change management team. The timeline may expand if an external team is hired as they may need to provide additional guidance and stretch out the length of the project. After that is decided, a group meeting with major stakeholders will need to be held. This would include informing the group heads of the proposed changes and the establishment of the Managing Director position. Before or after this meeting is held, decisions about who should assume the Managing Director positions will be discussed. Most likely these will be internal promotions however external candidates can be considered as well. Additionally, the proposed structural realignments with the sponsor based CRE and regionally based C&I groups will be organized. Once that is set, the next steps would be to finalize the new organizational chart, announce the changes to the employees, and set a date the changes would occur. The Managing Directors will need to accept the position as well during this month. The new organizational chart will be officially implemented during the next month, and HR can update the organizational chart and information on the internal systems. It will be important to solicit feedback from all employees once the changes are implemented to see if there is room for improvement or changes that need to be made. The changes will need to be continually monitored in the months to come, and the benefits of proactive restructuring will be realized.

#### Timeline of Process Improvements





The proposed timeline for the process improvements is estimated to take about 4-months. The initial stages will follow the same timeline as the structural realignment, but the end result should be quicker to achieve. The first month will involve presenting the proposal to the CCBO. Once there is buy-in, a presentation will be drafted for the Board of Directors, which will need to be scheduled when they are meeting. If accepted, then the implementation strategy would begin. The project management team will be established to oversee the project, which would likely be an internal team. A third-party consulting firm will not be needed for the proposed process improvements. Once the team is decided, a group meeting with major stakeholders will need to be held. This would include informing the credit department and the loan support groups of the proposed changes to approval levels, MBE, and specialization. Once everyone is in agreement, the credit department can work on updating the credit policy and the loan support groups can start to implement the changes. Then the improvements would be announced to employees, and a date would be set when the finalized process improvements would occur. The changes will be officially implemented during the next month, and the process improvements will go into effect. It will be important to solicit feedback from

employees once the changes are implemented. Both the credit committee approval and MBE changes, will need to be continually monitored in the months to come. The new specialization of the loan groups will also need to be monitored to see if there is friction. Once the process improvements are solidified, the commercial lending function will be in a better position for both organic and inorganic growth.

### Future Impact of Strategy & Implementation

This change project can be seen as a roadmap that can be utilized to complete the proposed structural realignment and process improvements for the commercial lending function of Patriot Bank. By proactively restructuring the organizational chart with managing directors and the different group cost centers the bank will be better equipped for any potential future acquisition. There would be less strain on the existing structures if the bank were to pursue any further acquisitions and the commercial lending group will be organized in a manner more fitting of a sizeable regional bank. Additionally, the process improvements of increasing Credit Committee approval, MBE levels and specialization of loan support groups will be more in line with a bank of Patriot Bank's scale. Now we will look at the financial impact of the proposed change project.

### Financial Impact

Now that we have provided a roadmap for the proposed change project with the strategy and implementation plan, the focus can shift to the financial impact. The following section will detail the required investment needed for the proposed structural realignment and process improvements. This will include assessing the possible risks with these investments along with the potential returns on these investments. The risks of the proposed investments will be evaluated by identifying possible events that could be different from the assumptions and how the identified risks can be managed. The potential investments will be evaluated with best case, worst case, and most likely scenarios. From this analysis, we will be able to determine if the investment is worthwhile and if the bank should

pursue the investment proposals for structural realignment and process improvements.

This financial analysis will mainly be achieved by presenting a proforma cost-benefit analysis to understand the impact these investments will have several years into the future. “Cost-benefit analysis involves tallying up all costs of a project or decision and subtracting that amount from the total projected benefits of the project or decision. If the projected benefits outweigh the costs, you could argue that the decision is a good one to make. If, on the other hand, the costs outweigh the benefits, then a company may want to rethink the decision or project. There are enormous economic benefits to running these kinds of analyses before making significant organizational decisions. By doing analyses, you can parse out critical information, such as a project’s ROI.” (Harvard Business School, 2019). While the financials for Patriot Bank are publicly available, the specific revenue and expense items for the commercial lending department are private. Therefore, the cost-benefit analysis will be based on estimated increases in revenue and expenses related to the commercial lending department specifically. From comparing the additional revenue and expenses from each proposal, we can determine the total financial impact.

### Investment Costs for Proposals

There are many aspects of the change project in regard to the cost of the investments being proposed. First, the proposed investments will have a monetary cost with most of the costs being made upfront in hopes of a return in the future. Each investment will have varied costs, but the goal would be for the future monetary benefits to outweigh the monetary costs. Next, there is a time cost associated with the investments as the impact will not occur overnight. The investments will require a lot of resources and time. Those resources and time could be allocated in different areas if no investments were made. Finally, there is a labor cost with the investments. This pertains to the inhouse change management teams who will be overseeing some of the proposals along with the cost of labor related employees for the various investments.

For the structural realignment investment, the monetary costs will include the increase in salaries being paid to the Managing Directors. There will be monetary costs with the third-party consulting company to help ensure the proposed realignment of the various lending groups are successful. The time costs for the structural realignment will be the implementation period, where there may be issues surrounding the implementation of Managing Directors and group realignment. The labor costs of the structural realignment will be the movement of various employees including Managing Directors within the new organizational chart. For the process improvement investment, the monetary costs will include any potential increase in loan losses from the increase to Credit Committee approval and MBE thresholds. For the loan support groups, the monetary costs will be the training required for specialization. The time costs will be the implementation period for the improved processes. The labor costs of the process improvements will be the in-house change management team working on the changes. There will be more monetary costs for structural realignment and time and labor costs for process improvements.

### Cost-Benefit Analysis of Structural Realignment

The two components of the structural realignment proposal are adding the Managing Director position and the realignment of the CRE groups based on sponsor size and the consolidation of the C&I groups based on geographically proximity. The costs and benefits of both proposals were estimated based on available data and were presented a five year horizon. This will give the proposals enough time for the larger upfront costs of implementation to recuperated with anticipation of a payback period of less than five years. The five-year plan will also be a forward thinking outlook of how the bank can prepare itself for future acquisitions after the turn of the decade in 2030.

The projected costs of the structural realignment for the Managing Director proposal include increased salary & benefits and opportunity costs. For increased salary & benefit, there would three new positions established – a Managing Director for CRE, Managing Director for C&I and Managing Director for Specialty Lending. According to the online platform Glass Door (2025), the average pay range for a Regional

Managing Director for base pay and additional pay such as bonuses is between \$317K - \$579K, with a median of \$424K. For the first year, an increased cost of \$1,275K (\$425K x 3) was utilized for increased salary & benefits. An assumed 5% pay increase for the following years was assumed. The opportunity cost line item accounts for the costs associated with implementing the leadership change which includes the initial loss of productivity, costs associated with filling any vacant Group Head positions if there is an internal promotion to Managing Director and other associated costs if the position was not implemented. This is estimated to be \$500K the first year with a linear decline reducing \$100K thereafter.

The projected costs of the structural realignment for the Group Realignment proposal includes disruption & resistance and consulting costs. For disruption & resistance, the initial cost in the first year is estimated at \$1MM. These costs include loss of employees in groups due to the changes, realignment of clients into different portfolios and overhead costs. These costs decrease by half in each following year as the groups adjust to the proposed changes and the impact recedes. For the consulting costs, this includes the costs with hiring a third party consultant to assist in the complex task of realignment of the structures. "Large consulting firms such as Deloitte, McKinsey, and Bain typically charge between \$200 and \$450 per hour for change management consulting services." (Airiodion Group Consulting, 2025). Assuming a \$400 per hour rate would be \$3.2K per day, \$16K per week and \$64K per month. Given the importance of the strategy, the consultant could be hired for a full year to help with any disruptions after implementation, which would be \$768K per year. This fee would be upfront and would not exist in the following years.

	FYE 12/31/26	FYE	FYE	FYE	FYE
Costs - Structural Realignment	12/31/26	12/31/2	12/31/2	12/31/2	12/31/3
Year	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Managing Director</b>		\$1,338,75	\$1,405,68	\$1,475,97	\$1,549,77
Increased Salary & Benefits		0	8	2	0
	\$1,275,000	\$400,000	\$300,000	\$200,000	\$100,000

Opportunity Costs	\$500,000				
<b>Total Managing Director</b>	\$1,738,75	\$1,705,68	\$1,675,97	\$1,649,77	
\$1,775,000	0	8	2	0	
<b>Group Realignments</b>					
Disruption & Resistance					
	\$1,000,000	\$500,000	\$250,000	\$125,000	\$62,500
Consulting Costs	\$768,000	\$0	\$0	\$0	\$0
<b>Total Group Realignment</b>	\$500,000	\$250,000	\$125,000	\$62,500	
\$1,768,000					
<b>Total Costs</b>	<b>\$2,238,75</b>	<b>\$1,955,68</b>	<b>\$1,800,97</b>	<b>\$1,712,27</b>	
<b>\$3,543,000</b>	<b>0</b>	<b>8</b>	<b>2</b>	<b>0</b>	

The projected benefits of the structural realignment for the Managing Director proposal include income from new loans and efficiency gains. Income from new loans was estimated based on the \$2 Billion pipeline of new commercial loans for FY25. Assuming a 150 basis point increase in the first year from having a Managing Director would be approximately \$30MM in new loans. Equating the projected income from this loan generation at a 5% average yield would be \$1.5MM in additional income from the Managing Directors. The remaining years are projected at a 3% increase in additional income from new loans. For the efficiency gains, the first year was estimated at \$100K.

The efficiency gains include the reduction of strain caused by the organizational chart becoming more vertical. Decisions are made in a quicker manner, and new loans can close quicker. The gains are estimated to increase linearly by \$100K a year annually for the next five years.

The projected benefits of the structural realignment for the Group Realignment proposal are improved efficiencies and strategic alignment. The first benefit of improved efficiencies would be the result of having the groups aligned in a more appropriate manner which will increase operational clarity and talent utilization. Certain lenders with expertise in CRE can be assigned to large institutional investors or smaller investors dependent on their portfolio. C&I lenders will be able to focus on their specific region

with more clarity and focus. The benefit is estimated at \$0 for the first year as the groups are realigned due to the disruption, however, increases by \$200K each following year and the benefits materialize. For strategic alignment, the benefit will be better strategic opportunities, enhanced focus, better communication, and customer-centric approaches. This is estimated to be at \$100K in the first year and increase by \$50K each following year.

	FYE 12/31/26	FYE 12/31/27	FYE 12/31/28	FYE 12/31/27	FYE 12/31/28
Benefits - Structural Realignment	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Managing Director Position</b>					
Income from New Loans	\$1,500,000	\$1,545,000	\$1,591,350	\$1,639,091	\$1,688,263
Efficiency Gains	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000
<b>Total Managing Director</b>	<b>\$1,600,000</b>	<b>\$1,745,000</b>	<b>\$1,891,350</b>	<b>\$2,039,091</b>	<b>\$2,188,263</b>
<b>Group Realignments</b>					
Improved Efficiencies	\$0				
Strategic Alignment	\$100,000	\$200,000	\$400,000	\$600,000	\$800,000
		\$150,000	\$200,000	\$250,000	\$300,000
<b>Total Group Realignment</b>	<b>\$100,000</b>	<b>\$350,000</b>	<b>\$600,000</b>	<b>\$850,000</b>	<b>\$1,100,000</b>
<b>Total Benefits</b>	<b>\$1,700,000</b>	<b>\$2,095,000</b>	<b>\$2,491,350</b>	<b>\$2,889,091</b>	<b>\$3,288,263</b>

When the estimated costs and benefits of the structural realignment are consolidated we can better understand how the upfront costs lead to future benefits. The total net benefit for the structural realignment of hiring the Managing Director and the Group Realignment is negative in the first two years but becomes a net positive in Years 3 through 5. When the future projected cash flows are discounted at a 10% discount rate, the total NPV for the proposals is ~\$330K in the five years analyzed. The discount rate of 10% utilized to calculate NPV was determined to be an acceptable discount rate for a medium-risked investment. "A 10% internal hurdle rate is a common benchmark for banks and other financial organizations, but a typical rate can range from 7-10% or higher, depending on the specific investment's

risk, market conditions, and the company's cost of capital” (Ganti, 2024). For a medium risk project, discount rates can typically range from 8-12%, therefore 10% is appropriate for the proposal. The ROI was calculated based off the projected NPV of the cash flows divided by the present value of the initial net costs of the proposals, which was 18.4% and is considered a strong ROI for the structural realignment proposals. The structural realignment proposals has an estimated payback period of 4.66 years meaning it will take 4.66 years to recover the cost of the initial investment and generate a positive net return.

Structural Realignment	FYE12/31/26		FYE12/31/27		FYE12/31/28		FYE12/31/29		FYE12/31/30	
	Year1		Year2		Year3		Year4		Year5	
	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost	Benefit	Cost
<u>Managing Director</u>	\$1,600,000	(\$ 1,775,000)	\$1,745,000	(\$ 1,738,750)	\$1,891,350	(\$ 1,705,688)	\$2,039,091	(\$ 1,675,972)	\$2,188,263	(\$ 1,649,770)
Net Managing Director		(\$175,000)		\$6,250		\$185,663		\$363,119		\$538,493
<u>Group Realignments</u>	\$100,000	(\$ 1,768,000)	\$350,000	(\$500,000)	\$600,000	(\$350,000)	\$850,000	(\$125,000)	\$1,100,000	(\$62,500)
Net Group Realignment		(\$ 1,668,000)		(\$150,000)		\$350,000		\$725,000		\$1,037,500
<b>Total Structural Realignment</b>		<b>(\$ 1,843,000)</b>		<b>(\$143,750)</b>		<b>\$535,663</b>		<b>\$1,088,119</b>		<b>\$1,575,993</b>
<i>Present Value of</i>										
<i>Total Future Cash Flows</i>		<b>(\$ 1,675,455)</b>		<b>(\$128,802)</b>		<b>\$402,451</b>		<b>\$743,200</b>		<b>\$978,568</b>

Structural Realignment NPV	\$29,962
Return on Investment	18.4 %
Payback Years	4.66 Years

### Cost-Benefit Analysis of Process Improvements

The components of the process improvement proposal are increasing the Credit Committee approval level from \$5MM to \$10MM, increasing the Managed by Exception threshold from \$1.5MM to \$3MM for CRE loans and from \$1MM to \$1.5MM for C&I loans and lastly increasing specialization in the loan support groups. The associated costs and benefits of the proposals were estimated based on available data and were similarly presented a five year horizon. This will give the proposals enough time for an anticipated payback period of less than five years. The five-year plan will be a forward

thinking in anticipation of the turn of the decade in 2030.

The projected costs of the process improvements for Credit Committee and MBE were identical given the similarity in their adjustment to current credit policy. The associated costs were credit quality & loan loss and implementation costs. The biggest cost for both the increase to Credit Committee approval and the MBE threshold is deterioration of credit quality and potential loan losses. The cost in the first year for both was calculated at \$1,020K. This was derived by taking the amount of non-performing loans in the commercial division as of September 30<sup>th</sup>, 2025, of \$51MM (0.39% of total commercial loans) prior to the Bruin Bank merger and estimating an increase of 2% in non-performing loans for both proposed process improvements. Patriot Bank has historically strong asset quality with a low level of non-performing loans. However, with the benefits associated with improved processes, there will be costs related to easing of credit tightness. The following years reduce this increased cost by 10% annually to reflect the diminishing impact of the proposal.

The projected costs of the increase in specialization of the loan support groups is mainly related to the additional training that will be needed to implement the specialization. This also incorporates the reassignment of different employees of the loan support groups to work with specific groups on the business line and the collaboration with the loan support Group Heads. This estimated cost is \$200K in the first year and decreases by \$50K every year thereafter as the cost of specialization training decreases and the loan support groups have the specialization structure in place. It is anticipated there will be no additional cost in Year 5.

Costs - Process Improvements	FYE 12/31/26 Year 1	FYE 12/31/27 Year 2	FYE 12/31/28 Year 3	FYE 12/31/29 Year 4	FYE 12/31/30 Year 5
<b>Credit Committee</b>					
Credit Quality & Loan Loss	\$1,020,000	\$918,000	\$826,200	\$743,580	\$669,222
Implementation Costs	\$250,000	\$0	\$0	\$0	\$0
<b>Total Credit Committee</b>	<b>\$1,270,000</b>	<b>\$918,000</b>	<b>\$826,200</b>	<b>\$743,580</b>	<b>\$669,222</b>

<b>Managed By Exception</b>					
Credit Quality & Loan Loss	\$1,020,000	\$918,000	\$826,200	\$743,580	\$669,222
Implementation Costs	\$250,000	\$0	\$0	\$0	\$0
<b>Total Managed by Exception</b>	<b>\$1,270,000</b>	<b>\$918,000</b>	<b>\$826,200</b>	<b>\$743,580</b>	<b>\$669,222</b>
<b>Loan Support Groups</b>					
Specialization Training	\$200,000	\$150,000	\$100,000	\$50,000	\$0
<b>Total Loan Support Groups</b>	<b>\$200,000</b>	<b>\$150,000</b>	<b>\$100,000</b>	<b>\$50,000</b>	<b>\$0</b>
<b>Total Costs</b>	<b>\$2,740,000</b>	<b>\$1,986,000</b>	<b>\$1,752,400</b>	<b>\$1,537,160</b>	<b>\$1,338,444</b>

The projected benefits of the process improvements for Credit Committee and MBE were identical given the similarity in their adjustment to current credit policy. The associated benefits were efficiency gain and reallocation of resources. For efficiency gain, the benefits are related to increased efficiency in booking new loans, improved customer relationships and the competitive advantages related to the increased approval level for Credit Committee and the increased MBE threshold. These were both estimated at \$300K in the first year with an increase of \$250K in the second years with diminishing returns of \$50K less each of the following years. The initial efficiencies will be higher but as the bank grows and books larger loans, the expected efficiencies will decrease. For reallocation of resources, this is related to the relief that will be given to the Credit Committee who will be less burdened by the high volume of loan approvals they will need to review and approve, allowing more attention to detail for the larger loan requests. Additionally, the MBE threshold being raised will provide relief to the relationship managers and portfolio managers who will be able to focus their time on developing new business opposed to reviewing existing loans in the portfolio that have minimal impact on the overall bank. This benefit was estimated at \$200K in the first year, \$250K in the second year and the plateaus at \$300K for the remaining years. This reflects that the impact on reallocation of resources will be fully realized by the third year following the implementation.

The projected benefits of the process improvement of the increase in specialization of the loan support groups is improvements in process efficiency. The various loan support groups such as loan processing, loan servicing, appraisal & environmental have been centralized, which has led to siloed

departments that do not communicate well with the business line. By increasing the specialization within these groups to work with certain business lines, the turnaround time for booking new loans will be increased. This is estimated to be minimal at \$50K in the first year as the groups get acclimated with working with their specifically assigned business lines. However, as the groups are trained, the efficiency benefits improve by \$50K every year thereafter.

	FYE 12/31/26	FYE	FYE	FYE	FYE
Benefits - Process Improvements	12/31/27	12/31/28	12/31/29	12/31/30	
Year 1	Year 2	Year 3	Year 4	Year 5	
<b><u>Credit Committee</u></b>					
Efficiency Gain	\$300,000				
Reallocation of Resources	\$550,000	\$750,000	\$900,000	\$1,000,000	
	\$200,000	\$250,000	\$300,000	\$300,000	\$300,000
<b>Total Credit Committee</b>	<b>\$800,000</b>	<b>\$1,050,000</b>	<b>\$1,200,000</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>
	\$500,000				
<b><u>Managed By Exception</u></b>					
Efficiency Gain	\$300,000				
Reallocation of Resources	\$550,000	\$750,000	\$900,000	\$1,000,000	
	\$200,000	\$250,000	\$300,000	\$300,000	\$300,000
<b>Total Managed by Exception</b>	<b>\$800,000</b>	<b>\$1,050,000</b>	<b>\$1,200,000</b>	<b>\$1,300,000</b>	<b>\$1,300,000</b>
	\$500,000				
<b><u>Loan Support Groups</u></b>					
Process Efficiency Improvements					
	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000
<b>Total Loan Support Groups</b>	<b>\$100,000</b>	<b>\$150,000</b>	<b>\$200,000</b>	<b>\$250,000</b>	<b>\$250,000</b>
	\$50,000				
<b>Total Benefits</b>	<b>\$1,700,000</b>	<b>\$2,250,000</b>	<b>\$2,600,000</b>	<b>\$2,850,000</b>	<b>\$2,850,000</b>
	\$1,050,000				

When the estimated costs and benefits of the process improvements are consolidated we can better understand if the costs outweigh the benefits. The total net benefit for the process improvements of increasing the Credit Committee approval level, increasing the MBE thresholds, and increasing specialization in the loan support groups is negative in the first two years but becomes a net positive in Years 3 through 5. When the future projected cash flows are discounted at a 10% discount rate, the total NPV for the proposals is ~\$266K in the five years analyzed. The discount rate of 10% utilized to calculate

NPV was determined to be an acceptable similarly to the structural realignment. For medium risk projects, discount rates can typically range from 8-12%, therefore 10% is appropriate. The ROI was calculated based off the projected NPV of the cash flows divided by the present value of the initial net costs of the proposals, which was 15.0% and is considered a strong ROI for the process improvement proposals, although not as strong as the ROI for the structural improvements. The process improvement proposals has an estimated payback period of 4.27 years meaning it will take slightly less time to recover the cost of the initial investment and generate a positive net return opposed to the structural realignment.

Process Improvements	FYE 12/31/26	FYE 12/31/27		FYE 12/31/28		FYE 12/31/29		FYE 12/31/30	
	Year 1 Benefit Cost	Year 2 Benefit Cost		Year 3 Benefit Cost		Year 4 Benefit Cost		Year 5 Benefit Cost	
<b>Credit Committee</b>	\$500,000 (\$1,270,000)	\$800,000 \$1,300,000	(\$918,000) (\$669,222)	\$1,050,000 (\$826,200)	\$1,200,000 (\$743,580)				
Total Credit Committee	(\$770,000)	(\$118,000)		\$223,800	\$456,420			\$630,778	
<b>Managed By Exception</b>	\$500,000 (\$1,270,000)	\$800,000 \$1,300,000	(\$918,000) (\$669,222)	\$1,050,000 (\$826,200)	\$1,200,000 (\$743,580)				
Total Managed by Exception	(\$770,000)	(\$118,000)		\$223,800	\$456,420			\$630,778	
<b>Loan Support Groups</b>	\$50,000 (\$200,000)	\$100,000 \$250,000	(\$150,000) \$0	\$150,000 (\$100,000)	\$200,000 (\$50,000)				
Total Loan Support Groups	(\$150,000)	(\$50,000)		\$50,000	\$150,000			\$250,000	
<b>Total Process Improvements</b>	<b>(\$1,690,000)</b>	<b>(\$286,000)</b>		<b>\$497,600</b>	<b>\$1,062,840</b>			<b>\$1,511,556</b>	

<b>Present Value of Future Flows</b>	<b>Total Cash</b>	<b>(\$1,536,364)</b>	<b>(\$236,364)</b>	<b>\$373,854</b>	<b>\$725,934</b>	<b>\$938,557</b>
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<b>Process Improvement NPV</b>	<b>\$265,618</b>
<b>Return on Investment</b>	<b>15.0%</b>
<b>Payback Period</b>	<b>4.27 Years</b>

## Overall Cost-Benefit Analysis

Both the structural realignment and process improvements proposals have a positive NPV, solid ROI and a payback period of less than 5 years. “Cost-benefit analysis estimates and assesses the value of a project's benefits and costs to determine whether or not it is worth pursuing. Originating from the work of Jules Dupuit and Alfred Marshall, CBA involves comparing all current and projected costs and benefits of a project. A manager will compare the total costs and benefits to determine if the benefits outweigh the costs. If they do, the rational decision is to proceed with the project. Otherwise, the project should likely be avoided.” (Hayes, 2025).

The analysis of both structural realignment and process improvements were further consolidated into an easily digestible chart, which shows the net benefit or cost across all five periods. When discounting the future cash flows with a 10% discount rate, the overall NPV is ~\$596K, meaning the proposals are worth undertaking. The combined ROI is 16.7% providing a strong return after five years and the payback period is 4.69 years meaning that the proposals will generate a cumulative positive cash flow that exceeds the initial investment in less than five years.

Structural Alignment & Process Improvements	FYE 12/31/26 Year 1	FYE 12/31/27 Year 2	FYE 12/31/28 Year 3	FYE 12/31/29 Year 4	FYE 12/31/30 Year 5
Managing Director Group Realignment	(\$175,000)	\$6,250	\$185,663	\$363,119	\$538,493
Credit Committee Approval	(\$770,000)	(\$118,000)	\$223,800	\$456,420	\$630,778
Managed by Exception Loan Support Groups	(\$770,000)	(\$118,000)	\$223,800	\$456,420	\$630,778
	(\$150,000)	(\$50,000)	\$50,000	\$150,000	\$250,000
<b>Total</b>	<b>(\$3,533,000)</b>	<b>(\$429,750)</b>	<b>\$1,033,263</b>	<b>\$2,150,959</b>	<b>\$3,087,549</b>

<b>Present Value of Total Future Cash Flows</b>	<b>(\$3,211,818)</b>	<b>(\$355,165)</b>	<b>\$776,305</b>	<b>\$1,469,134</b>	<b>\$1,917,125</b>
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<b>Total NPV</b>	<b>\$595,580</b>
<b>Return on Investment</b>	<b>16.7%</b>
<b>Payback Period</b>	<b>4.69 Years</b>

**Impact of Negative Consequences with Implementation**

The financial impact analysis conducted on the structural realignment and process improvements is foundationally sound, however there are many assumptions being made. It is impossible to exactly predict the future, and the actual results may differ from our assumptions. It is important to subjectively evaluate the risks of these investments by proactively identifying possible events that may stray from our assumptions and evaluate the seriousness of the impact. In this section, we will identify potential risks that may arise that are different from our assumptions and will describe how we can manage those risks.

For structural realignment, a possible risk with the implementation of the Managing Director position would be if a wrong candidate is chosen that is not an appropriate fit. Ideally, these positions would be filled internally by a Group Head. An ideal candidate would be someone who is qualified and has a great amount of experience at the bank. However, this could lead to contention with other Group Heads who were previously equals. For Group Realignment, a potential risk could be if there is greater than anticipated employee resistance to the changes. While this assumption was baked into the cost-benefit financial model, this is an intangible item that is difficult to measure. The structural realignment of the groups may face resistance due to the fear of the unknown, a feeling of lost control and concerns over job security. This may result in a negative work environment and a reduction in productivity during the transition period. Additionally, there may be issues with adoption of the group realignment which could lead to unforeseen negative consequences.

For the process improvements, a possible risk associated with the raising the Credit Committee approval level and increasing the MBE threshold would be a larger than anticipated impact on the bank's

credit quality. While assumptions were made in the cost-benefit model, it is difficult to predict exactly how these changes would impact non-performing loans (NPL). With less oversight on smaller loans, the bank may overlook issues that would normally have been uncovered. A higher amount of non-performing loans would lead to higher reserves against loan losses which could lead to financial losses and reduced capital. Additionally, the reputation of the bank could be impacted by a higher default rate as credit quality is imperative to the success of the commercial lending function. For the loan group specialization, a possible risk that may arise would be issues with execution of the specialization. There may be some resistance for employees of the loan support groups to adapt to narrowing their focus to working with one specific group. Additionally, the Group Heads of the loan support groups may have conflicts with their employees answering to them and also working directly with members of the business line.

#### **Potential Risks**

##### Managing Director

- *Selecting the incorrect candidate*
- *Contention with former peers*

##### Group Realignment

- *Higher than expected employee resistance*
- *Issues with realignment adaptation*

##### Credit Committee Approval & MBE Increase

- *High impact to credit quality, high NPLs*
- *Financial losses and reputation damage*

##### Loan Support Group Specialization

- *Poor adaptation to specialization*
- *Contention from loan support Group Heads*

## Risk Management of Identified Risks

Now that various potential risks have been identified that differ from the initial assumptions, it is important to have a proactive plan to manage these risks. “Risk management in change initiatives involves predicting potential problems, evaluating their impact, and creating strategies to minimize disruption. Without proactive risk management, teams may find themselves reacting to crises, derailing the timeline and objectives of the change. By integrating risk management into the change management process, organizations can maintain alignment with their goals, engage stakeholders effectively and preserve resources.” (Luger, 2024).

For the Managing Director position, we can complete additional diligence in the hiring process to make sure the candidate is the best fit possible. To achieve the anticipated outcomes of the investment, it is important to ensure the best candidate is hired for each group that has the proper skills, experience, and leadership to excel in the role. To address any potential contention between internal candidates that are up for the role, we can ensure that the interview process is standardized and fair. Additionally, if there is a situation where two internal candidates are equally qualified, external candidates may be considered. For the Group Realignment, we can address higher than anticipated employee resistance by keeping a streamlined channel for communication. Working with the third-party consultant, we can develop a communication plan to ensure that information and support is available for any employees that would be affected by the realignment. To avoid added stress caused by rumors and hearsay, the management team can hold open discussions to communicate the impact of the changes. Additionally, a risk could be higher than predicted issues surrounding the newly aligned groups. If the issues appear to be non-temporary in nature, the bank can rely on added support from the third party consultant. The consulting contract can be extended to help fix unanticipated issues that arise.

For raising the Credit Committee approval level and increasing the MBE threshold, a higher than expected reduction in credit quality could be addressed by tightening other aspects of credit. This could include rigorous underwriting standards, tightening of acceptable risk criteria and incorporating strong protective clauses in loan agreements. Additionally, if the increase of NPL's becomes too large, the proposed changes could always be reassessed. For the loan support groups, the potential risk that may arise could be handled by providing a higher level of training on the specialization to help employees adapt. This could include in-house collaborative training with the different groups or more access to professional recourses. To address the concerns of contention between the loan support Group Heads and the business line, cross-group interaction could be encouraged by organizing events with the group employees and the business lines or facilitating collaborative meetings between the loan support Group Heads and business line leaders.

### **Potential Risk Management**

#### Managing Director

- *Extra diligence in the hiring process*
- *Non-bias interviews or external candidates*

#### Group Realignment

- *Clear communication and support*
- *Extra reliance on third party consultants*

#### Credit Committee Approval & MBE Increase

- *Tighten other aspects of credit quality*
- *Reassessment of the changes*

#### Loan Support Group Specialization

- *Increase specialization training*
- *Encourage cross-group collaboration*

## Probability of Positive Outcome, Neutral Outcome and Negative Outcome

The financial models that have been presented involve numerous assumptions which may be variably different from the actual outcome. While the assumptions have a high level of probability, the levers of the models can be pulled in many various ways to produce different results. An analysis of each different assumption would be overly complex, therefore a more efficient way to understand the probability of positive, neutral, and negative outcomes would be adjusting the discount rate of the net present value of total future cash flows for the project based on the level of expected risk.

The discount rate that we assumed in the cost-benefit analysis was 10%, which is reasonable. “NPV measures whether an investment is worth it. It compares the money you put in up front with the cash that the investment generates later. A positive NPV is a good investment and a negative NPV is a bad investment. A dollar today is always worth more than a dollar tomorrow, so we need a way to bring those future dollars back to today’s terms. That is what the discount rate does. The *10% Rule of Thumb* says that when in doubt, assume 10%. It roughly reflects the long-term market return and works. A risk-based spectrum assumes low-risk is 5-8%, medium risk is 8-12% and high risk is 12-15%+. The more volatile or uncertain, the higher you go.” (Soriano, 2025)

To determine how adjusting the discount rate would impact the viability of the proposed investments, we can perform sensitivity analysis utilizing the overall cost-benefit analysis that was presented for all of the proposed investments:

<b><u>10% Discount Rate</u></b>
<b>Total NPV</b>
<b>\$595,580</b>
<b>Return on</b>
<b>Investment 16.7%</b>

The 10% discount rate utilized in the presented cost-benefit analysis resulted in an NPV of ~\$596K, a ROI of 16.7% and a payback period of 4.69 years. This was assuming that the risk level for the investments was medium for all of the proposals.

**Payback Period 4.69 Years**

If the discount rate for the NPV of total future cash flows from the proposals was adjusted to 5% with the assumption the proposals were lower risk, the NPV increases to ~\$1,327K, the ROI increases to 35.3% and the payback period is shortened slightly to 4.45 years.

**5% Discount Rate**  
**Total NPV \$1,326,787**  
**Return on Investment 35.3%**  
**Payback Period 4.45 Years**

If the discount rate for the NPV of total future cash flows from the proposals was adjusted to 15% with the assumption the NPV decreases to ~\$47K, the ROI 1.4% and the payback period is

**15% Discount Rate**  
**Total NPV \$47,135**  
**Return on Investment 1.4%**  
**Payback Period 4.97 Years**

proposals were higher risk, the decreases to lengthened to 4.97 years.

From this sensitivity analysis, we can see what the best case (5% discount rate - low risk), most likely (10% discount rate - medium risk) and worst case (15% discount rate - high risk). What should be noted is that in all three scenarios, the NPV is positive, there is a return on investment, and the payback period is less than five years, indicating that the proposals represent a good investment.

### Justification of Investment Proposals

Based on the financial impact analysis presented, it is recommended to undertake the investment proposals. A thorough cost-benefit analysis for the structural realignment proposals and the process improvement proposals were developed along with an overall cost-benefit analysis of all proposals. Further diligence was provided to unanticipated risks that may arise along with risk management strategies to proactively risks. Additional sensitivity analysis was performed on the cost-benefit analysis to determine

the impact in best case, worst case, and most likely scenarios. From a financial impact perspective, these investment proposals are worthwhile and will produce a net benefit for the commercial lending department. Other aspects will also need to be considered such as the non-financial impact of structural realignment and process improvements of the commercial lending function.

## Non-Financial Impact

The various financial implications of the proposals have been deemed to be a worthwhile pursuit from a financial perspective. However, it is necessary to fully understand the non-financial impacts of the proposals along with any unintended consequences. While an increase in profitability may be a favorable result, it is important to understand the impact of the project through nonfinancial measures or metrics. “Non-financial metrics are key performance indicators (KPIs) not expressed in dollars. This includes things such as employee engagement, customer satisfaction, and sustainability outcomes. They act as leading indicators or signals that predict where your financials are heading. Understanding why non-financial metrics are important for business success is the first step. Simply put, non-financial metrics help explain the “why” behind the numbers. Financial performance is often a lagging indicator, meaning it tells you what has already happened. But non-financial performance indicators in business management provide foresight.” (Vail, 2025).

The following section will detail the impacts of project implementation that are more difficult to measure from a financial perspective while expanding beyond the numbers on the impacts discussed in the financial impact section. This will be a review of the impact on various stakeholders including employees, customers, investors, regulators, and other various stakeholders of Patriot Bank. By understanding and foreseeing logistical and organizational challenges from the project, a plan can be developed to overcome these challenges. A review of the impact on key stakeholders will be conducted especially where there may be negative consequences despite an improved financial position. Non-

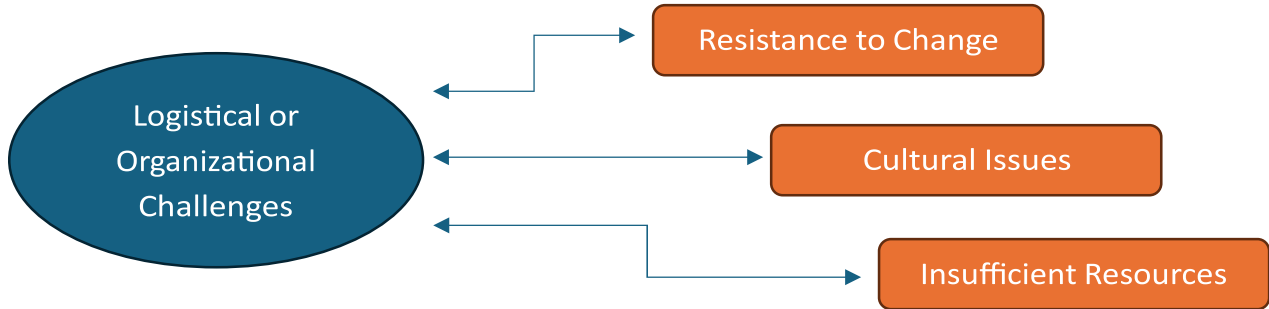
financial measures will be identified to evaluate the impact of project implementation with action plans, benchmarks of success and allocating responsibility. Additionally, an analysis of how each impact may affect the long-term profitability will be completed.

### Logistical or Organizational Challenges

There were several potential challenges or risks that were previously outlined related to negative consequences with implementation of the proposals. For the structural realignment proposals, these included not hiring the correct candidates for the Managing Director position or facing employee resistance to change on the group realignment. For process improvements, this included a deterioration of credit quality from increasing the Credit Committee and MBE thresholds and for specialization of loan support groups this included failure of adaptation. For all of these specific risks directly correlated to the implementation of the proposals, specific risk management measures were discussed to alleviate the impact of these risks.

However, there may be larger logistical or organizational challenges with the proposals on a macro-level for the overall bank outside of the specific challenges that may arise directly from the proposals directly on a micro-level. It will be important for the leaders of the bank to understand these potential challenges and be prepared to address them through both their leadership and a proper change management strategy. “A change management strategy is a planned methodology that enables leaders to successfully guide an organization through change, while minimizing disruption and the risk of unexpected consequences. And while the goal may be to change the organization, the key to success — in most cases — lies in the ability to lead *people* through the change.” (Emerson, 2022). These potential logistical and organizational challenges will be explained in greater detail and a plan to overcome them through a proactive change management strategy will be provided. While the proposals directly impact the commercial lending function, the bank’s leadership needs to be prepared for the overall impact to the bank and be ready to lead in their execution.

Some of the logistical or organizational challenges that the bank may face include resistance to change, cultural issues or insufficient resources.



First, many stakeholders could be apprehensive to the changes being proposed. “Change can be one of the hardest things to implement in a business. There will be barriers across the company of all flavors, from cultural barriers to political barriers to logistical barriers, and yet so often change is vital to the survival and growth of any business.” (Lucidity, 2023). People have a natural resistance to change and would prefer to keep the status quo. However, this can lead to stagnated growth and the company falling behind. If the changes are not effectively communicated, there could be major resistance which can completely disrupt the progress being made.

Secondly, there could be cultural issues that arise from the proposed changes. Realigning the structure and improving the processes of the commercial lending department will be a shift from how things were previously done and will cause a change in the culture. “Corporate culture is a powerful force that runs through every organization. It is defined as the attitudes, experiences, beliefs, and values that operate within an organization. And these undercurrents define people's behavior, and how a company gets things done, in either positive or negative ways.” (Mindtools, 2024). It may be a challenge for some stakeholders to adapt to the changes, and the bank will need to ensure that the strong high performance culture doesn't deteriorate.

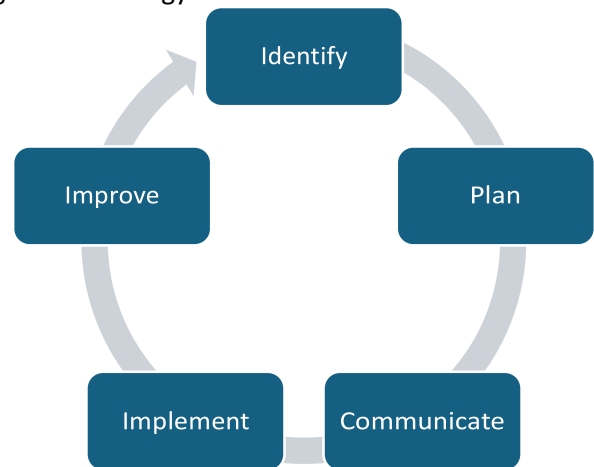
Lastly, the bank needs to ensure that the proper resources are allocated to the proposed structural realignment and process improvements for the commercial lending function. The proposals could fail if

half way through implementation it is decided the bank doesn't want to continue to invest in the changes. "A key part of any successful initiative lies in identifying and preparing the resources for change management. These resources may include people, material, and time." (Good Change People, 2024). It will be important that leadership understands the undertaking of the proposals and is willing to allocate resources to see the proposals through.

### Navigating Logistical or Organizational Challenges

Now that some of the overarching logistical or organizational challenges have been identified that may arise as a result of the project implementation, it is important to develop a plan to overcome those hurdles. The most important aspect is for the bank's leadership group to be on board with the proposed structural realignment and process improvements and to have their full support to see the proposals through. The leadership team will be tasked with effectively communicating the proposals to the various stakeholders and garnering their buy-in. The most efficient way to ensure success is for leadership to understand what entails a good change management strategy. "Change management is crucial because it provides a structured process to guide organizations and employees through transitions, minimizing disruption, reducing resistance, and ensuring new initiatives succeed by boosting adoption, maintaining productivity, improving morale, and achieving desired business goals and ROI, rather than letting change happen chaotically. (Cook, 2025). There are several frameworks for change management such as Lewin's Change Management Model, Kotter's 8-Step Change Model, and the ADKAR Model by Prosci. However, it will be most important that executive management understands the predominant principals that will lead to successful change management.

The essential steps for a successful change management strategy that have been derived from several models is shown on the chart and include – Identify, Plan, Communicate, Implement & Improve. The first step is identifying the proposed changes which we have thoroughly completed in this proposal. The second step is planning the proposed changes which we have also outlined in this road map proposal.



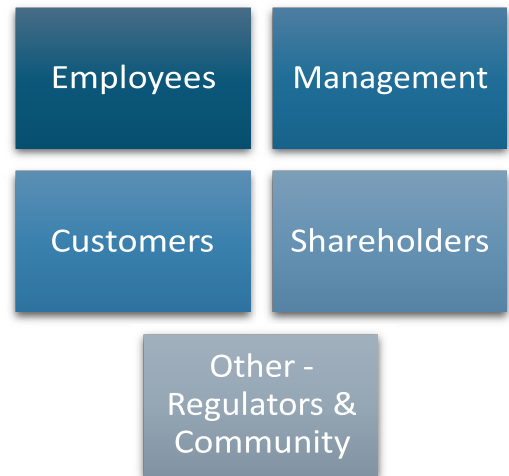
The next step would be communicating the proposed changes which will be the task of the executive management team. The business case for the proposed changes need to be presented to all relevant stakeholders including employees, managers, customers, and investors. The impact to these key stakeholders will be discussed in further detail in the next section. Continued communication will be the most vital aspect of ensuring the bank is able to navigate challenges. “Providing clear and open lines of communication throughout the process is a critical element in all change modalities. The methods advocate transparency and two-way communication structures that provide avenues to vent frustrations, applaud what is working, and seamlessly change what doesn't work.” (Ramos, 2025). The best change plans will fail if communication is not focal. The next step would be implementation, which is when the proposals will be executed and put into motion. It will be important to celebrate short-term wins and successes along that way as the projects come to fruition. The last and equally important step will be improvement. The changes will need to be reviewed, revised, and continuously improved once they have been implemented. It is an everevolving process that must continue to be monitored and changed. This can be monitored by understanding the post-implementation impact and non-financial measures.

By understanding the change management process and cycle, executive management will be better able to navigate logistical or organizational challenges such as resistance to change, cultural issues or insufficient resources. By keeping a clear communication channel open and constantly reviewing and

revising the change process, leadership will be able to gain momentum to encourage acceptance of the changes. Cultural issues and identity will be placed at the forefront of the objectives. Leadership will be able to guarantee that proper resources are allocated to the projects and show they are on board with the investment towards the future. A proper change management strategy will ensure that executive leadership is able to manage the proposed changes and handle consequences that may arise from the proposals. Now it will be important to understand the impact of the various stakeholders where the financial impact may be difficult to measure.

### Impact on Key Stakeholders

If the proposed structural realignment and process improvements of the commercial lending function are implemented and are successful as anticipated, there would be a financial benefit to the bank. Additionally, the bank will be better equipped for future organic and inorganic growth opportunities if implementation is successful. However, it is important to understand how a project of this scope will affect important stakeholders of the bank. A



stakeholder is an individual or group of individuals with an interest in the success of a venture. Some examples of stakeholders of Patriot Bank include the employees, management, customers, shareholders, and others such as regulators or the community. It is crucial to understand how the project will impact these various stakeholders beyond the bank's increased profitability.

The employees of the bank, especially those within the commercial lending function will be impacted by the project. Some will be asked to assist in the planning and implementation of the project directly while others will be indirectly impacted by proposals. Employee engagement and support will be key during the project. Poor engagement could result in increased resistance, decline in morale and even

potential turnover. Employees will continue to be responsible for their normal day-jobs but will be impacted by the changes. It will be important to keep great communication and employee involvement as the project progresses. Resources will need to be made available for proper training and development and employees need to be recognized for their contributions by leadership. Effective focus on the employees will help to not overwhelm them.

The management of the bank includes middle-management and the executive management. The management position that would be most directly impacted would be the establishment of a new Managing Director position in the commercial lending function. However, indirectly the managers will need to be on board with the proposals. They will be the tasked with leading the change initiatives and will be important in terms of communication with employees. Additionally, the executive management will be essential for the proposals to be implemented, and the success or failure of the project will be impacted by the amount of resources and support provided.

The customers of the bank will certainly be impacted by the project. The bank cannot continue thrive and grow without servicing the customer and the impact of this stakeholder is focal. In the short-term there may be some disruptions caused from the project due to the realignment of the structures and improved processes before everything is ironed out. It will be essential to keep the customer top of mind and to minimize the impact as the bank does not want to damage its brand. The project will not be worth it if client relationships are damaged along the way. The foundation of the company is servicing the customers despite the financial gains.

The shareholders of the bank are a primary stakeholder that will be impacted. The owners of the stock and investors into the financial institution are usually focused more on the financial success of the enterprise. However, as indicated in the financial impact section there may be some initial negative impacts due to the upfront investments required that will be paid off in the longer term. It is important that this is

properly explained and communicated to the shareholders, so they understand the bank is making an investment towards the future. Executive management will need to keep the communication channels open with shareholders to ensure that the project is moving the company forward and preparing the bank to be in the best position for future growth.

Finally, there are other stakeholders that would be impacted by the project. An example may be the bank's regulators or other government agencies. While the project will directly impact the commercial lending function, it will set up the bank for future growth which may require additional regulatory oversight. Another stakeholder may be the general community. Patriot Bank is heavily involved in philanthropic efforts and is well regarded in the community. The project may redirect resources that may otherwise be used for different efforts so the impact may be felt beyond stakeholders with direct ties to the financial success of the bank. There are many other examples, however it must be made clear that the proposal will impact many stakeholders in different manners.

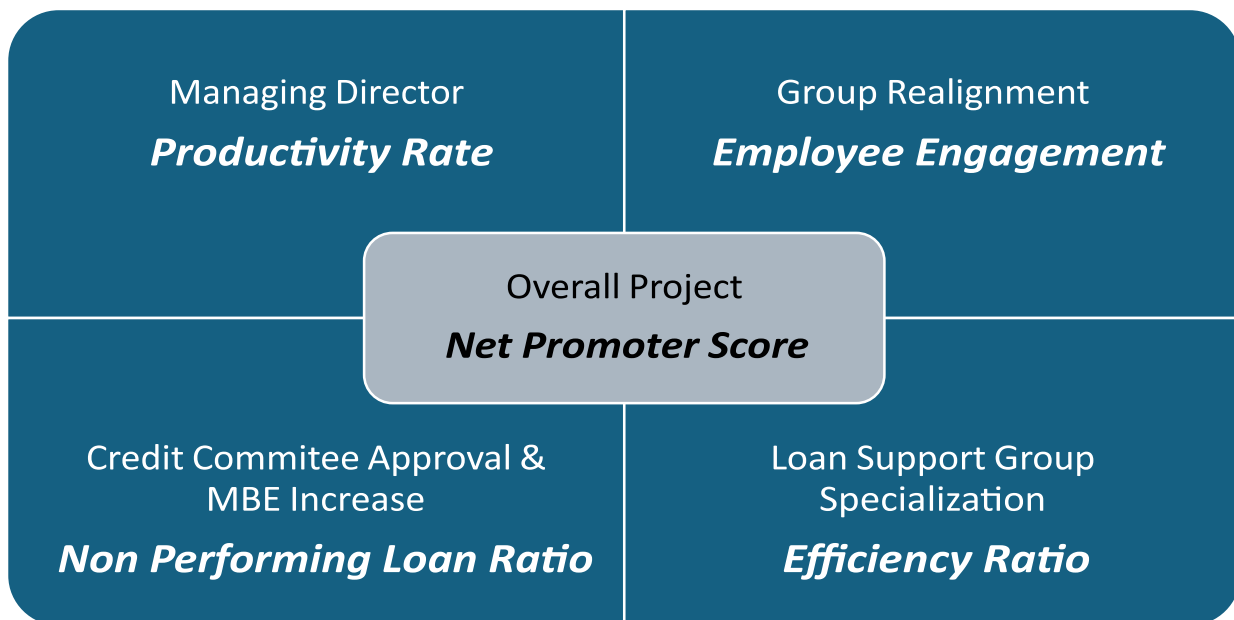
The non-financial impact of the project should be considered before implementation, and stakeholders must be part of the process. "Involving stakeholders in the change process helps them understand the shared vision and how the project will affect them, making individuals more invested. This minimizes risk and resistance. Encourage stakeholders to express their concerns through various feedback mechanisms, including town-hall meetings, one-on-one conversations, and surveys. Two-way communication allows change leaders to remove doubt. People engagement is crucial and will increase the likelihood of success." (Lemane, 2024).

#### Post-Implementation Measurement of Project Impact

It will be important to understand how the project will impact the bank in manners that may not be reflected in the financial performance. This can be accomplished by understanding and utilizing non-financial measures to evaluate the impact of the proposals. "Non-financial areas of the business can have a direct impact on the company's financial performance. For example, sales will be lost if the customers

are not happy with the product or service as they will go elsewhere; employees will end up costing the company money if their output is low because they are not engaged; or you may lose a section of the market share if you cannot keep up with the competition.” (Wood, 2023). There are hundreds of non-financial measures that could be utilized to evaluate the impact of the project once it is implemented. However, only a select few have been chosen that would be directly relevant for each of the different proposals being made. In addition, one further non-financial measure was selected that would be used to measure the totality of the project impact.

These non-financial metrics are shown on the following chart and will be described in more detail.



For establishment of the Managing Director position, the non-financial measure that was selected was the productivity rate. Productivity rate measures how efficiently inputs are converted into completed work. This measure was selected for this proposal because the goal of establishing the Managing Director position was to reduce constraints of the existing horizontal organizational structure in order to improve efficiency. The action plan to measure the productivity rate would be to establish indexes prior to the establishment of the position such as the number of loans booked, and the amount of loans booked for the commercial groups. This information can be compiled on a quarterly basis for the year prior to the

establishment of the Managing Director position. Then the productivity in the quarters following the establishment of the position can be measured to understand the percentage increase or decrease in each quarter. The Chief Commercial Banking Officer can assign a point person to collect and analyze the data on a quarterly basis. The benchmark for success would be an increase in productivity after one year as it may take time in the first few quarters for the Managing Directors to become established in their new roles.

For the group realignment proposal, the non-financial measure that was selected was employee engagement. The group realignment will likely cause the most friction with employees who would be the most directly impacted with the changes. The employee engagement metric is the degree to which employees are invested in their work and the organization. This could be measured by employee engagement surveys. The action plan to measure employee engagement would be to ask employees to fill out a survey prior to the group realignment to understand areas of satisfaction and areas that would need improvement. This survey would provide employee engagement scores in various predetermined categories but would also provide an overall engagement score. Then another employee engagement survey could be conducted for six months following the realignment and then one final one-year post-realignment. The benchmark for success would be an improvement in overall employee satisfaction after one year. The first test pre-implementation can be used as a base level, the second test could be used to see which areas need to be addressed most critically and the final test could be used to determine success with hopefully a higher score than the original test. A third-party consultant that is an expertise in these surveys could be utilized and the tests themselves could be overseen by the HR department.

For the increase in the approval level of Credit Committee and MBE, the non-financial measure that was selected was the Non-Performing Loan (NPL) Ratio. The NPL ratio tracks the amount of non-

performing loans against the total number of loans. This measure was selected because the relaxing of the credit oversight could potentially lead to a higher level of NPLs. There could be external influences that could impact this metric such as a change in the interest rate or macro-economic environment. However, this could still be a leading indicator to audit the credit quality and measure how big an impact this proposal has on the credit strength of the bank. The action plan for this metric would be for the leaders of the bank to pay close attention to the NPL ratio that is reported each quarter. The NPL ratio of Patriot Bank was 0.75% as of 12/31/25 (Patriot Bank, 2026). The benchmark for success would be to see the NPL ratio not increase in the quarters following the increase in approval level of Credit Committee and MBE. This will be continually monitored by the bank leaders. The group responsible for this will be the financial division to report on the data and the Credit Group to act if there is a substantial increase. As noted, there may be other factors outside of the approval threshold that could influence this ratio, so it will be important for the bank leaders to fully understand the reasoning for fluctuations in the ratio.

For the loan support group specialization, the non-financial measure that was selected was the efficiency ratio. Efficiency ratio measures how efficiently the bank is performing in a certain internal process aspect. The end goal with this proposal is for the different loan support groups to work more cohesively with the business line in order to more efficiently close and book loans. The action plan would be to establish record keeping of the amount of time it takes a loan to close and compile this information prior to the loan support group specialization. Then in the quarters following post implementation, the same data on time to close a loan could be recorded. A benchmark for success would be an increase in the efficiency ratio percentage or a reduction in the amount of time it takes for a loan to be booked. The group responsible for tracking this information could be the head of the loan support groups. This feedback will be crucial for both the line and the loan support groups in understanding what issues still need to be addressed and how the two groups can work together

more cohesively.

Finally, for the overall project, the non-financial measure that was selected was the Net Promoter Score (NPS). The NPS is the likelihood that customers will recommend a brand to others. This is conducted through a survey of customers on a scale of 1-10 and then the results are compiled. Dissatisfied customers usually rate 0-6, passive customers usually rate 7-8 and promoters rate 9-10. This was chosen as a non-financial measure for the overall project to see the impact of the proposals on the customers. The action plan for measuring this metric would be to have a third-party consultant or the HR department establish an NPS survey to determine a score prior to implementation. Patriot Bank does conduct these type of surveys annually however the results are usually known to executive management. The benchmark for success would be for the bank to increase the Net Promoter score post-implementation of all the proposals. The group responsible could be a third-party consultant who is an expert in these surveys and can be overseen by Patriot Bank's Marketing division. It will be important to maintain the strength of the brand post implementation to ensure there are not too many unintended consequences.

### Outlook of Impact following Implementation

Now that we have defined some non-financial measures that we can use to track the impact of the structural realignment and process improvement proposals for the commercial lending function, we can attempt to foresee how these will affect the long-term profitability of the bank.

If the managing director position proposal is successful, the commercial lending function will have a more vertical structure and will be more efficient. This will help alleviate bottlenecks as the bank continues to grow and will reduce pressure points, setting the commercial lending function in a better position for the future. Operational efficiency would improve leading to increased productivity and an increase in the long term profitability of the bank.

If the group realignment proposal is successful, the commercial lending function will be better equipped to handle increased scale and there will be less inefficiencies at the bank. The correct amount of the resources can be attributed to each group leading to a more productive commercial lending function. This proposal will continue to evolve overtime as any inefficiencies can be identified and corrected. It will be important to monitor employee engagement postimplementation to avoid attrition. However, by realigning the groups in the commercial lending function with this project the bank will be in a better position for future long-term profitability.

If the increase in the approval level of Credit Committee and MBE is successful, the bank will have a more efficient process to make credit decisions and the copious amount of work for inconsequential loan approvals and reviews will be reduced. Given the increased size and scale of the bank, this will ensure that the appropriate recourses are being used in the most productive manner for the bank. If the project is successful future increases to approval levels may be considered, however it will be important to monitor the NPL ratio to see if there is an initial impact.

This will be a component in the future to increase profitability of the bank.

If the loan support group specialization is successful, the various loan support groups will be more efficient and will work better with the business line. This will reduce the number of delays in loan closings. By improving the specialization of the specific loan support functions, these groups will be able to produce at a higher level. As the groups become more specialized, this will increase the efficiency that the commercial lending function can produce new loans which will be a benefit to the long-term profitability of the bank.

If the structural realignment and process improvements of the commercial lending function is successful, the bank will be improved in many facets. As the commercial lending function is one of the most pivotal parts of Patriot Bank's overall performance and these proposals will set the bank up for future

increased long-term profitability. This will increase the bank's brand awareness in the market and would improve the Net Promoter Score of the bank. If these proposals are successful for the commercial division, similar projects could be developed for other divisions.

While we understand the financial impact of the proposals, the non-financial impacts of the project will be just as important for the financial future of the bank. It was an imperative exercise to look past the increased financial viability of the proposals and understand how the various stakeholders will be impacted in a manner that would be difficult to measure financially.

## Conclusion

In conclusion, it is recommended for Patriot Bank to adopt the proposed structural realignment and process improvements for the commercial lending function. The proposed structural realignment included adding a Managing Director position to create a more vertical organizational chart and a Group Realignment proposal to segment the groups more appropriately. The proposed process improvements include raising the threshold for Credit Committee approval & MBE approval to be more aligned the bank's scale and to increase specialization in the Loan Support Groups to improve efficiency. A strategy and implementation plan was provided as a roadmap for execution including the resources required, a proposed timeline and the future impact. A detailed analysis provided the positive impacts of each proposal along with potential negative impacts of implementation. Thorough analysis was completed to understand the financial impact of these proposals to Patriot Bank, which all were deemed to be a net benefit to the bank following a detailed cost-benefit analysis and risk management analysis. The non-financial impact of the various proposals was analyzed as well including potential challenges, the impact on stakeholders and determination of post-implementation measurement on the project impact.

Patriot Bank has benefited from inorganic growth due to an increased level of M&A activity. However, the structures and processes of the bank's commercial lending function have not developed in the same manner had the bank only pursued organic growth. Whether the future of Patriot Bank's growth model is in the form of organic or inorganic growth, it is imperative to address the issues with the existing structures and processes of the commercial lending function to ensure the bank will be prepared to function at the highest level of efficiency and productivity possible. For this reason, it is in the best interest for Patriot Bank's continued success that the leadership of Patriot Bank consider these proposals as recommended.

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