

PUBLIC DISCLOSURE

May 9, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Avidia Bank
Certificate Number: 90215

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Hudson, Massachusetts 01794

Division of Banks
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Federal Deposit Insurance Corporation
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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Avidia Bank's (Avidia) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio of 109.4 percent is more than reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a majority (51.5 percent) of its home mortgage and sampled commercial loans within the AA during the evaluation period.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA, including moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AA.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated July 15, 2013, to the current evaluation dated May 9, 2016. Examiners used the Federal Financial Institution Examination Council’s (FFIEC) Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate the bank’s performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

In addition to reviewing the bank’s performance in its overall AA, the Interstate Banking and Branching Efficiency Act (IBBEA) requires separate discussions of CRA performance in each Metropolitan Statistical Area (MSA) in which the bank maintains a branch. The bank’s main office and two branches are located in the Cambridge-Newton-Framingham, Massachusetts (MA) Metropolitan Division (MD) (15764). This is part of the Boston-Cambridge-Newton, MA MSA. The bank also operates five branch offices in the Worcester, MA MSA (49340).

Although examiners arrive at separate conclusions for each MSA, they assign only one rating. The majority of the bank’s branches, deposits, and loans are in the Worcester, MA MSA. The following table presents the loan dispersion amongst the Worcester, MA MSA and the Cambridge-Newton-Framingham, MA MD.

Lending in the Worcester, MA MSA vs. Cambridge-Newton-Framingham, MA MD				
	Worcester, MA MSA		Cambridge-Newton-Framingham, MA MD	
Loan Category or Type	# of loans	%	# of loans	%
Home Mortgage (2014)	141	70.5	59	29.5
Home Mortgage (2015)	164	68.0	77	32.0
Commercial (2015)	6	54.5	5	45.5
Total	311	68.8	141	31.2
<i>Source: Home Mortgage Disclosure Act (HMDA) Loan Application Register (LARs) (2014 and 2015) and 2015 Commercial Sample – bank data</i>				

The Lending Test considered the institution’s performance according to the following criteria:

- Loan-to-deposit ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments, and community development services.
- The responsiveness of such activities to the AA's community development needs.

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to the overall conclusions due to the larger loan volume when compared to commercial lending during the most recent calendar year. In addition, no other loan types, such as small farm or consumer loans, represent a major product line. Therefore, the public evaluation does not present these product lines, as they provided no material support for conclusions or ratings.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. This evaluation considered all home mortgage loans reported on the bank's 2014 and 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2014, the bank reported 379 loans totaling \$106.8 million, and for 2015, the bank reported 458 loans totaling \$142.3 million. This evaluation presents information for 2014, the most recent year for which aggregate lending data for all HMDA reporting lenders is available. Examiners compared the bank's 2014 home mortgage lending data to aggregated lending data and AA demographics. Examiners compared 2015 home mortgage lending to AA demographics.

Avidia is not required to report small business lending and does not collect the data; therefore, examiners analyzed a random statistical sample of commercial loans originated in 2015. The bank originated 550 commercial loans totaling approximately \$228.9 million. Examiners analyzed and sampled 41 loans totaling approximately \$7.3 million to determine the lending volume within the AA. Examiners only used those loans identified as inside the AA to determine the lending distribution and dispersion under the Geographic Distribution and Borrower Profile criteria.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans and sampled commercial loans. Although examiners did not present the number and dollar volume of loans, examiners emphasized performance by number since it is not influenced by factors including applicant income, housing values, or business size.

For the Community Development Test, management provided data on community development loans, qualified investments, and community development services since the prior CRA Evaluation dated July 15, 2013.

DESCRIPTION OF INSTITUTION

Background

Avidia is headquartered in Hudson, MA. The bank is wholly-owned by Assabet Valley Bancorp. The bank operates in central Massachusetts, in Worcester and Middlesex Counties. The prior CRA Performance Evaluation, using the FFIEC's ISI Examination Procedures, resulted in a Satisfactory rating.

Operations

The main office is located at 42 Main Street in Hudson. Avidia operates seven other full service branches. This includes one each in Hudson, Westborough, Clinton, Leominster, Marlborough, Northborough, and Shrewsbury. Avidia operates nine bank-owned automated teller machines (ATMs). ATMs are located at each full-service branch; and one remote ATM is located in Buscemi's Convenience Store in Hudson. Avidia Bank has two investment subsidiaries, Hudson Securities Corporation and Eli Whitney Security Corporation, and one real estate subsidiary, 42 Main Street Realty Corporation. The bank has not opened any branches since the prior evaluation. The bank closed the branch located at 33 W. Main Street in Westborough, an upper-income census tract, on March 28, 2014. No merger or acquisition activities occurred since the prior evaluation.

The bank offers standard loan and deposit products for individuals and businesses. Loan products include home mortgage, home equity loans and lines of credit, consumer loans, and automobile loans as well as business loans including commercial real estate, construction loans, lines of credit, Small Business Administration (SBA) guaranteed loans, and credit cards for businesses and individuals. Deposit services include checking, savings, and money-market deposit accounts, individual retirement accounts, certificate of deposit, and repurchase accounts. Alternative banking services include online and mobile banking, remote deposit, electronic bill pay, and Visa debit cards.

Ability and Capacity

Assets totaled approximately \$1.3 billion as of March 31, 2016, and included total loans of \$1,001,205 million and securities of \$189.5 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of March 31, 2016		
Loan Category	\$(000s)	%
Construction and Land Development	40,832	4.1
Secured by Farmland	807	0.1
1-4 Family Residential	398,732	39.8
Multi-family (5 or more) Residential	23,511	2.3
Commercial Real Estate	285,299	28.5
Total Real Estate Loans	749,181	74.8
Commercial and Industrial	226,829	22.6
Consumer	6,808	0.7
State and political subdivision obligations	17,719	1.8
Other	668	0.1
Less: Unearned Income	0	0.0
Total Loans	1,001,205	100.0
<i>Source: Consolidated Reports of Condition and Income as of March 31, 2016</i>		

Examiners did not identify any financial or legal impediments that would limit or impede the bank's ability to meet the credit needs of its AA.

DESCRIPTION OF AA

The CRA requires each financial institution to designate one or more AA(s) within which examiners will evaluate its CRA performance. The bank designated a single, contiguous AA that includes 53 census tracts: 38 tracts within the Worcester, MA MSA and 15 tracts within the Cambridge-Newton-Framingham, MA MD.

The AA, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

Economic and Demographic Data

Avidia's AA consists of portions of Worcester and Middlesex Counties. In Worcester County, the AA includes Berlin, Boylston, Clinton, Grafton, Lancaster, Leominster, Northborough, Shrewsbury, Southborough, Sterling, Upton, West Boylston, and Westborough. Hopkinton, Hudson, Marlborough, and Stow are located in Middlesex County. The 53 census tracts reflect the following income designations according to the 2010 U.S. Census:

- No low-income census tracts
- 6 moderate-income census tracts
- 18 middle-income census tracts
- 28 upper-income census tracts
- 1 not assigned (NA)-income tract

The six moderate-income census tracts are located in Clinton, Marlborough, and Leominster (four). The NA tract is located in Stow and contains the Assabet River National Wildlife Refuge.

There are no underserved or distressed census tracts in the AA. The following table illustrates select demographic AA characteristics.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	53	0.0	11.3	34.1	52.8	1.8
Population by Geography	272,201	0.0	9.5	33.6	56.9	0.0
Housing Units by Geography	105,998	0.0	11.1	35.9	53.0	0.0
Owner-Occupied Units by Geography	73,760	0.0	6.3	34.4	59.3	0.0
Occupied Rental Units by Geography	26,823	0.0	23.6	39.1	37.3	0.0
Vacant Units by Geography	5,415	0.0	15.3	40.2	44.5	0.0
Businesses by Geography	21,793	0.0	11.4	29.5	59.1	0.0
Farms by Geography	563	0.0	6.0	27.9	66.1	0.0
Family Distribution by Income Level	70,076	14.2	14.2	19.7	51.9	0.0
Household Distribution by Income Level	100,583	19.3	13.1	16.0	51.6	0.0
Median Family Income (2010 U.S. Census) Worcester, MA MSA Cambridge-Newton-Framingham, MA MD		\$77,128 \$90,265		Median Housing Value Median Gross Rent Families Below Poverty Level		\$362,127 \$995 3.7%
FFIEC-Estimated Median Family Income (2014) Worcester, MA MSA Cambridge-Newton-Framingham, MA MD		\$77,900 \$93,300				
FFIEC-Estimated Median Family Income (2015) Worcester, MA MSA Cambridge-Newton-Framingham, MA MD		\$81,500 \$101,700				

Source: 2010 U.S. Census, 2015 D&B Data, and FFIEC-Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2015 year-end unemployment rate was 4.9 percent statewide. As of December 31, 2015, the Worcester, MA MSA and Cambridge-Newton-Framingham, MA MD unemployment rates were 4.8 percent and 3.8 percent, respectively. Unemployment rates have gradually declined throughout the evaluation period.

There are 105,998 housing units. Of these, 69.6 percent are owner-occupied, 25.3 percent are occupied-rental units, and 5.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are no owner-occupied housing units in the census tract without an income designation.

According to 2015 D&B data, there were 21,793 businesses. Gross annual revenues (GARs) for these businesses follow.

- 77.1 percent have \$1 million or less
- 6.3 percent have more than \$1 million
- 16.6 percent have unknown revenues

The sampled commercial loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 49.8 percent; followed by retail trade (11.9 percent); construction (9.1percent); and finance, insurance, and real estate (8.3 percent). In addition, 69.8 percent of area businesses have four or fewer employees, and 88.9 percent operate from a single location.

Examiners use the 2014 and 2015 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA MSA Median Family Income				
2014 (\$77,900)	< \$38,950	\$38,950 to < \$62,320	\$62,320 to < \$93,480	≥ \$93,480
2015 (\$81,500)	< \$40,750	\$40,750 to < \$65,200	\$65,200 to < \$97,800	≥ \$97,800
Cambridge-Newton-Framingham, MA MD Median Family Income				
2014 (\$93,300)	< \$46,650	\$46,650 to < \$74,640	\$74,640 to < \$111,960	≥ \$111,960
2015 (\$101,700)	< \$50,850	\$50,850 to < \$81,360	\$81,360 to < \$122,040	≥ \$122,040
<i>Source: FFIEC</i>				

Competition

The bank operates in a moderately competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2015, reveals that 21 financial institutions operate 82 branch offices throughout the AA and hold \$5.6 billion in deposits. The top ranked institution, Bank of America, accounts for 20.7 percent of deposit market share. Avidia ranked 2nd capturing a 15 percent deposit market share.

Competition for home mortgage loans is great. Aggregate home mortgage lending data for 2014 showed that 349 lenders originated 8,065 home mortgage loans within the bank’s AA. The top five lenders include large national and regional banks, credit unions, and mortgage companies, such as Wells Fargo Bank, Digital Federal Credit Union, and Quicken Loans. Avidia ranked 9th capturing a 2.5 percent market share.

The bank is not required to collect or report its small business loan data, and it has elected not to do so. Therefore, the small business loan analysis does not include comparisons against aggregate data.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps determine institutions’ responsiveness to these needs. It also illustrates the availability of credit and community development opportunities.

Examiners contacted an economic development organization representative. The contact identified a housing need, specifically affordable housing given increasing home prices and rents. The contact mentioned there are affordable housing developments currently under construction, indicating opportunities for local financial institutions to provide financing. The contact also noted many local community development organizations could benefit from donations, grants, and volunteer work. Specifically, these include less-established organizations that do not maintain strong connections with bank foundations or other charitable funding sources. Overall, the contact indicated that financial institutions are responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Examiners ascertained AA credit needs from demographic information, community contact information, and discussions with bank personnel. Examiners determined the primary credit needs are small business and home mortgage financing. The AA's primary community development needs are affordable housing and charitable funding sources for newer community development organizations.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Avidia demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio (LTD)

The LTD is more than reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 109.4 percent over the past 11 calendar quarters from September 30, 2013, to March 31, 2016. The ratio ranged from a low of 105.4 percent as of September 30, 2013, to a high of 111.6 percent as of March 31, 2015. The ratio remained generally stable during the evaluation period. Avidia maintained a ratio higher than that of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2016 \$(000s)	Average LTD Ratio (%)
Avidia Bank	1,269,117	109.4
The Lowell Five Cent Savings Bank	1,027,831	82.1
Marlborough Savings Bank	533,555	77.9
<i>Source: Call Report Data, March 31, 2016</i>		

AA Concentration

When combined, the bank made a majority of home mortgage and sampled commercial loans by number within its AA. However, when home mortgage and sampled commercial loans reviewed individually, the bank extended less than a majority of its commercial loans within the AA. Additionally, the bank extended a majority of home mortgage and sampled commercial loans by dollar volume outside the AA. Although, the bank originated a majority of loans by dollar outside the AA, examiners emphasize performance by number of loans because it is not influenced by factors including applicant income, housing values, or business size. It also provides a better indicator of the number of business and individuals served.

Lending Inside and Outside of the Assessment Area – Combined AA											
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$(000s)	
	Inside		Outside			Inside		Outside			
	#	%	#	%		\$	%	\$	%		
Home Mortgage											
2014	200	52.8	179	47.2	379	50,546	47.3	56,206	52.7	106,752	
2015	241	52.6	217	47.4	458	57,867	40.6	84,612	59.4	142,479	
Subtotal	441	52.7	396	47.3	837	108,413	43.5	140,818	56.5	249,231	
Commercial Sample											
2015	11	26.8	30	73.2	41	1,191	16.3	6,116	83.7	7,307	
Subtotal	11	26.8	30	73.2	41	1,191	16.3	6,116	83.7	7,307	
Total	452	51.5	426	48.5	878	109,604	42.7	146,934	57.3	256,538	
<i>Source: 2014 and 2015 HMDA and 2015 Commercial Sample - bank data</i>											

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the combined AA. The bank’s reasonable performance of home mortgage and sampled commercial lending supports this conclusion. Avidia’s AA does not contain any low-income census tracts. Examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. The following table shows that the bank’s lending within moderate-income census tracts slightly exceeds the aggregate lending performance in 2014 and percentage of owner-occupied housing units. Similarly, in 2015, the bank’s lending again exceeded the percentage of owner-occupied housing units. Market share data further supports the bank’s reasonable performance. Specifically, market share reports for 2014 indicate the bank ranked 8th in lending in moderate-income census tracts. A majority of institutions ranking higher were much larger regional or national banks, credit unions, and mortgage lenders.

Considering the market ranks and consistent percentages, the performance is reasonable.

Geographic Distribution of Home Mortgage Loans – Combined AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	6.3	6.2	15	7.5	2,528	5.0
2015	6.3	--	17	7.1	3,124	5.4
Middle						
2014	34.4	30.4	85	42.5	18,972	37.5
2015	34.4	--	90	37.3	18,310	31.6
Upper						
2014	59.3	63.4	100	50.0	29,046	57.5
2015	59.3	--	134	55.6	36,433	63.0
Totals						
2014	100.0	100.0	200	100.0	50,546	100.0
2015	100.0	--	241	100.0	57,867	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015, HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available.</i>						

Commercial Loans

The geographic distribution of sampled commercial loans reflects reasonable dispersion. Although the following table shows the bank’s performance in moderate-income census tracts exceeds business demographics by 15.9 percentage points, the addition or subtraction of a few loans could shift the percentages and affect the analysis.

Geographic Distribution of Sampled Commercial Loans – Combined AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2015	11.4	3	27.3	185	15.5
Middle					
2015	29.5	5	45.4	758	63.6
Upper					
2015	59.1	3	27.3	248	20.9
N/A					
2015	0.0	0	0.0	0.00	0.0
Total					
2015	100.0	11	100.00	1,191	100.0
<i>Source: 2015 D&B Data; 2015 Commercial Sample - bank data</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different size. The bank's reasonable performance of home mortgage and commercial lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of sampled commercial loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers, at 5.0 percent slightly exceeds the aggregate at 3.3 percent. A low-income borrower with an income less than \$43,469 would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$362,127. Additionally, 3.7 percent of all AA families are below the poverty level. Therefore, the opportunity for lending to low-income families becomes more limited. This helps to explain the difference between the bank's lending to low-income borrowers at 5.0 percent and the 14.2 percent of low-income families. Home mortgage lending to moderate-income borrowers, at 16.5 percent slightly exceeds aggregate and the percentage of moderate-income families, 13.7 percent and 14.2 percent respectively, in the AA. The number and percentage of loans to low- and moderate-income borrowers increased from 2014 to 2015.

Market share data further supports the bank's reasonable performance under this criterion. In 2014, the bank ranked 4th in lending to low-income borrowers with a 3.4 percent market share and ranked 4th in lending to moderate-income borrowers with a 3.0 percent market share.

Distribution of Home Mortgage Loans by Borrower Income Level – Combined AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	14.2	3.6	10	5.0	1,236	2.4
2015	14.2	--	14	5.8	2,162	3.7
Moderate						
2014	14.2	13.7	33	16.5	5,393	10.7
2015	14.2	--	52	21.6	9,059	15.6
Middle						
2014	19.7	18.9	36	18.0	7,343	14.5
2015	19.7	--	51	21.2	10,446	18.1
Upper						
2014	51.9	49.6	113	56.5	34,951	69.2
2015	51.9	--	117	48.5	34,548	59.7
Income Not Available						
2014	0.0	14.2	8	4.0	1,623	3.2
2015	0.0	--	7	2.9	1,652	2.9
Total						
2014	100.0	100.0	200	100.0	50,546	100.0
2015	100.0	--	241	100.0	57,867	100.0

Source: 2010 U.S. Census; 2014 & 2015 HMDA Data Reported; 2014 HMDA Aggregate Data; "--" data not available

Commercial Loans

The percentage of loans to businesses with GARs of \$1 million or less is less than the percent of businesses. However, a majority of the sampled commercial loans were to businesses with GARs of \$1 million or less. The AA's high competition level supports Avidia's reasonable performance.

Distribution of Sampled Commercial Loans by Gross Annual Revenue Category – Combined AA					
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%
< \$1,000,000					
2015	77.1	5	45.4	816	68.5
> \$1,000,000					
2015	6.3	2	18.2	130	10.9
Revenues Not Reported					
2015	16.6	4	36.4	245	20.6
Total					
2015	100.0	11	100.0	1191	100.00

Source: 2015 D&B Data; and 2015 Commercial Sample – bank Data

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Avidia demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities. As the bank is responsive to its AA's community development needs through investments and services, examiners considered three loans from outside the AA under the Community Development Test.

Community Development Loans

The bank did not make any community development loans inside the AA during the current evaluation period. However, the bank made three community development loans totaling \$634,000 in communities just outside its AA. One loan for \$384,000 extended in 2015 supported affordable housing in the City of Fitchburg for low- and moderate-income individuals. The other two loans for \$150,000 and \$100,000 in 2013 and 2014, respectively, were to a community development organization that revitalizes low-income areas in the City of Worcester.

Qualified Investments

The bank made 149 qualified investments totaling approximately \$14.3 million. This includes the current book value of six prior period equity investments totaling nearly \$14 million, 1 new equity investment for \$50,000, and 142 qualified donations and grants totaling approximately \$239,000. Investments that benefited the regional or statewide area are included.

By dollar, 88.0 percent benefited affordable housing projects in the bank's AA. These investments demonstrate the bank's responsiveness to the AA's affordable housing needs. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments– Combined AA												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization Projects			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	13,526	0	0	1	457	0	0	0	0	6	13,983
7/15/2013-12/31/2013	0	0	20	30	0	0	1	2	0	0	21	32
2014	4	7	42	73	0	0	0	0	0	0	46	80
2015	4	3	53	90	1	50	0	0	0	0	58	143
YTD 2016	2	2	15	29	1	3	0	0	0	0	18	34
Total	15	13,538	130	222	4	1,513	1	2	0	0	149	14,272

Source: Bank Records

Equity Investments

The bank made the following equity investments during the prior period and the current evaluation periods. The ratio of equity investments equates to 1.1 percent of average total assets and 7.5 percent of average securities as of the March 31, 2016 Call Report.

Prior Period

- Access Capital Strategies Community Investment Fund, Inc.**
 The fund supports community development activities for low- and moderate-income individuals, affordable rental housing units, SBA loans, and economic development projects in bank chosen communities. The investment benefits the AA. As of May 9, 2016, the book value is \$457,332. **Regional Benefit**
- The Community Reinvestment Act (CRA) Qualified Investment Fund**
 The bank earmarks the investment in the CRA Fund to support affordable housing for low- and moderate-income individuals within the AA. As of May 9, 2016, the book value is \$1,002,314. **Cambridge-Newton-Framingham, MA MD and the Worcester, MA MSA**
- Senior Housing Crime Prevention Foundation (SHCPF)**
 SHCPF provides crime-free affordable housing to senior veterans as part of the Veteran Administration’s National Veterans Homes Initiative. As of May 9, 2016, the book value is \$487,018. **Cambridge-Newton-Framingham, MA MD**

- **Massachusetts Housing Investment Corporation (MHIC)**

In July 2011, to renovate a historic manufacturing building in the City of Leominster into affordable housing, the bank invested \$1.1 million. This created 40 housing units available to households at or below 60 percent of the area's median family income. This is a 12-year investment with historic and low-income housing tax credits. As of May 9, 2016, the book value is \$457,935. **Worcester, MA MSA**

In March 2012, the bank invested approximately \$2.1 million in the Town of Hudson to acquire, preserve, and rehabilitate 96 affordable housing units. The Preservation of Affordable Housing Limited Liability Company is the project sponsor. The project is eligible for lower cost funding from the Federal Home Loan Bank through their Community Development Advance Program. The bank receives low-income housing tax credits. The book value is approximately \$1.2 million as of May 9, 2016. **Cambridge-Newton-Framingham, MA MD.**

- **Massachusetts Development Finance Agency (MDFA)**

The bank refinanced an existing bond from another financial institution. The proceeds benefit the Christopher House, an organization which provides nursing facilities for seniors in Worcester County. At least 50 percent of the Christopher House's living facilities are affordable units that utilize low-income housing tax credits. The majority of individuals are low- and moderate-income. As of May 9, 2016, the book value is \$10,379,054. **Worcester, MA MSA**

Current Period

- **Marlborough Economic Development Corporation (MEDC) Revolving Loan Fund**
MEDC Revolving Loan Fund provides small businesses access to capital in the City of Marlborough. The loan fund provides gap financing which provides a bridge between the funding the small businesses owners obtained through a private lender and the amount needed to start or expand their business. In August of 2015, the bank invested \$50,000. **Cambridge-Newton-Framingham, MA MD**

Qualified Grants and Charitable Donations

The bank provides charitable contributions through the bank and the Avidia Bank Charitable Foundation. During the evaluation period, the bank and Charitable Foundation made 142 qualified donations totaling approximately \$239,000. By dollar, 92.9 percent benefit organizations whose efforts support community development services.

Examples of organizations that received qualified charitable contributions and grants follow.

- **Boys & Girls Clubs of MetroWest (BGCMW)**

The BGCMW provides youth development, education, prevention, and recreation programs to over 3,500 at-risk children and teens throughout the AA. These programs enhance children development and prepare young adults to be responsible and productive community members. The BGCMW utilized bank funding to support and provide services to low- and moderate-income individuals and families. **Cambridge-Newton-Framingham, MA MD**

- **Advocates, Inc.**
 Advocates is a multi-service nonprofit that collaborates with persons with disabilities, elders, and those with other challenges to overcome personal obstacles and societal barriers so they can obtain and keep homes, engage in work and other meaningful activities, and sustain satisfying relationships. The bank's contribution benefits Advocates' in-home therapy services. More than 90 percent of the clientele is low- and moderate-income families. **Cambridge-Newton-Framingham, MA MD**
- **Abby's House**
 This is the largest affordable housing provider in Worcester. Abby's House is a non-profit organization that provides emergency shelter, long-term housing, and supportive services for homeless and battered women and children. This organization assists thousands of women and children out of homelessness. **Worcester, MA MSA**
- **Polus Center for Social and Economic Development (Polus Center)**
 The Polus Center strives to create opportunities for persons with disabilities and members of vulnerable groups to become valued citizens within their communities. The majority of the clientele is low-income. **Worcester, MA MSA**
- **YMCA of Central Massachusetts**
 The YMCA offers programs that promote youth development, healthy living, and social responsibility. This organization's common goal is to strengthen the community and to develop the spirit, mind and body of all persons, regardless of means, through activities guided by and based upon the core values of caring, honest, and responsibility. The bank's financial support assists low- to moderate-income households. **Worcester, MA MSA**
- **Horizons for Homeless Children (Horizons)**
 Horizon provides high-quality early education, opportunities for play, and family support services to more than 2,000 homeless children weekly. Horizons focus is on young homeless children and their families. **Regional Benefit**

Community Development Services

During the evaluation period, bank employees provided 44 instances of financial expertise or technical assistance to 18 different community development-related organizations. Some services in the following table benefit regional or statewide areas. The following table illustrates the bank's community development services by year and purpose.

Community Development Services – Combined AA						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	
	#	#	#	#	#	
7/15/2013-12/31/2013	0	13	1	1	0	15
2014	0	12	3	1	0	16
2015	0	9	3	1	0	13
YTD 2016	0	0	0	0	0	0
Total	0	34	7	3	0	44
<i>Source: Bank Records</i>						

The following are notable community development service examples.

- **United Way of Tri-County**
 This organization plays a critical role in the regional area by helping in education, income, and health. This organization focuses on low- and moderate-income families. A bank officer serves as Board member and treasurer. An additional bank officer assists with fundraising and funding allocation. **Regional Benefit**
- **Seven Hills Foundation**
 This organization provides various clinical, educational, and behavioral health services to individuals throughout the state of Massachusetts. The organization focuses on low-income clients who receive public assistance. A bank officer serves on the Board. **Regional Benefit**
- **Homeowners Options for Massachusetts Elders**
 This organization protects the equity of low- and moderate-income elder homeowners and prevents foreclosure. A bank officer serves on the Board. **Regional Benefit**
- **Lewis D. Apsley Fund for the Aged and Indigent**
 Based in the Town of Hudson, this organization provides financial aid to low-income seniors. A bank officer serves on the Board and is the organization's treasurer. **Cambridge-Newton-Framingham, MA MD**

- **Shrewsbury Youth and Family Services**
This organization provides counseling, education, and other social services to low-income families. A bank officer serves on the Board. **Worcester, MA MSA**
- **Our Father's House**
This homeless shelter serves individuals and families in Northern Worcester County, with a majority of clients served in the cities of Fitchburg and Leominster. A bank officer serves on the Board and is the treasurer. **Worcester, MA MSA**
- **Marlborough Economic Development Corporation (MEDC)**
This organization works with municipal and private investors to foster economic development, job growth, and community revitalization in the City of Marlborough. The organization's community loan fund provides financing to small businesses that are unable to obtain a loan through more traditional sources. A bank officer serves on the MEDC's loan review committee. **Cambridge-Newton-Framingham, MA MD**

Other Community Services

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council. This statewide program offers low-cost checking and savings accounts to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

WORCESTER, MA MSA

SCOPE OF EVALUATION

The scope is similar to the overall scope. Please refer to the overall Scope section for additional information. The Worcester, MA MSA carried more weight when arriving at overall ratings and conclusions given that it houses a majority of the branches and activity. Examiners conducted a full scope analysis for the Worcester, MA MSA.

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE WORCESTER, MA MSA

Avidia operates five full-service branches in the Worcester, MA MSA. These include Westborough, Clinton, Leominster, Northborough, and Shrewsbury. Products and services do not vary across the bank’s AA. Please refer to the Description of Institution page for further information on the bank’s product and service offerings.

DESCRIPTION OF THE WORCESTER, MA MSA

The Worcester, MA MSA is composed of 38 census tracts in Berlin, Boylston, Clinton, Grafton, Lancaster, Leominster, Northborough, Shrewsbury, Southborough, Sterling, Upton, West Boylston, and Westborough. Of the 38 census tracts, there are no low-income and five moderate-income. These include one in Clinton and four in Leominster. The following table contains pertinent demographic information concerning the Worcester, MA MSA.

Demographic Information of the Worcester, MA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	0.0	13.2	26.3	60.5	0.0
Population by Geography	193,124	0.0	9.5	23.2	67.3	0.0
Housing Units by Geography	73,890	0.0	11.3	24.4	64.3	0.0
Owner-Occupied Units by Geography	52,102	0.0	6.4	24.0	69.6	0.0
Occupied Rental Units by Geography	18,107	0.0	25.0	24.8	50.2	0.0
Vacant Units by Geography	3,681	0.0	13.8	27.6	58.6	0.0
Businesses by Geography	14,497	0.0	11.3	21.6	67.1	0.0
Farms by Geography	388	0.0	4.4	19.8	75.8	0.0
Family Distribution by Income Level	50,213	13.1	13.7	19.5	53.6	0.0
Household Distribution by Income Level	70,209	18.2	12.8	15.7	53.3	0.0
Median Family Income (2010 U.S. Census) Worcester, MA MSA		\$77,128	Median Housing Value			\$354,081
FFIEC-Estimated Median Family Income (2014) Worcester, MA MSA		\$77,900	Median Gross Rent			\$976
FFIEC-Estimated Median Family Income (2015) Worcester, MA MSA		\$81,500	Families Below Poverty Level			3.5%

Source: 2010 U.S. Census, 2015 D&B Data, and FFIEC Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

Housing

Housing units within the Worcester, MA MSA totaled 73,890, of which 52,102 (70.5 percent) are owner occupied; 18,107 (24.5 percent) are occupied rental units; and 3,681 (5.0 percent) are vacant.

Business Data

According to the 2015 D&B business geo-demographic data, there are approximately 14,497 businesses operating in the Worcester, MA MSA. When analyzed by size, 11,184 (77.1 percent) businesses have GARs of \$1 million or less.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WORCESTER, MA MSA

LENDING TEST

The bank's lending in this area is consistent with that in the rated area.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Worcester, MA MSA. The bank's reasonable performance of home mortgage and commercial lending supports this conclusion. Avidia's AA does not contain any low-income census tracts; therefore, examiners focused on the percentage by numbers of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Worcester, MA MSA. As detailed in the following table, the bank's 2014 lending within the moderate-income census tracts slightly exceeds the aggregate lending performance and percentage of owner-occupied housing units. Market share further supports the bank's reasonable performance. Market share reports for 2014 indicated that the bank ranked 9th with 2.9 percent market share. The substantial majority of institutions ranking higher were larger regional and national banks and credit unions and mortgage lenders. The number and percentage of loans in moderate-income census tracts increased from 2014 to 2015.

Geographic Distribution of Home Mortgage Loans – Worcester, MA MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	6.4	6.1	10	7.1	1,479	4.1
2015	6.4	--	15	9.1	2,763	6.8
Middle						
2014	24.0	21.0	37	26.2	7,969	22.2
2015	24.0	--	29	17.7	6,428	15.8
Upper						
2014	69.6	72.9	94	66.7	26,530	73.7
2015	69.6	--	120	73.2	31,542	77.4
Totals						
2014	100.0	100.0	141	100.0	35,978	100.0
2015	100.0	--	164	100.0	40,733	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015, HMDA Reported Data; 2014 Aggregate Data; "--" data not available.</i>						

Commercial Loans

The geographic distribution of sampled commercial loans reflects reasonable dispersion throughout the Worcester, MA MSA. Given the low loan volume, the addition or subtraction of one loan can greatly affect the analysis. Refer to the following table for more information.

Geographic Distribution of Sampled Commercial Loans – Worcester, MA MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2015	11.3	2	33.3	115	27.2
Middle					
2015	21.6	1	16.7	60	14.2
Upper					
2015	67.1	3	50.0	248	58.6
Total					
2015	100.0	6	100.0	423	100.0
<i>Source: 2015 D&B Data; and 2015 Commercial Sample – bank data</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans to borrowers of different income levels and businesses of different sizes throughout the Worcester, MA MSA. Examiners emphasized the bank's record of home mortgage lending to low- and moderate-income borrowers and sampled commercial lending to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Home mortgage lending to low-income borrowers in 2014, at 5.0 percent, is reasonable when compared to the aggregate of 3.2 percent. A low-income borrower in the AA, with an income of \$38,950, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$354,081. Additionally, 3.5 percent of all AA families are below the poverty level. Therefore, the demand and opportunity for lending to low-income families becomes more limited. This helps to explain the difference between the bank's lending performance to low-income borrowers at 5.0 percent and the 13.1 percent of low-income families. Home mortgage lending to moderate-income borrowers during 2014, at 15.6 percent exceeds aggregate and the percentage of moderate-income families at 12.7 percent and 13.8 percent, respectively. The bank's lending to low-income borrowers declined from 2014 to 2015. Conversely, the number and percentage of loans to moderate-income borrowers increased from 2014 to 2015.

Market share data further supported the bank's reasonable performance under this criterion. In 2014, the bank ranked 5th in lending to low-income borrowers with a 3.9 percent market share and ranked 7th in lending to moderate-income borrowers with a 3.0 percent market share.

Distribution of Home Mortgage Loans by Borrower Income Level – Worcester, MA MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	13.1	3.2	7	5.0	784	2.2
2015	13.1	--	7	4.3	1,005	2.5
Moderate						
2014	13.8	12.7	22	15.6	3,359	9.3
2015	13.8	--	29	17.7	5,003	12.3
Middle						
2014	19.5	17.8	22	15.6	4,423	12.3
2015	19.5	--	30	18.3	5,833	14.3
Upper						
2014	53.6	52.0	88	62.4	27,046	75.2
2015	53.6	--	94	57.3	27,932	68.6
Income Not Available						
2014	0.0	14.3	2	1.4	366	1.0
2015	0.0	--	4	2.4	960	2.3
Total						
2014	100.0	100.0	141	100.00	35,978	100.0
2015	100.0	--	164	100.0	40,733	100.0
<i>Source: 2010 U.S. Census; 2014 & 2015 HMDA Reported Data; and 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The distribution of commercial loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The percentage of loans to businesses with GARs of \$1 million or less was less than the percent of businesses. The bank extended a majority of the bank's commercial loans to businesses with GARs of \$1 million or less.

Distribution of Sampled Commercial Loans by Gross Annual Revenue Category – Worcester, MA MSA						
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%	
≤ \$1,000,000						
2015	77.1	3	50.0	248	58.6	
> \$1,000,000						
2015	5.9	1	16.7	100	23.6	
Revenues Not Reported						
2015	17.0	2	33.3	75	17.7	
Total						
2015	100.0	6	100.0	423	100.0	
<i>Source: 2015 D&B Data and 2015 Commercial Sample</i>						

COMMUNITY DEVELOPMENT TEST

The bank's performance in this area is consistent with that in the rated area.

Community Development Loans

The bank did not make any qualified community development loans in the Worcester, MA MSA.

Qualified Investments

The bank made 65 qualified investments in the Worcester MSA totaling approximately \$10.9 million to organizations that focus on community development, affordable housing, youth programs, and other health and human services. The following table summarizes the bank's investment activity during the evaluation period by year and purpose. Please refer to the combined Qualified Investments section for additional information and examples.

Qualified Investments – Worcester, MA MSA												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization Projects			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	10,837	0	0	0	0	0	0	0	0	2	10,837
7/15/2013 - 12/31/2013	0	0	10	23	0	0	0	0	0	0	10	23
2014	3	7	17	16	0	0	0	0	0	0	20	23
2015	0	0	24	31	0	0	0	0	0	0	24	31
YTD 2016	0	0	8	20	1	3	0	0	0	0	9	23
Total	5	10,844	59	90	1	3	0	0	0	0	65	10,937

Source: Bank Records

Community Development Services

Bank executives, officers and employees are actively involved in various organizations focusing on community development, economic development, and revitalization and stabilization of low- and moderate-income geographies. Please refer to the combined Community Development Services section for information relative to the organizations. The following table illustrates the qualified service activity by community development purpose and year.

Community Development Services – Worcester, MA MSA						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	
	#	#	#	#	#	
7/15/2013-12/31/2013	0	5	1	1	0	7
2014	0	5	1	1	0	7
2015	0	2	1	1	0	4
YTD 2016	0	0	0	0	0	0
Total	0	12	3	3	0	18
<i>Source: Bank Records</i>						

CAMBRIDGE-NEWTON-FRAMINGHAM, MA MD

SCOPE OF EVALUATION

The evaluation is similar to the overall scope. Please refer to the combined Scope section for additional information. As previously mentioned, the Cambridge-Newton-Framingham, MA MD area carried less weight than the Worcester, MA MSA when arriving at overall ratings and conclusions. Examiners conducted full-scope analysis for the Cambridge-Newton-Framingham, MA MD.

DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE CAMBRIDGE-NEWTON-FRAMINGHAM, MA MD

Avidia operates three full-service branches in the Cambridge-Newton-Framingham, MA MD. This includes the main office and branches in Hudson and Marlborough. Products and services do not vary across the bank’s AA. Please refer to the Description of Institution page for further information on the bank’s product and service offerings.

DESCRIPTION OF THE CAMBRIDGE-NEWTON-FRAMINGHAM, MA MD

The Cambridge-Newton-Framingham, MA MD includes 15 census tracts in Hudson, Marlborough, Hopkinton, and Stow. Of the 15 census tracts, one is moderate-income and one is an N/A income tract located in Stow. The following table contains pertinent demographic information concerning the Cambridge-Newton-Framingham, MA MD.

Demographic Information of the Cambridge-Newton-Framingham, MA MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	0.0	6.7	53.3	33.3	6.7
Population by Geography	79,077	0.0	9.5	59.1	31.4	0.0
Housing Units by Geography	32,108	0.0	10.7	62.4	26.9	0.0
Owner-Occupied Units by Geography	21,658	0.0	6.1	59.5	34.4	0.0
Occupied Rental Units by Geography	8,716	0.0	20.7	68.7	10.6	0.0
Vacant Units by Geography	1,734	0.0	18.5	66.8	14.7	0.0
Businesses by Geography	6,733	0.0	11.6	46.4	42.0	0.0
Farms by Geography	175	0.0	9.7	45.7	44.6	0.0
Family Distribution by Income Level	19,863	17.1	15.3	20.0	47.6	0.0
Household Distribution by Income Level	30,374	0.0	10.3	62.1	27.6	0.0
Median Family Income (2010 U.S. Census) Cambridge-Newton-Framingham, MA MD		\$90,265	Median Housing Value Median Gross Rent Families Below Poverty Level			\$380,643 \$1,033 4.1%
FFIEC-Estimated Median Family Income (2014) Cambridge-Newton-Framingham, MA MD		\$93,300				
FFIEC-Estimated Median Family Income (2015) Cambridge-Newton-Framingham, MA MD		\$101,700				

Source: 2010 U.S. Census, 2015 D&B Data, and FFIEC Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

Housing

Housing units within the Cambridge-Newton-Framingham, MA MD totaled 32,108, of which 21,658 (67.5 percent) are owner-occupied; 8,716 (27.1 percent) are occupied rental-units; and 1,734 (5.4 percent) are vacant.

Business Data

According to the 2015 D&B business geo-demographic data, there are approximately 6,733 businesses operating in the Cambridge-Newton-Framingham, MA MD. When analyzed by size, 5,087 (75.5 percent) businesses have GARs of \$1 million or less.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE
CAMBRIDGE-NEWTON-FRAMINGHAM, MA MD**

LENDING TEST

The bank’s lending in this area is consistent with that in the rated area.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Cambridge-Newton-Framingham, MA MD. The bank’s reasonable performance of home mortgage and commercial lending supports this conclusion. Avidia’s AA does not contain any low-income census tracts; therefore, examiners focused on the percentage by numbers of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Cambridge-Newton-Framingham, MA MD. As detailed in the following table, the bank’s 2014 lending within the moderate-income census tracts slightly exceeds the aggregate lending performance and percentage of owner-occupied housing units. Market share further supports the bank’s reasonable performance. Market share reports for 2014 indicated that the bank ranked 7th with 3.2 percent of market share. The substantial majority of those ranking higher were larger regional and national banks and credit unions and mortgage lenders. The bank’s lending in moderate-income census tracts during 2015 decreased significantly.

Geographic Distribution of Home Mortgage Loans – Cambridge-Newton-Framingham, MA MD						
Tract Income Level	% of Owner- Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	6.1	6.6	5	8.5	1,049	7.2
2015	6.1	--	2	2.6	361	2.1
Middle						
2014	59.5	53.3	48	81.3	11,003	75.5
2015	59.5	--	61	79.2	11,882	69.3
Upper						
2014	34.4	40.1	6	10.2	2,516	17.3
2015	34.4	--	14	18.2	4,891	28.6
Totals						
2014	100.0	100.0	59	100.0	14,568	100.0
2015	100.0	--	77	100.0	17,134	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015, HMDA Reported Data; 2014 Aggregate Data; "--" data not available.</i>						

Commercial Loans

The geographic distribution of sampled commercial loans reflects reasonable dispersion throughout the Cambridge-Newton-Framingham, MA MD. The following table shows that the bank's performance in moderate-income census tracts exceeds business demographics by 8.4 percentage points. However, given the limited loan volume, the addition or subtraction of one loan, greatly affects the analysis.

Geographic Distribution of Sampled Commercial Loans – Cambridge-Newton-Framingham, MA MD					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2015	11.6	1	20.0	70	9.1
Middle					
2015	46.4	4	80.0	698	90.9
Upper					
2015	42.0	0	0.0	0	0.0
Total					
2015	100.0	5	100.0	768	100.0
<i>Source: 2015 D&B Data; and 2015 Commercial Sample – bank data</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans to borrowers of different income levels and businesses of different sizes throughout the Cambridge-Newton-Framingham, MA MD. Examiners emphasized the bank's record of home mortgage lending to low- and moderate-income borrowers and commercial lending to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Home mortgage lending to low-income borrowers in 2014, at 5.1 percent, is reasonable when compared to the aggregate of 4.7 percent. A low-income borrower, with an income of \$46,650, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$380,643. Additionally, 4.1 percent of total families in the AA are below the poverty level. Therefore, the demand and opportunity for lending to low-income families becomes more limited. This helps to explain the difference between the bank's performance of lending to low-income borrowers at 5.1 percent and the 17.1 percent of families of this income level. Home mortgage lending to moderate-income borrowers, at 18.6 percent exceeds aggregate and the percentage of moderate-income families, 16.0 percent and 15.3 percent respectively, in the Cambridge-Newton-Framingham, MA MD in 2014. The number and percentage of loans to low- and moderate-income borrowers increased from 2014 to 2015.

Market share data further supported the bank's reasonable performance under this criterion. In 2014, the bank ranked 8th in lending to low-income borrowers with a 2.8 percent market share and ranked 5th in lending to moderate-income borrowers with a 2.9 percent market share.

Distribution of Home Mortgage Loans by Borrower Income Level – Cambridge-Newton-Framingham, MA MD						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	17.1	4.7	3	5.1	452	3.1
2015	17.1	--	7	9.1	1,157	6.8
Moderate						
2014	15.3	16.0	11	18.6	2,034	14.0
2015	15.3	--	23	29.9	4,056	23.7
Middle						
2014	20.0	21.7	14	23.7	2,920	20.0
2015	20.0	--	21	27.2	4,613	26.9
Upper						
2014	47.6	43.6	25	42.4	7,905	54.3
2015	47.6	--	23	29.9	6,616	38.6
Income Not Available						
2014	0.0	14.0	6	10.2	1,257	8.6
2015	0.0	--	3	3.9	692	4.0
Total						
2014	100.0	100.0	59	100.0	14,568	100.0
2015	100.0	--	77	100.0	17,134	100.0
<i>Source: 2010 U.S. Census; 2014 & 2015 HMDA Reported Data; and 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The distribution of sampled commercial loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The percentage of loans to businesses with GARs of \$1 million or less was less than the percent of businesses in 2015. The bank extended a majority of the bank's commercial loans to businesses with GARs of \$1 million or less.

Distribution of Sampled Commercial Loans by Gross Annual Revenue Category – Cambridge-Newton-Framingham, MA MD					
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2015	75.5	2	40.0	170	22.1
> \$1,000,000					
2015	7.4	1	20.0	568	74.0
Revenue Not Reported					
2015	17.1	2	40.0	30	3.9
Total					
2015	100.0	5	100.0	768	100.0
<i>Source: 2015 D&B Data and 2015 Commercial Sample</i>					

COMMUNITY DEVELOPMENT TEST

The bank's performance in this area is consistent with that in the rated area.

Community Development Loans

The bank did not make any community development loans in the Cambridge-Newton-Framingham, MA MD during the evaluation period.

Qualified Investments

The bank made 39 qualified equity investments and donations totaling nearly \$1.9 million in the Cambridge-Newton-Framingham MD that focus on affordable housing, community service to low- and moderate-income individuals, and small business economic development.

The following table summarizes the bank's investment activity by year and purpose.

Qualified Investments – Cambridge, Newton, Framingham, MA MD												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	1,687	0	0	0	0	0	0	0	0	2	1,687
7/15/2013-12/31/2013	0	0	5	2	0	0	0	0	0	0	5	2
2014	0	0	12	38	0	0	0	0	0	0	12	38
2015	0	0	15	39	1	50	0	0	0	0	16	89
YTD 2016	0	0	4	7	0	0	0	0	0	0	4	7
Total	2	1,687	36	86	1	50	0	0	0	0	39	1,861

Source: Bank Records

Please refer to the combined Qualified Investments section for additional information and examples of qualified equity investments and donations.

Community Development Services

Bank executives, officers and employees are actively involved in various organizations with a focus on community and economic development. Please refer to the combined Community Development Services section for information relative to the organizations. The following table illustrates the qualified service activity by community development purpose and year.

Community Development Services – Cambridge, Newton, Framingham, MA MD						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	
	#	#	#	#	#	
7/15/2013-12/31/2013	0	5	0	0	0	5
2014	0	5	2	0	0	7
2015	0	5	2	0	0	7
YTD 2016	0	0	0	0	0	0
Total	0	15	4	0	0	19
<i>Source: Bank Records</i>						

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the bank's public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2014 and 2015 HMDA LARs to determine if the application flow from different minority groups reflected the assessment area demographics. Examiners compared the bank's 2014 residential lending to the 2014 aggregate lending performance. The comparison assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	17	7.5	8.3	31	10.8
Black/ African American	1	0.4	1.1	2	0.7
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	1	0.4	1.3	0	0.0
Total Minority	19	8.3	11.1	33	11.5
White	176	77.2	66.7	227	79.4
Race Not Available	33	14.5	22.2	26	9.1
Total	228	100.0	100.0	286	100.0
ETHNICITY					
Hispanic or Latino	8	3.5	3.3	3	1.0
Not Hispanic or Latino	191	83.8	73.8	255	89.2
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.9	1.0	2	0.7
Ethnicity Not Available	27	11.8	21.9	26	9.1
Total	228	100.0	100.0	286	100.0

Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

According to the 2010 U.S. Census data, the bank's assessment area had a population of 272,201 individuals, of which 17.8 percent are minorities. The assessment area's minority and ethnic population consists of 0.1 percent American Indian, 6.3 percent Asian/Pacific Islander, 2.2 percent Black, 6.4 percent Hispanic, and 2.8 percent other.

In 2014, the bank received 228 HMDA reportable loan applications from within its assessment area. Of these applications, it received 19 or 8.3 percent from racial minority applicants. This is less than the aggregate's performance of 11.1 percent of applications received from minorities. In 2014, the bank received 8 applications representing 3.5 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from ethnic minority applicants was slightly above the aggregate's performance of 3.3 percent of applications received from the Hispanic or Latino ethnic group.

In 2015, the bank received 11.5 percent of applications from racial minorities and 1.0 percent of applications from Hispanic or Latino applicants.

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

AA: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's AA as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's AA(s) or a broader statewide or regional area including the bank's AA(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an AA. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an AA. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/AA.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.