

PUBLIC DISCLOSURE

September 26, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Provident Bank
Certificate Number: 90141

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Amesbury, Massachusetts 01913

Division of Banks
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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**.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small business and home mortgage loans in the assessment area.
- The geographic distribution of loan reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- 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 Outstanding.

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area 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 assessment area. Performance in the community development loans and qualified investments primarily support the rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 12, 2013, to the current evaluation dated September 26, 2016. Examiners used the Interagency Intermediate Small Institution Procedures to evaluate The Provident Bank's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluates the bank's performance according to the following criteria.

- Loan-to-deposit ratio
- Assessment area 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 community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines include small business and residential mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Residential mortgages and small business loans comprise a majority, approximately 50 percent, of the bank's loan portfolio. However, considering the bank's focus on commercial lending and its decision to stop originating closed end residential mortgages in 2014, significantly more weight was placed on the analysis of small business lending. Other product lines such as small farm loans, consumer, and other loan types were not considered due to the low volume of originations and the overall small portion of the loan portfolio represented by these loan types. Therefore, they provided no material support for conclusions or ratings and they are not presented.

This evaluation is based on the analysis of a sample of small business loans originated in the period January 1, 2015, through December 31, 2015 and the period of January 1, 2016 through June 30, 2016. This sample was considered representative of the bank's performance during the entire evaluation period. The bank originated 247 small business loans totaling \$47.6 million in 2015, of which 38 totaling \$7.9 million were sampled. In 2016, the bank originated 123 small business loans totaling \$26.4 million, of which 34 totaling \$7.3 were sampled. The bank's small business lending will be compared to demographic data.

In addition, this evaluation considered the bank's residential mortgage lending performance. The evaluation included all home mortgage loans reported on the bank's 2014, 2015, and year to date 2016 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 148 loans in 2014, 32 loans in 2015, and 12 loans through June 30, 2016. Consistent with the bank's change in lending focus, examiners identified a decline in the number of HMDA reportable loans. Therefore, this evaluation presents information for 2014, 2015, and YTD 2016. The bank's 2014 mortgage lending performance will be compared to aggregate data. The bank's 2015 and YTD 2016 data will be compared to demographic data as aggregate data is not yet available.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. The number of loans was weighted more heavily than dollar volume, as the number of loans is less likely to be influenced by factors such as applicant income, business size, or housing value, and provides a better overall indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation, dated August 12, 2013.

The Interstate Banking and Branching Efficiency Act of 1994 (IBBEA) requires the FDIC to evaluate the bank's overall performance within its assessment area (AA) and to reach separate conclusions on the bank's activities in each Metropolitan Statistical Area (MSA) in which the bank has a branch office. A significant majority of the bank's AA is located in the Boston-Cambridge-Newton, MA-NH multi-state MSA. The multi-state MSA includes the Boston, MA Metropolitan Division (MD), the Cambridge-Newton Framingham, MA MD, and the Rockingham County-Stafford County, NH MD. The bank also operates in the Manchester-Nashua, NH MSA as a result of its Bedford, NH branch opening on January 25, 2016.

Although IBBEA requires separate CRA ratings for each state in which the bank maintains a branch location, a separate NH rating is not provided in this evaluation for several reasons. A NH rating is not provided because this performance evaluation considers only a sample of small business loans originated in 2015, prior to the opening of the bank's NH branch, and HMDA reportable loans originated in NH since the opening of the Bedford branch would have minimal impact on the evaluation due to their small number and relative weighting. Thus, the scope of this evaluation will consider the bank's performance in the AA located within the Boston-Cambridge-Newton, MA-NH multi-state MSA.

DESCRIPTION OF INSTITUTION

Background

The Provident Bank (TPB) is a state chartered stock savings bank headquartered in Amesbury, MA. TPB is owned by Provident Bancorp, Inc., a one-bank holding company also located in Amesbury. The bank operates in the northeastern part of Massachusetts and parts of southern New Hampshire. The institution received a Satisfactory rating at its previous FDIC and Division of Banks (“Division”) Performance Evaluation, dated August 12, 2013, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

TPB operates eight full service branches and two loan production offices (LPOs). Three of the branches are located in MA; two in Amesbury and one in Newburyport, and five are located in the NH towns of Bedford, Exeter, Hampton, Portsmouth, and Seabrook. All branches are located in middle- or upper-income census tracts with the exception of the Seabrook branch located in a moderate-income geography. Since the last evaluation, the bank replaced a LPO in Bedford, NH with a branch, and opened a LPO in Portsmouth, NH. There has been no merger or acquisition activity since the previous evaluation.

TPB offers a standard variety of deposit and loan products and services for businesses and individuals. The bank’s loan product offering includes commercial, home equity, and consumer loans. The bank’s primary focus is on commercial lending and in 2014 the bank stopped originating closed-end residential mortgages. Deposit products include checking accounts, savings accounts, money market accounts, certificates of deposit, and individual retirement accounts. In addition, the bank also offers online banking, mobile banking, telephone banking, and operates ten bank-owned automated teller machines (ATMs).

Ability and Capacity

Assets totaled approximately \$761 million as of June 30, 2016, and included total loans of \$588 million and total deposits of \$608 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 06/30/2016		
Loan Category	\$(000s)	%
Construction and Land Development	73,566	12.5
Secured by Farmland	1,438	0.2
1-4 Family Residential	110,803	18.8
Multi-family (5 or more) Residential	27,921	4.7
Commercial Real Estate	244,280	41.5
Total Real Estate Loans	458,008	77.9
Commercial and Industrial	127,750	21.7
Agricultural	0	0.0
Consumer	1,819	0.3
Other	531	0.1
Less: Unearned Income	(0)	(0.0)
Total Loans	588,108	100.0
<i>Source: Reports of Income and Condition as of 6/30/2016</i>		
<i>Percentages may not add to 100.0 percent due to rounding.</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more AA(s) within which it will focus its lending efforts and its CRA performance will be evaluated. TPB has designated two non-contiguous AAs. One multi-state MSA AA is located in the Rockingham County-Strafford County, NH MD (40484) and the Cambridge-Newton-Framingham, MA MD (15764), which are part of the larger Boston-Cambridge-Newton, MA-NH MSA (14460). The second AA is located in the Manchester-Nashua, NH MSA (31700). The AAs conform to CRA requirements, as they consist of whole geographies, do not arbitrarily exclude low- and moderate-income areas, and do not reflect illegal discrimination. The bank added the second AA since the previous CRA evaluation to encompass the new branch opened in Bedford, NH in January 2016. As previously mentioned in the *Scope of the Examination*, the newly added AA will not be considered in this evaluation.

Economic and Demographic Data

The bank's AA for this evaluation consists of 32 census tracts (CTs) in Amesbury, Newburyport, and Salisbury, MA and Exeter, Greenland, Hampton, Hampton Falls, New Castle, Newington, North Hampton, Portsmouth, Rye, Seabrook, and Stratham, NH. These tracts reflect the following income designations according to the 2010 census:

- 1 low-income tract,
- 4 moderate-income tracts,
- 20 middle-income tracts, and
- 7 upper-income tracts,

The following table illustrates demographic characteristics of the AA.

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	3.1	12.5	62.5	21.9	0.0
Population by Geography	125,550	1.4	12.3	63.5	22.8	0.0
Housing Units by Geography	61,988	3.7	13.0	62.7	20.6	0.0
Owner-Occupied Units by Geography	38,230	1.3	11.7	62.4	24.6	0.0
Occupied Rental Units by Geography	16,084	4.5	16.6	62.9	16.0	0.0
Vacant Units by Geography	7,674	13.8	12.5	63.4	10.3	0.0
Businesses by Geography	14,684	1.5	9.9	63.2	25.4	0.0
Family Distribution by Income Level	33,154	17.0	18.6	22.9	41.5	0.0
Household Distribution by Income Level	54,314	24.2	15.8	19.4	40.6	0.0
Median Family Income - Cambridge-Newton-Framingham, MA MD (15764)	\$90,625	Median Housing Value				\$361,906
		Median Gross Rent				\$1,049
		Families Below Poverty Level				2.9%
Median Family Income - Rockingham County-Strafford County, NH MD (40484)	\$85,547					
<i>Source: 2010 U.S. Census and 2015 D&B Data</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2015 D&B data, there were 14,684 businesses. Gross annual revenues (GARs) for these businesses are below.

- 75.7 percent have \$1 million or less.
- 6.3 percent have more than \$1 million.
- 18.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 48.7 percent; followed by retail trade (14.3 percent); finance, insurance, and real estate (8.7 percent); and construction (7.0 percent). In addition, 67.8 percent of area businesses have four or fewer employees, and 89.1 percent operate from a single location.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
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
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
Rockingham County-Strafford County, NH MD Median Family Income (40484)				
2014 (\$86,600)	<\$43,300	\$43,300 to <\$69,280	\$69,280 to <\$103,920	≥\$103,920
2015 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040
2016 (\$87,900)	<\$43,950	\$43,950 to <\$70,320	\$70,320 to <\$105,480	≥\$105,480
<i>Source: 2014, 2015, 2016 FFIEC-Estimated Family Income Data</i>				

There are 61,988 housing units. Of these, 61.7 percent are owner-occupied, 25.9 percent are occupied rental units, and 12.4 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the AA unemployment rate (5.2 percent) is higher than the unemployment rates of the Commonwealth of Massachusetts (3.9 percent), the State of New Hampshire (3.0 percent), and the United States (4.9 percent) as of August 2016.

Competition

The bank operates in a moderately competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2016, reveals that 19 financial institutions operate 69 branch offices throughout the AA, with the top three institutions accounting for 50.0 percent of total deposit market share. TPB ranked fourth with a deposit market share of 10.7 percent.

Aggregate home mortgage lending data for 2014 shows that a total of 317 lenders originated 6,038 home mortgage loans within the bank's AA. The top five lenders include large national and regional banks and mortgage companies such as Wells Fargo Bank, JP Morgan Chase Bank, Institution for Savings, Quicken Loans, and Newburyport Five Cents Saving Bank. The Provident Bank ranked 20 out of 317 lenders with 1.6 percent of the AA market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test 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

whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a representative of an economic development organization in the AA. The contact stated the need for business credit is being adequately addressed within the municipality that the organization serves; however, there is room for more financial institution involvement in the areas of outreach and small business owner education. The contact also noted the large number of financial institutions in the area willing to make commercial and small business loans, further showing the responsiveness to the economic development needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need for the AA. Flexible, short term, small business loans, particularly those for working capital for more seasonal businesses in the area, are in high demand, as are loans for start-up businesses. The significant percentage of businesses with GARs of \$1 million or less and the large number of businesses with four or fewer employees support this conclusion. The contact also stated that small business owner financial education seminars or classes would benefit the community.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's ratio, calculated from Call Report data, averaged 90.2 percent over the past 12 calendar quarters from September 30, 2013, to June 30, 2016. The ratio ranged from a low of 83.0 percent as of June 30, 2015, to a high of 96.0 percent as of December 31, 2015. TPB maintained a ratio similar to those 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		
Institution	Total Assets \$(000s)	Average LTD Ratio (%)
The Provident Bank	760,584	90.2
Bank of New England	777,471	102.4
North Shore Bank	769,968	96.2
Pentucket Bank	654,667	85.2

Source: Report of Income and Condition, June 30, 2016

Assessment Area Concentration

The bank made a majority of the sampled small business loans, by number and dollar volume, and home mortgage, loans by number, within the AA. Please see the following table for more detail.

Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business										
2015	22	57.9	16	42.1	38	4,323	55.0	3,538	45.0	7,861
2016	17	50.0	17	50.0	34	3,678	50.3	3,635	49.7	7,313
Subtotal	39	54.2	33	45.8	72	8,001	52.7	7,173	47.3	15,174
Home Mortgage										
2014	74	66.1	38	33.9	112	6,314	34.3	12,096	65.7	18,410
2015	14	45.2	17	54.8	31	3,318	45.5	3,976	54.5	7,294
2016	3	25.0	9	75.0	12	1,414	29.7	3,341	70.3	4,755
Subtotal	91	58.7	64	41.3	155	11,046	36.3	19,413	63.7	30,459
Total	130	57.3	97	42.7	227	19,047	41.7	26,586	58.3	45,633

Source: 1/1/2015 – 12/31/2015 Small Business Sample; 1/1/2016 – 6/30/2016 Small Business Sample; 1/1/2014 - 6/30/2016 HMDA Data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank’s reasonable performance of sampled small business and home mortgage lending supports this conclusion. Examiners focused on a percentage by number of loans in low- and moderate-income census tracts.

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion. As shown in the following table, the bank originated two small business loans in the low-income CT and four small business loans in moderate-income CTs in 2015, which is above the percent of businesses in those areas by 7.6 percent and 8.4 percent, respectively. In 2016, the bank originated one small business loans in the low-income CT and five small business loans in moderate-income CTs. This lending activity is consistent with the previous year and the bank remains above the percentage of businesses in those areas. While bank data was above the demographic data, it should be noted, that given the small number of loans by count, percentage data may be artificially inflated.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2015	1.5	2	9.1	915	21.2
2016	-	1	5.9	178	4.8
Moderate					
2015	9.8	4	18.2	396	9.2
2016	-	5	29.4	656	17.8
Middle					
2015	63.3	13	59.1	1,832	42.3
2016	-	8	47.1	1,933	52.6
Upper					
2015	25.4	3	13.6	1,180	27.3
2016	-	3	17.6	911	24.8
Total					
2015	100.0	22	100.0	4,323	100.0
2016	-	17	100.0	3,678	100.0
<i>Source: 2015 D&B Data; 1/1/2015 – 12/31/2015 Small Business Sample ; 1/1/2016 – 06/30/2016 Small Business Sample</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA, including low- and moderate- income CTs. As detailed in the following table, the bank's lending within the low-income CT is slightly below the aggregate lending performance and slightly above the percentage of owner-occupied housing units. Within moderate-income CTs, the bank is below both aggregate lending performance and the percentage of owner-occupied housing units.

With only one low-income and four moderate-income tracts in the AA, home mortgage lending opportunities in these areas could be limited especially given the level of competition in the area. Further, the bank's decreased level of lending in the low- and moderate-income tracts is consistent with the bank's overall decreasing level of home mortgage loan originations during the evaluation period.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance (% of #)	#	%	\$(000s)	%
Low						
2014	1.3	1.9	1	1.4	290	4.6
2015	1.3	--	2	14.3	761	22.9
2016	1.3	--	0	0.0	0	0.0
Moderate						
2014	11.7	7.3	4	5.4	486	7.7
2015	11.7	--	3	21.4	350	10.5
2016	11.7	--	1	33.3	550	38.9
Middle						
2014	62.5	64.5	53	71.6	3,620	57.3
2015	62.5	--	6	42.9	1,605	48.4
2016	62.5	--	1	33.3	149	10.5
Upper						
2014	24.6	26.3	16	21.6	1,918	30.4
2015	24.6	--	3	21.4	602	18.1
2016	24.6	--	1	33.3	715	50.6
Not Available						
2014	0.0	0.0	0	0.0	0	0.0
2015	0.0	--	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2014	100.0	100.0	74	100.0	6,314	100.0
2015	100.0	--	14	100.0	3,318	100.0
2016	100.0	--	3	100.0	1,414	100.0
<i>Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 Bank Data, 2014 HMDA Aggregate Data, "--" data not available. Percentages may not add to 100.0 percent due to rounding.</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans to businesses of different sizes or borrowers of different income levels and throughout the AA. The bank's reasonable performance of sampled small business and home mortgage lending supports this conclusion. Examiners emphasized the bank's record of small business lending to businesses with GARs of \$1 million or less and home mortgage lending to low- and moderate-income borrowers.

Small Business Loans

The distribution of the sampled small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that 63.6 percent of the sampled loans were originated to businesses with GARs of \$1 million or less in 2015 and 52.9 percent in the first six months of 2016. Although this percentage was slightly lower than the percent of businesses in this revenue category in 2015, the bank's performance represents a reasonable level of responsiveness to the small business needs of the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2015	75.7	14	63.6	2,797	64.7
2016	-	9	52.9	1,154	31.4
> \$1,000,000					
2015	6.3	8	36.4	1,526	35.3
2016	-	7	41.2	2,249	61.2
Revenue N/A					
2015	18.0	0	0.0	0	0.0
2016	-	1	5.9	275	7.4
Total					
2015	100.0	22	100.0	4,323	100.0
2016	-	17	100.0	3,678	100.0

Source: 2015 D&B Data; 1/1/2015 – 12/31/2015 Small Business Sample; 1/1/2016 -6/30/2016 Small Business Sample

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. In 2014, the bank's performance for lending to low- and moderate-income borrowers was above aggregate performance and below the percent of low- and moderate-income families in the AA.

As the bank began to dissolve its residential mortgage business, no home mortgage loans were originated to low- or moderate-income borrowers in 2015 or in the first two quarters of 2016. Further, the bank's lending to borrowers with incomes designated as N/A can be attributed to the bank's commercial lending business, as these loans were originated to non-natural entities such as LLCs.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	17.0	5.0	7	9.5	470	7.4
2015	17.0	--	0	0.0	0	0.0
2016	17.0	--	0	0.0	0	0.0
Moderate						
2014	18.6	13.8	11	14.9	197	3.1
2015	18.6	--	0	0.0	0	0.0
2016	18.6	--	0	0.0	0	0.0
Middle						
2014	22.9	21.2	18	24.3	1,300	20.6
2015	22.9	--	0	0.0	0	0.0
2016	22.9	--	0	0.0	0	0.0
Upper						
2014	41.4	44.5	32	43.2	2,994	47.4
2015	41.4	--	3	21.4	315	9.5
2016	41.4	--	0	0.0	0	0.0
Not Available						
2014	0.0	15.6	6	8.1	1,353	21.4
2015	0.0	--	11	78.6	3,003	90.5
2016	0.0	--	3	100.0	1,414	100.0
Totals						
2014	100.0	100.0	74	100.0	6,314	100.0
2015	100.0	--	14	100.0	3,318	100.0
2016	100.0	--	3	100.0	1,414	100.0
<i>Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						

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

TPB demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities in the institution’s AA.

Community Development Loans

TPB originated 32 community development loans during the review period, totaling \$33.8 million. The bank significantly increased its community development lending since the last evaluation where the bank originated only two community development loans. This level of activity represents 5.0 percent of average total assets and 6.8 percent of average total loans since the prior CRA evaluation. Of the 32 community development loans, 21 were used for economic development in the AA. These loans demonstrate the bank’s responsiveness to this community development need as identified by the community contact.

The bank’s community development lending includes 10 loans totaling \$16.7 million outside the AA to entities that serve a broader statewide area in Massachusetts and New Hampshire that includes the AA. Although these loans do not directly benefit the AA, examiners considered these loans under the Community Development Test because TPB is adequately addressing the community development needs of its AA. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending by Rated Area												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	0	0	1	1,500	21	15,585	0	0	0	0	22	17,085
Statewide Activities	0	0	0	0	10	16,680	0	0	0	0	10	16,680
Totals	0	0	1	1,500	31	32,265	0	0	0	0	32	33,765

*Source: Bank Records
Percentages may not add to 100.0 percent due to rounding.*

Below are notable examples of the bank’s community development loans:

- The bank made three loans to the New Hampshire Community Loan Fund for a total of \$6 million. The loan fund is a non-profit organization with a mission to serve as a catalyst, leveraging financial, human, and civic resources to enable traditionally

underserved individuals to participate more fully in New Hampshire's economy. The loan fund makes loans to many non-profit community development initiatives, including social service providers, treatment centers, and food kitchens. In addition, the Loan Fund helps housing organizations throughout the state such as Concord Area Trust for Community Housing and the Laconia Area Community Land Trust, with loans for low-income housing. The Community Loan Fund has been granted status as a Community Development Financial Institution by the U.S. Treasury.

- In 2016, the bank made a \$1.5 million loan to One Sky Community Services, Inc. One Sky is a non-profit agency under contract with the State of New Hampshire to plan, fund, provide, and oversee community-based services and support for children and adults with developmental disabilities. The organization provides support services such as service planning and community coordination, employment assistance, family support, housing, and clinical services. One Sky is the sole provider of Medicaid supported services in its region and 90 percent of One Sky's total revenue is from Medicaid.
- The bank made 27 Small Business Administration (SBA) 504 loans during the evaluation period totaling \$7.1 million. Of the 27 loans, 18 were within the assessment area and the remaining 9 loans were made within the broader statewide area. The SBA 504 loan program is an economic development loan program that provides financing for small businesses. Businesses must meet certain eligibility requirements to qualify for an SBA 504 loan and generally create or retain a certain number of jobs per a specified dollar amount. Alternatively, businesses may be eligible if they meet certain community development or public policy goals.

Qualified Investments

TPB made qualified investments totaling approximately \$5.23 million during the evaluation period. This total includes qualified equity investments of \$4.8 million and donations of \$379,000. This dollar amount of equity investments represents 0.7 of total average assets and 3.8 percent of total average securities since the last evaluation.

Equity Investments

Since the prior evaluation, the bank made two new equity investments and three investments remain on the books from prior periods. In 2015, the bank invested approximately \$1.1 million in Ginnie Mae mortgage-backed securities. The underlying loans in the mortgage-backed security were made to low- and moderate- income borrowers. The bank also holds a Fannie Mae mortgage backed security investment from 2012 with a book value of \$1.3 million as of June 30, 2016.

In addition, the bank invested approximately \$1.5 million in the Small Business Investment Company (SBIC) in 2013. This program is offered through the Small Business Association (SBA) and provides financial assistance to small businesses. The bank also holds two SBIC investments from prior evaluations with a total book value of \$816,219 as of June 30, 2016.

Donations

TPB makes donations through the bank and through its charitable foundation, The Provident Community Foundation. The bank made approximately \$1.5 million in charitable donations from August 13, 2013 through September 26, 2016. Of this total, \$379,472, or 25.5 percent, were qualified CRA contributions. All qualified CRA donations benefitted the bank's assessment area or broader statewide or regional area, including the bank's assessment area. These donations primarily benefitted non-profit organizations committed to providing community services to low- and moderate- income individuals and families and benefitted economic development. In 2014 and 2015, the bank's qualified donations represented 5.7 percent and 6.6 percent of the bank's pre-tax net operating income. The tables below detail all qualified donations made by The Provident Bank and The Provident Community Foundation during the review period by year and community development category.

Community Development Grants and Donations – The Provident Bank												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
8/13/2013 – 12/31/2013	0	0	8	19	0	0	0	0	0	0	8	19
2014	1	2	23	38	1	15	0	0	0	0	25	55
2015	0	0	20	48	2	37	0	0	0	0	22	85
1/1/2016 – 6/30/2016	0	0	14	27	3	35	0	0	0	0	17	62
Total	1	2	65	132	6	87	0	0	0	0	72	221

Source: Bank Records

Community Development Grants and Donations – The Provident Community Foundation												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
8/13/2013 – 12/31/2013	0	0	3	30	1	10	0	0	0	0	4	40
2014	0	0	3	11	1	10	0	0	0	0	4	21
2015	0	0	17	64	1	5	0	0	0	0	18	69
1/1/2016 – 6/30/2016	2	1	14	22	1	5	0	0	0	0	17	28
Total	2	1	37	127	4	30	0	0	0	0	43	158

Source: Bank Records

Below are notable examples of the bank’s qualified investment activities:

Coastal Economic Development Center (CEDC): The CEDC is a non-profit regional economic development corporation serving several communities in Rockingham County, New Hampshire. The organization serves as an intermediary between private businesses and public financing agencies and can access Federal and State business finance programs to help maintain a strong regional economy. The organization's mission is to help businesses create or retain jobs and the CEDC will not finance projects that do not result in significant job creation or retention. Lastly, CEDC offers financing through the Community Development Block Grant Program (CDBG) administered by the NH Community Development Finance Authority and funded by the U.S. Department of Housing and Urban Development (HUD). One of the requirements of the program is that per each \$20,000 loaned, one job must be created and the majority of jobs must be targeted towards low- and moderate-income individuals.

The Pettengill House: The Pettengill House is a community based social service agency providing education and basic needs such as food, clothing, shelter, and healthcare to individuals and families. The organization supports at risk and low- income families in northern Essex County. A substantial majority of the organization’s clients live at or below the poverty level and their income is supported by state and federal programs. Some of the programs the

Pettengill House offers include a food pantry, food stamp assistance, meals programs, homeless support services, and emergency assistance programs.

Our Neighbors Table: Our Neighbors Table is a non-profit food pantry serving communities located on the North Shore of Massachusetts. The organization offers a food pantry program, Wednesday night meals, food delivery programs, holiday meals, emergency assistance, and offers summer lunch programs to kids that qualify for free and reduced school lunches.

Crossroads House: This organization provides secure, transitional shelter and food to the homeless and low- and moderate- income individuals and families located in eastern New Hampshire. In addition to transitional shelter, the organization helps individuals find permanent housing, provides counseling, GED preparation, student tutoring, life skills, and provides access to medical and dental care. Currently, this organization is the largest emergency and transitional shelter in New Hampshire and houses up to 96 people on any given night.

Granite United Way: This non-profit organization offers a number of programs to assist low- and moderate- income families and individuals in the state of New Hampshire. Granite Untied Way focuses on improving the quality of people's lives through three areas: income, education, and health. The organization offers financial stability job assistance, free tax preparation, family resources and educational experiences, and afterschool programs for immigrant and refugee children. The bank's donation helped support the Volunteer Tax Assistance program that provides free tax assistance to low- and moderate- income individuals.

The Jeanne Geiger Crisis Center: The Jeanne Geiger Crisis Center provides social services to low- and moderate-income families. The center offers transitional and emergency housing, counseling, legal representation, education, and promotes economic empowerment. The Bank's donation allowed the center to address needs in priority areas to ensure the continued strength and viability of its programs and services.

Seacoast Family: The Seacoast Family organization supports homeless families and families living in poverty find permanent housing and maintain their self-sufficiency. The bank's donation supported the organization's delivery of lunch meals to low- and moderate- income children during the summer.

Community Development Services

During the evaluation period, bank employees provided 48 instances of financial expertise or technical assistance to 21 different community organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
8/13/2013 – 12/31/2013	1	10	4	0	0	15
2014	1	10	3	0	0	14
2015	1	10	1	0	0	12
1/1/2016 – 6/30/2016	1	5	1	0	0	7
Total	4	35	9	0	0	48

Source: Bank Records

Below are notable examples of the bank’s community development services:

- An employee participates in an SBA Boots to Business seminar. The program assists participants in understanding the steps and stages in launching and growing a business after the military. The presentation also provides training on the available resources and strategies needed to be successful. The bank employee specifically provides training on the economics of small business.
- An employee serves on the Board of the Turning Point organization, serves as Treasurer, and is on the Finance Committee. This non-profit organization provides a full range of support to individuals with developmental disabilities and/or mental illness which enable them to participate as contributing members of society to the fullest extent possible. The majority of people that benefit from this organization are low- and moderate- income.
- A member of the Board serves as Co-Chair of the New Hampshire Food Bank. This organization is the only food bank in the state and is a vital distributor and supplier to the hunger relief agencies that serve meals and provide groceries to low- income families and individuals. In 2015, the New Hampshire Food Bank distributed over 12 million pounds of food to those in need.
- Three employees provided financial education at Seabrook Middle School. The employees covered topics such as how to manage a checkbook, add up checks on a deposit slip, and money smart savings tips. Approximately 52 percent of the students at this school qualify for free or reduced price lunch.
- A member of the Board serves as a Board member for The Moore Center. The Moore Center is a non-profit organization that provides a number of services to individuals with disabilities. Of the individuals served, approximately 99 percent are on Medicaid and fall in the low- and moderate- income bracket.
- A member of the Board serves on the Boys and Girls Club of Lower Merrimack Valley Board. This organization offers daily recreational and educational activities as well as mentoring and academic support. The programs are designed to build character and

leadership skills, emphasize the importance of academic success, and promote healthy lifestyles. The majority of the organization's members are from low- and moderate-income families.

In addition, the bank provided several other services demonstrating the availability of banking services to low- and moderate-income individuals and small business. One product the bank offers is a checking account that encourages those with modest incomes to establish banking relationships. This checking account was approved under the Basic Banking for Massachusetts guidelines as set by the Massachusetts Community and Banking Council. In addition, TPB also provided office space in the Hampton, New Hampshire branch for the SBA "Bank on SBA" opportunity session. During these sessions, SBA representatives provided one-on-one assistance to small business owners in the area. TPB also collected a number of backpacks, school supplies, food, toiletries, and other items to donate to local non-profit organizations serving low- and moderate-income individuals and families. Lastly, the bank operates a branch with a deposit taking ATM in a moderate-income census tract in the assessment area. These services again demonstrate the bank's commitment to assisting low- and moderate- income individuals and small businesses within its assessment area.

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.

APPENDIX A DIVISION OF BANKS

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, no violations of the anti-discrimination laws and regulations were identified.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2014, 2015, and Q1-Q2 2016 were reviewed to determine if the application flow from different minority groups within the bank's assessment area was reflective of the assessment area demographics.

The bank's residential lending in 2014 was compared to the 2014 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank 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 bank's assessment area.

Minority Application Flow							
RACE	Bank 2014		2014 Aggregate Data	Bank 2015		Bank 2016	
	#	%	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0	0	0.0
Asian	2	2.0	1.1	0	0.0	0	0.0
Black/ African American	0	0.0	0.4	0	0.0	0	0.0
Hawaiian/Pacific Islander	1	1.0	0.1	0	0.0	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	1	1.0	0.7	0	0.0	0	0.0
Total Minority	4	4.0	2.4	0	0.0	0	0.0
White	82	83.8	76.3	3	20.0	0	0.0
Race Not Available	12	12.2	21.3	12	80.0	3	100.0
Total	98	100.0	100.0	15	100.0	3	100.0
ETHNICITY							
Hispanic or Latino	1	1.0	0.7	0	0.0	0	0.0
Not Hispanic or Latino	85	86.8	77.0	3	20.0	0	0.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.5	0	0.0	0	0.0
Ethnicity Not Available	12	12.2	21.8	12	80.0	3	100.0
Total	98	100.0	100.0	15	100.0	3	100.0

Source: Bank HMDA LAR Data 2014, 2015, Q1-Q2 2016, HMDA Aggregate Data 2014

According to the 2010 U.S. Census data, the bank's assessment area has a population of 125,550, of which 5.6 percent are minorities. The assessment area's minority population includes 0.1 percent American Indian, 1.6 percent Asian/Pacific Islander, 0.7 percent Black, 1.7 percent Hispanic, and 1.5 percent other race.

In 2014, the bank received 98 HMDA reportable loan applications within its assessment area. Of these applications, four were received from racial minority applicants. The bank's application flow was above aggregate performance of 2.4 percent for applications received from minorities. In 2014, the bank did not receive one application representing the Hispanic or Latino ethnic group. The 2014 aggregate performance was 0.7 percent.

In 2015 and 2016, the bank received 15 and 3 HMDA reportable loan applications respectively. Of these applications, none were received from racial or ethnic minority applicants. It should be noted that loans with race and ethnicity not available could be originated to non-natural entities such as LLCs, which is consistent with the bank becoming more commercial lending focused.

Considering the bank's decision to cease residential mortgage lending at the end of 2014 and the bank's performance as compared to aggregate data in 2014, the bank's minority application flow is considered reasonable.

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/assessment area.

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.

Assessment Area: 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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; or
- (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 assessment area 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 assessment area(s) or a broader statewide or regional area including the bank's assessment area(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 Areas (CBSAs): 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 assessment area. 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 assessment area. 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/assessment area.

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 more than 120 percent of the area median income, or a median family income that is more than 120 percent 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.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 5 Market Street Amesbury, Massachusetts 01913."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 5 Market Street Amesbury, Massachusetts 01913."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.