

# **PUBLIC DISCLOSURE**

**November 1, 2010**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Provident Bank  
400 Rella Boulevard  
Montebello, NY 10901-4243  
Docket #: 05190**

**Office of Thrift Supervision  
Northeast Region  
Harborside Financial Center Plaza Five, Suite 1600  
Jersey City, NJ 07311**

**NOTE:** 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.



**Office of Thrift Supervision**  
Department of the Treasury

*Northeast Region*

Harborside Financial Center Plaza Five, Suite 1600, Jersey City, NJ 07311  
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June 13, 2011

Board of Directors  
Provident Bank  
400 Rella Boulevard  
Montebello, NY 10901-4243

Board of Directors:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of November 1, 2010.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Patricia A. Cecconi  
Assistant Director - Compliance

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## **General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Provident Bank. The Office of Thrift Supervision (OTS) prepared the evaluation as of November 1, 2010. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

***Institution***

**Overall Rating**

**INSTITUTION'S CRA RATING: Satisfactory**

Provident Bank (“Provident” or the “bank”) demonstrated a very good effort in serving its community credit needs by granting a significant majority of its residential mortgage, consumer, and small business loans within the combined assessment area (“AA”). Response to borrowers of different income levels, and small business with gross revenues below \$1 million, was reasonable. The geographic distribution of residential mortgage, consumer, and small business loans within the combined AA was adequate.

Provident Bank responded very well to the affordable housing, business retention and job creation needs, as well as those of low- and moderate-income (“LMI”) and special needs populations within the AA through provision of community development loans, qualified investments, and community development services. Retail services, including branch locations, did not unnecessarily inconvenience lower income AA populations.

There was no evidence of any discriminatory, or other illegal credit practices, at the last examination at which these regulations were reviewed.

**Institution**

**Lending, Investment, Service Test Table**

The following table indicates the performance level of Provident Bank with respect to the Lending, Investment, and Service tests.

PERFORMANCE LEVELS	Provident Bank 11/01/2010		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

\* Notes: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Major factors supporting Provident’s rating include responsiveness to community credit needs through the origination of residential mortgage, consumer and small business loans within the AA. The bank also provided a good level of community development loans and services, and qualified investments in the largest AA, as well as in a broader statewide and regional area including the AA.

**Description of Institution**

Provident Bank is a stock-owned federally-chartered thrift institution headquartered in Montebello, Rockland County, New York. The Bank was founded in 1888, in Haverstraw, New York. As of September 30, 2010, the Bank’s total assets were \$2.9 billion.

Provident operates a 35 office branch network including 34 in New York State and one in Bergen County, New Jersey. The 34 New York offices include: 12 in Rockland County, 14 in Orange County, two in Sullivan County, two in Ulster County, one in Putnam County, and three in Westchester County. Provident opened the Westchester County offices after the previous performance evaluation.

Provident offers a variety of loan products including: fixed and adjustable-rate residential mortgage loans, small and medium-sized business loans, and consumer loans. Consumer loans offered include home equity loans and lines of credit, personal loans, and automobile loans.

**Institution (continued)**

As of September 30, 2010, the total loan portfolio equaled \$1.7 billion. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

<b>Loan Category</b>	<b>Amount (\$000's)</b>	<b>Percent of Total Loans</b>	<b>Percent of Total Assets</b>
Residential Mortgage	\$650,710	38.2%	22.0%
Nonresidential Mortgage	\$635,010	37.3%	21.5%
Commercial Nonmortgage	\$233,149	13.7%	7.9%
Consumer	\$183,683	10.8%	6.2%
Total	\$1,702,552	100.0%	58.1%

There are no apparent legal or financial impediments preventing the Bank from meeting the credit needs of its community. Provident was assigned a rating of "Outstanding" at the previous CRA evaluation dated May 14, 2008.

**Scope of Examination**

We evaluated Provident's CRA performance for the period January 1, 2008 through September 30, 2010, applying the Lending, Investment, and Service Tests in accordance with Joint Interagency CRA Examination Procedures for Large Institutions.

The Lending Test evaluated the Bank's origination of home-purchase, refinancing, and home-improvement loans, collectively Home Mortgage Disclosure Act (HMDA) loans, as well as consumer loans, small business loans, and qualified community development loans. We evaluated qualified community development investments, contributions, and community development services as well. The bank requested consideration of community development contributions made by the affiliated Provident Charitable Foundation.

The substantial majority of Provident's lending and deposit activities are within the New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area (NY CSA) #408, which received the greatest weight in rating CRA performance.

***Institution (continued)***

**Description of Combined Assessment Area**

The Community Reinvestment Act requires a financial institution to identify an AA in which it intends to focus its lending efforts. The Bank’s AA consists of the:

**New York-Wayne, White Plains NY-NJ Metropolitan Division (MD) #35644**

- Towns of Lodi and Garfield, Bergen County, New Jersey
- Town of Carmel, Putnam County, New York
- Rockland County, New York
- Westchester County, New York

**Poughkeepsie-Newburgh-Middletown, NY Metropolitan Statistical Area (MSA) #39100**

- Orange County, New York.

**Kingston, NY MSA #28740**

- Towns of Shawangunk, Gardiner, Wawarsing, and Rochester, Ulster County, New York

**Non-MSA**

- Towns of Mamakating, Forestburgh, Thompson and Fallsburg, Sullivan County, New York

With the exception of the non- MSA Sullivan County portion of the combined AA, the remaining MD and MSAs are part of the larger New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area (“NY CSA”) #408; however, since the Bergen and Putnam County portions of the combined AA are not contiguous to the remainder of the CSA, they are evaluated separately below.

Table 2 illustrates the combined AA’s demographic data compiled by the U.S. Department of Commerce based on 2000 census data.

<b>Table 2 - Demographic Data (Based on 2000 U.S. Census Data)</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	1,439,761
Total Families	362,999
1-4 Family Units	393,292
Multi-family Units	137,227
% Owner-Occupied Units	57%
% Rental-Occupied Units	37%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$221,370

***Institution (continued)***

The combined AA is comprised of 57 percent owner-occupied homes, which provide ample opportunity for home purchase and refinancing lending. Sixty percent of households in Westchester are homeowners, compared with 72 percent in Rockland and 82 percent in Putnam. Median housing costs are high, which may adversely impact the home purchasing ability of some lower-income populations in the combined AA.

Table 3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

<b>Table 3 - Distribution of Geographies, Families and Housing Units Combined AA</b>						
<b>Geog Inc Level</b>	<b>Geographies</b>		<b>Total Area Families</b>		<b>1-4 Family Dwellings</b>	
<b>2000 Census:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	11	3.4%	11,242	3.1%	10,136	2.6%
Moderate	36	11.2%	33,361	9.2%	29,770	7.6%
Middle	101	31.5%	117,089	32.3%	132,390	33.7%
Upper	170	53.0%	201,307	55.4%	220,996	56.1%
Income NA	3	0.9%	0	0.0%	0	0.0%
<b>Total</b>	<b>321</b>	<b>100.0%</b>	<b>362,999</b>	<b>100.0%</b>	<b>393,292</b>	<b>100.0%</b>

A majority of families and 1-4 family dwellings are located in upper-income geographies, representing more than the low-, moderate-, and middle-income categories combined. Putnam, Rockland, and Westchester counties are among the most affluent in New York State and the nation; median household income ranges from 55 percent to 75 percent above the national average.

According to 2000 census data, 28.8 percent of the families in the combined AA are low- to moderate-income, with 7.4 percent of the families reporting income below the poverty level. Table 4 shows the distribution of families in each income range of the combined AA.

<b>Table 4 - Distribution of Families Combined AA</b>		
<b>Family Income Category (As % of each MSA Median)</b>	<b>2000 Census Data</b>	
	<b>Number</b>	<b>Percent</b>
Low (< 50%)	56,754	15.6%
Moderate (50% - 79%)	47,840	13.2%
Middle (80% - 119%)	63,589	17.5%
Upper (>= 120%)	194,816	53.7%
<b>Total</b>	<b>362,999</b>	<b>100.0%</b>

Provident’s AA is one of the most competitive banking and lending environments, which includes multi- national banks, large regional banks, as well as community banks, national and local mortgage companies, and credit unions. Based on 2009 comparative data within the NY CSA, the largest AA evaluated, 355 lenders made residential mortgage loans and there were 530 branches of financial institutions gathering deposits.

### ***Institution (continued)***

Within the combined AA, the recent economic recession resulted in a weakened real estate market, investment value declines, and high unemployment rates that rose from 5.3 percent in 2008 to 8.8 percent in 2010.

In order to gain a better understanding of AA community credit needs, and how financial institutions are meeting those needs, we conducted an interview with a local community development organization that provides counseling services to small businesses and start-up operations. The contact stated that AA families have suffered from the effects of the recession, including a large number of job losses, investment losses and declining home values. Many of the long term unemployed are seeking to open their own businesses, such as franchises, restaurants, and consulting firms, but find small business loans for start up costs and working capital extremely limited.

### **Conclusions With Respect To Performance Tests in the Combined AA**

As part of the CRA evaluation, we conducted analysis of the institution's performance under the Lending, Investment, and Service tests.

#### **Lending Test:**

Under the Lending Test, the areas reviewed consisted of the institution's lending activity within its AA, the geographic distribution of loans, the borrower's profile, and evidence that loans were made to all income groups. Additional areas reviewed included the institution's responsiveness to the credit needs of highly economically disadvantaged geographies and individuals, community development lending activities, and the use of innovative and flexible loan products which serve the AA credit needs.

#### Lending in the Assessment Area

Provident granted a significant majority of its loans within the combined AA. The Bank originated more than 90 percent of its residential mortgage and consumer loans, by number and dollar amount, within the combined AA. Greater than 80 percent of small business loans, by number and dollar amount, were within the combined AA.

**Institution (continued)**

Table 5 provides an analysis of the distribution of all loans by individual AA. The NY CSA AA provides the vast majority of loans granted by Provident and, as noted above, received the greatest weight in determining the overall CRA evaluation rating.

<b>Table 5 - Distribution of All Loans by Individual AA</b> (Dollars in thousands)					
<b>AA</b>					
<b>By Number:</b>	<b>2008</b>	<b>2009</b>	<b>1/1/2010 - 9/30/2010</b>	<b>Review Period</b>	<b>% Of Comb AA</b>
NY CSA	2,619	1,650	995	5,264	95.7%
Putnam County, NY	11	8	7	26	0.5%
Sullivan County, NY	88	61	39	188	3.4%
Bergen County, NJ	11	6	5	22	0.4%
Total	2,729	1,725	1,046	5,500	100.0%
<b>By Dollar Amount:</b>					
NY CSA	\$190,038	\$176,113	\$132,020	\$498,171	94.8%
Putnam County, NY	1,022	300	664	1,986	0.4%
Sullivan County, NY	9,439	6,303	5,604	21,346	4.1%
Bergen County, NJ	910	2,456	115	3,481	0.7%
Total	\$201,409	\$185,172	\$138,403	\$524,984	100.0%

The following set of tables provides a breakdown, by loan type, of loans in and out of the combined AA and within each individual AA.

HMDA-Reportable Loans in combined AA:

<b>Table 6 - Concentration of HMDA-reportable Loans*</b> 01/01/2008 – 09/30/2010 (Dollars in thousands)					
<b>Period By Year</b>	<b>In Combined AA</b>		<b>Outside Combined AA</b>		<b>Total HMDA Loans</b>
<b>By Number:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
2008	358	94.0%	23	6.0%	381
2009	424	95.5%	20	4.5%	444
1/1/10 – 9/30/10	278	90.6%	29	9.4%	307
Total	1,060	93.6%	72	6.4%	1,132
<b>By \$ Amount:</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>
2008	\$66,935	89.0%	\$8,261	11.0%	\$75,196
2009	85,544	93.3%	6,099	6.7%	91,643
1/1/10 – 9/30/10	66,579	86.2%	10,641	13.8%	77,220
Total	\$219,058	89.8%	25,001	10.2%	\$244,059

\* Percents are based on total loans originated during applicable year

***Institution (continued)***

HMDA Reportable Loans within each individual AA:

<b>Table 7 - Distribution of HMDA-Reportable Loans by Individual AA</b>					
<b>(Dollars in thousands)</b>					
<b>AA</b>	<b>2008</b>	<b>2009</b>	<b>1/1/2010 - 9/30/2010</b>	<b>Review Period</b>	<b>% Of Comb AA</b>
<b>By Number:</b>					
NY CSA	342	409	269	1,020	96.2%
Putnam County, NY	1	2	0	3	0.3%
Sullivan County, NY	15	10	9	34	3.2%
Bergen County, NJ	0	3	0	3	0.3%
Total	358	424	278	1,060	100.0%
<b>By Dollar Amount:</b>					
NY CSA	\$64,709	\$82,114	\$66,063	\$212,886	97.1%
Putnam County, NY	55	280	0	335	0.2%
Sullivan County, NY	2,171	1,044	516	3,731	1.7%
Bergen County, NJ	0	2,106	0	2,106	1.0%
Total	\$66,935	\$85,544	\$66,579	\$219,058	100.0%

We made a comparison between Provident’s performance and aggregate HMDA reporters 2009 data (the most recent available information). In 2009, Provident’s 424 HMDA-reportable loans ranked 12<sup>th</sup> amongst the 393 AA aggregate lenders who reported originating 22.9 thousand AA loans, and which represent a 1.9 percent market share by number of loans. The top 11 lenders included large multi- national and regional banks, and national mortgage companies.

Consumer Loans in combined AA:

<b>Table 8 - Concentration of Consumer Loans*</b>					
<b>01/01/2008 – 09/30/2010</b>					
<b>(Dollars in thousands)</b>					
<b>Period By Year</b>	<b>In Combined AA</b>		<b>Outside Combined AA</b>		<b>Total Cons. Loans</b>
<b>By Number:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
2008	1,683	94.7%	94	5.3%	1,777
2009	875	93.7%	59	6.3%	934
1/1/10 – 9/30/10	417	94.3%	25	5.7%	442
Total	2,975	94.4%	178	5.6%	3,153
<b>By \$ Amount:</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>
2008	\$34,560	91.7%	\$3,108	8.3%	\$37,668
2009	21,747	88.2%	2,919	11.8%	24,666
1/1/10 – 9/30/10	12,249	91.6%	1,124	8.4%	13,373
Total	\$68,556	90.6%	\$7,151	9.4%	\$75,707

\* Percents are based on total loans originated during applicable year

***Institution (continued)***

Consumer Loans within each individual AA:

<b>Table 9 - Distribution of Consumer Loans by Individual AA</b>					
<b>(Dollars in thousands)</b>					
<b>AA</b>	<b>2008</b>	<b>2009</b>	<b>1/1/2010 - 9/30/2010</b>	<b>Review Period</b>	<b>% Of Comb AA</b>
<b>By Number:</b>					
NY CSA	1,627	832	395	2,854	96.0%
Putnam County, NY	7	6	3	16	0.5%
Sullivan County, NY	47	36	18	101	3.4%
Bergen County, NJ	2	1	1	4	0.1%
Total	1,683	875	417	2,975	100.0%
<b>By Dollar Amount:</b>					
NY CSA	\$33,562	\$20,985	\$11,972	\$66,519	97.1%
Putnam County, NY	262	20	11	293	0.4%
Sullivan County, NY	681	732	264	1,677	2.4%
Bergen County, NJ	55	10	2	67	0.1%
Total	\$34,560	\$21,747	\$12,249	\$68,556	100.0%

Small Business Loans in combined AA:

<b>Table 10 - Concentration of Small Business Loans *</b>					
<b>1/1/2008 – 9/30/2010</b>					
<b>(Dollars in thousands)</b>					
<b>Period By Year</b>	<b>In Combined AA</b>		<b>Outside Combined AA</b>		<b>Total Sm Bus. Loans</b>
<b>By Number:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
2008	688	90.2%	75	9.8%	763
2009	426	87.7%	60	12.3%	486
1/1/10 – 9/30/10	351	87.1%	52	12.9%	403
Total	1,465	88.7%	187	11.3%	1,652
<b>By \$ Amount:</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>	<b>%</b>	<b>\$ Amt</b>
2008	\$99,914	83.7%	\$19,515	16.3%	\$119,429
2009	77,881	84.0%	14,862	16.0%	92,743
1/1/10 – 9/30/10	59,575	82.1%	13,024	17.9%	72,599
Total	\$237,370	83.4%	47,401	16.6%	\$284,771

\* Percents are based on total loans originated during applicable year

***Institution (continued)***

Small Business Loans within each individual AA:

<b>Table 11 - Distribution of Small Business Loans by Individual AA</b> (Dollars in thousands)					
AA	2008	2009	1/1/2010 - 9/30/2010	Review Period	% Of Comb AA
<b>By Number:</b>					
NY CSA	650	409	331	1,390	94.9%
Putnam County, NY	3	0	4	7	0.5%
Sullivan County, NY	26	15	12	53	3.6%
Bergen County, NJ	9	2	4	15	1.0%
Total	688	426	351	1,465	100.0%
<b>By Dollar Amount:</b>					
NY CSA	\$91,767	\$73,014	\$53,985	\$218,766	92.1%
Putnam County, NY	705	0	653	1,358	0.6%
Sullivan County, NY	6,587	4,527	4,824	15,938	6.7%
Bergen County, NJ	855	340	113	1,308	0.6%
Total	\$99,914	\$77,881	\$59,575	\$237,370	100.0%

Borrower Characteristics

Provident's distribution of loans among borrowers of different income levels reflects a reasonable penetration of all segments of the AA.

As part of our lending analysis, we reviewed Provident's distribution of loans among borrowers of different income levels within the combined AA. Table 12 illustrates HMDA loan originations, categorized by borrower income level, reported by Provident during the review period, and compares this activity to the 2008 and 2009 aggregate HMDA lender's data.

<b>Table 12 - Distribution of Provident Bank's HMDA-Reportable Loans by Borrower Income Level in Combined AA</b> (Dollars in thousands)										
Borrower Inc. Level	2008		2009		1/1/10 - 9/30/10		Review Period 1/1/08 - 9/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
<b>By Number:</b>										
Low	9	2.5%	6	1.4%	4	1.4%	19	1.8%	2.3%	2.3%
Moderate	29	8.1%	34	8.0%	24	8.6%	87	8.2%	9.9%	9.6%
Middle	65	18.2%	97	22.9%	48	17.3%	210	19.8%	20.7%	20.9%
Upper	242	67.6%	266	62.7%	189	68.0%	697	65.8%	63.5%	61.0%
Income NA	13	3.6%	21	5.0%	13	4.7%	47	4.4%	3.6%	6.2%
Total	358	100.0%	424	100.0%	278	100.0%	1,060	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$897	1.3%	\$578	0.7%	\$123	0.2%	\$1,598	0.7%	0.8%	1.0%
Moderate	2,304	3.4%	3,577	4.2%	2,526	3.8%	8,407	3.8%	4.6%	4.8%
Middle	8,794	13.1%	14,681	17.2%	6,301	9.5%	29,776	13.6%	13.2%	14.0%
Upper	51,016	76.3%	57,939	67.7%	43,074	64.7%	152,029	69.5%	74.3%	70.3%
Income NA	3,924	5.9%	8,769	10.2%	14,555	21.8%	27,248	12.4%	7.1%	9.9%
Total	\$66,935	100.0%	\$85,544	100.0%	\$66,579	100.0%	\$219,058	100.0%	100.0%	100.0%

**Institution (continued)**

Provident’s penetration rate, by number of loans and dollar volume to LMI borrowers, was slightly less than aggregate HMDA reporters in both 2008 and 2009. According to the 2009 aggregate lending data, Provident ranked 15<sup>th</sup> with a 1.5 percent market share, by number of loans, among 190 lenders that granted 2.7 thousand residential mortgage loans to LMI borrowers in the combined AA. This represented a slightly lower market share compared to the bank’s overall market share. The 14 lenders with more loan originations included large multi-national and regional banks, national mortgage companies, and one local smaller savings bank.

Table 13 reflects Provident’s borrower distribution of consumer loans within the combined AA. Aggregate data is not available for consumer loans.

Borrower Inc. Level	2008		2009		1/1/10 – 9/30/10		Review Period	
	#	%	#	%	#	%	#	%
Low	283	22.3%	192	26.1%	92	25.1%	567	23.9%
Moderate	246	19.4%	166	22.6%	73	19.9%	485	20.5%
Middle	266	21.0%	138	18.8%	72	19.7%	476	20.1%
Upper	472	37.3%	239	32.5%	129	35.3%	840	35.5%
Total	1,267	100.0%	735	100.0%	366	100.0%	2,368	100.0%
	\$	%	\$	%	\$	%	\$	%
Low	\$1,468	4.6%	\$945	4.8%	\$453	4.2%	\$2,866	4.6%
Moderate	2,834	8.9%	2,207	11.2%	810	7.5%	5,851	9.4%
Middle	5,354	16.8%	2,579	13.1%	2,613	24.2%	10,546	16.9%
Upper	22,287	69.7%	13,992	70.9%	6,942	64.1%	43,221	69.1%
Total	\$31,943	100.0%	\$19,723	100.0%	\$10,818	100.0%	\$62,484	100.0%

\* Loans for which borrower income is not available were excluded from this data.

Provident’s consumer lending penetration rate was significant. Provident originated 1,052 consumer loans, or 44.4 percent by number, to combined AA LMI borrowers during the review period. This outpaced the 28.8 percent of the population represented by LMI families.

**Institution (continued)**

Table 14 provides an analysis of Provident’s small business activity, based on loan origination amount, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Loan Amount At Origination	2008		2009		1/1/10 – 9/30/10		Review Period 1/1/08 – 9/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
<b>By Number:</b>										
≤ \$100,000	446	64.8%	232	54.5%	199	56.7%	877	59.9%	97.0%	95.2%
\$100,001-\$250,000	125	18.2%	98	23.0%	86	24.5%	309	21.1%	1.5%	2.4%
\$250,001-\$1 mill.	117	17.0%	96	22.5%	66	18.8%	279	19.0%	1.5%	2.4%
Total	688	100.0%	426	100.0%	351	100.0%	1,465	100.0%	100.0%	100.0%
<b>By \$ Amount:</b>										
≤ \$100,000	\$19,443	19.5%	\$11,409	14.6%	\$9,624	16.2%	\$40,476	17.1%	50.5%	38.2%
\$100,001-\$250,000	22,609	22.6%	16,895	21.7%	16,135	27.1%	55,639	23.4%	12.8%	15.7%
\$250,001-\$1 mill.	57,862	57.9%	49,577	63.7%	33,816	56.7%	141,255	59.5%	36.7%	46.1%
Total	\$99,914	100.0%	\$77,881	100.0%	\$59,575	100.0%	\$237,370	100.0%	100.0%	100.0%

Table 14 indicates that 64.8 percent of Provident’s small business loans were under \$100 thousand in 2008, declining to 54.5 percent in 2009. Provident’s number of small business loans declined significantly from 2008 to 2009, but stabilized based on the first nine months of 2010 results. Provident ranked 8<sup>th</sup> and 9<sup>th</sup> for 2008 and 2009, respectively, after excluding lenders offering small business credit cards and lines of credit. Aggregate comparisons are not meaningful because of the significant percentage of small dollar business credit card and/or lines of credit provided by national lenders represented in the loans less than \$100 thousand.

Table 15 illustrates small business loan originations, based on company’s annual revenue, for the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Company’s Rev. Category	2008		2009		1/1/10 – 9/30/10		Review Period 1/1/08 – 9/30/10		Aggregate *	
	#	%	#	%	#	%	#	%	% by #	% by #
<b>By Number:</b>										
Rev. < \$1 million	497	72.2%	247	58.0%	149	42.5%	893	61.0%	22.9%	19.5%
Rev. > \$1 million	191	27.8%	179	42.0%	202	57.5%	572	39.0%	NA	NA
Revenue NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	77.1%	80.5%
Total	688	100.0%	426	100.0%	351	100.0%	1,465	100.0%	100.0%	100.0%
<b>By \$ Amount:</b>										
Rev. < \$1 million	\$63,639	63.7%	\$43,178	55.4%	\$35,372	59.4%	\$142,189	59.9%	33.4%	29.2%
Rev. > \$1 million	36,275	36.3%	34,703	44.6%	24,203	40.6%	95,181	40.1%	NA	NA
Revenue NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	66.6%	70.8%
Total	\$99,914	100.0%	\$77,881	100.0%	\$59,575	100.0%	\$237,370	100.0%	100.0%	100.0%

\* Aggregate data for loans to companies with revenue greater than \$1 million is not available. As a result, all loans originated to companies that are not less than \$1 million in annual revenue are placed in the “Revenue Unknown” category.

***Institution (continued)***

Provident’s small business loan volume declined throughout the review period. The total number loans to small business with gross annual revenues of less than \$1 million in 2009 were less than one-half the number of loans in 2008, with a continued decreasing trend in 2010. Aggregate lenders originated a substantial number of loans to businesses of unknown revenue, thus making any comparisons to Provident’s data less meaningful.

Geographic Distribution of Loans

Provident’s distribution of loans among geographic areas of different income levels reflects a limited penetration of all segments of the AA.

Part of the Lending Test includes an analysis of Provident’s distribution of loans among geographic areas of different income levels within the combined AA. Table 16 illustrates loan originations, categorized by geography income level, reported by Provident during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

<b>Table 16 - Distribution of Provident Bank’s HMDA-Reportable Loans by Geography Income Level in Combined AA</b>										
<i>(Dollars in thousands)</i>										
Geography Inc. Level	2008		2009		1/1/10 – 9/30/10		Review Period 1/1/08 – 9/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
<b>By Number:</b>										
Low	0	0.0%	6	1.4%	2	0.7%	8	0.8%	1.6%	1.4%
Moderate	9	2.5%	8	1.9%	2	0.7%	19	1.8%	6.7%	4.2%
Middle	96	26.8%	96	22.6%	68	24.5%	260	24.5%	33.3%	29.6%
Upper	253	70.7%	314	74.1%	206	74.1%	773	72.9%	58.3%	64.8%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%	0.0%
Total	358	100.0%	424	100.0%	278	100.0%	1,060	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>										
Low	\$0	0.0%	\$3,048	3.6%	\$771	1.2%	\$3,819	1.7%	1.3%	1.1%
Moderate	1,145	1.7%	1,160	1.4%	502	0.8%	2,807	1.3%	5.8%	3.1%
Middle	14,721	22.0%	16,937	19.8%	17,048	25.6%	48,706	22.2%	25.1%	22.5%
Upper	51,069	76.3%	64,399	75.2%	48,258	72.4%	163,726	74.8%	67.8%	73.3%
Income NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	0.0%
Total	\$66,935	100.0%	\$85,544	100.0%	\$66,579	100.0%	\$219,058	100.0%	100.0%	100.0%

Provident’s percentage of HMDA-reportable loans in LMI geographies significantly lagged HMDA aggregate lenders’ reported data, although in 2009, the bank originated the same percentage of HMDA-reportable loans in LMI geographies by dollar volume.

According to the 2009 aggregate HMDA lending data, Provident ranked 24<sup>th</sup> with a 1.1 percent market share by number of loans, among the 151 lenders that granted 1.3 thousand residential mortgage loans in LMI geographies in the combined AA. This was significantly lower than Provident’s overall market share in the combined AA. In addition to the large multi-national and

**Institution (continued)**

regional banks, and national mortgage companies, a significant number of smaller local banks had a larger market share than Provident.

Table 17 reflects Provident’s geographic distribution of consumer loans within the combined AA.

Geography Inc. Level	2008		2009		1/1/10 – 9/30/10		Review Period	
	#	%	#	%	#	%	#	%
Low	36	2.1%	15	1.7%	4	1.0%	55	1.8%
Moderate	64	3.8%	50	5.7%	21	5.0%	135	4.5%
Middle	626	37.2%	363	41.5%	167	40.0%	1,156	38.9%
Upper	957	56.9%	447	51.1%	225	54.0%	1,629	54.8%
Total	1,683	100.0%	875	100.0%	417	100.0%	2,975	100.0%
	\$	%	\$	%	\$	%	\$	%
Low	\$493	1.4%	\$666	3.1%	\$16	0.1%	\$1,175	1.7%
Moderate	519	1.5%	396	1.8%	249	2.0%	1,164	1.7%
Middle	9,252	26.8%	4,871	22.4%	2,361	19.3%	16,484	24.0%
Upper	24,296	70.3%	15,814	72.7%	9,623	78.6%	49,733	72.6%
Total	\$34,560	100.0%	\$21,747	100.0%	\$12,249	100.0%	\$68,556	100.0%

Provident’s consumer loans reflected a limited penetration of LMI geographies during the review period. Provident originated 190 or 6.3 percent of the total consumer loans to low-and moderate-income geographies. We considered this penetration rate low since the combined AA is comprised of 14.6 percent LMI geographies.

Table 18 reflects Provident’s geographic distribution of small business loans within the combined AA, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Geography Inc. Level	2008		2009		1/1/10 – 9/30/10		Review Period 1/1/08 – 9/30/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
<b>By Number:</b>										
Low	28	4.1%	11	2.6%	8	2.3%	47	3.2%	3.4%	2.8%
Moderate	50	7.3%	29	6.8%	25	7.1%	104	7.1%	6.9%	6.6%
Middle	284	41.3%	164	38.5%	122	34.8%	570	38.9%	26.6%	25.7%
Upper	326	47.3%	222	52.1%	196	55.8%	744	50.8%	63.1%	64.9%
Total	688	100.0%	426	100.0%	351	100.0%	1,465	100.0%	100.0%	100.0%
<b>By \$ Amt:</b>	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$1,862	1.9%	\$2,530	3.2%	\$559	0.9%	\$4,951	2.1%	2.3%	2.3%
Moderate	6,861	6.9%	7,670	9.8%	4,475	7.5%	19,006	8.0%	7.7%	8.3%
Middle	39,106	39.1%	25,981	33.4%	21,266	35.7%	86,353	36.4%	28.7%	27.8%
Upper	52,085	52.1%	41,700	53.6%	33,275	55.9%	127,060	53.5%	61.3%	61.6%
Total	\$99,914	100.0%	\$77,881	100.0%	\$59,575	100.0%	\$237,370	100.0%	100.0%	100.0%

### **Institution (continued)**

Provident's percentage of small business loans in LMI geographies slightly exceeds the aggregate performers for 2008, by number of loans, and equaled aggregate performers in 2009.

#### Community Development Lending

The overall level of community development lending is very good.

During the 33-month review period, Provident originated 21 community development loans within the combined AA totaling \$20.9 million. The individual loans are discussed in the applicable AA evaluations. Additional community development loans and lines of credit that serve a broader statewide or regional area, including the combined AA, are noted below:

#### New York Business Development Corporation (NYBDC)

NYBDC promotes economic activity throughout the state of New York by partnering with banks to provide innovative loans to small and medium-size, and minority and women-owned businesses, as well as assisting partner banks in making such loans. Provident participates in a variety of NYBDC programs including:

- A \$ 1 million line of credit, with an outstanding balance of \$766 thousand as of September 30, 2010;
- Twelve SBA 504 first mortgage loans totaling \$11.2 million partnered with the NYBDC and the Empire State Certified Development Corporation; and,
- One SBA 7(a) loan for \$37.5 thousand partnered with NYBDC and the Community Preservation Corporation (CPC), where the loan purpose was to provide funding for an affordable housing project.

#### Community Preservation Corporation ("CPC")

CPC offers construction, rehabilitation, and refinancing loans to developers of multifamily investor-owned, affordable housing in New York, New Jersey and Connecticut. Provident extended a revolving line of credit to CPC for \$1.6 million. The outstanding balance as of September 30, 2010 was slightly over \$1 million.

## ***Institution (continued)***

### **Investment Test:**

Under the Investment Test, the areas reviewed consisted of the institution's investment and grant activity, the innovativeness or complexity of such activity, and the Bank's responsiveness to credit and community development needs.

Provident's investments reflected a good response to economic revitalization, job creation, and affordable housing throughout the broader regional or statewide area including the combined AA. These investments included:

- New York State Urban Development Corporation (NYSUDC) (doing business as the Empire State Development Corporation) - NYSUDC promotes economic development through job creation and retention, and supports business activity in economically distressed areas throughout the state of New York. During the review period, Provident purchased two general revenue bonds totaling \$10 million.
- CPCR Opportunity Fund II, LLC (a subsidiary of the Community Preservation Corporation) - The fund acquires and develops properties located in New York and New Jersey for purposes of renovating and constructing affordable homes for LMI families. As of September 30, 2010, the Bank's investment in the Fund was \$431 thousand.

In addition, Provident and the Provident Charitable Foundation provided \$96.5 thousand in direct grants and contributions benefitting a range of community development service providers highlighted in the NY CSA AA evaluation.

### **Service Test:**

Under the Service Test, the areas reviewed consisted of the accessibility of delivery systems, changes in branch locations, reasonableness of business hours, and the extent of community development services.

Provident's performance under the Service Test is considered very good. Provident management and staff actively provide financial and technical assistance to community development organizations serving on various boards and as officers of these organizations. Retail services are reasonably accessible to all population segments of the AA.

## ***Institution (continued)***

### Retail Services

Provident offers flexible hours of operation at its branch offices to effectively serve the needs of diverse populations. Two of the Bank's supermarket branches are open seven days a week. There were five branch openings and two closures during the review period, none of which were located in low- or moderate- income geographies.

Provident maintains two branches within moderate-income geographies and none in low-income geographies. Branch locations do not unreasonably inconvenience low- and moderate- income segments of the combined AA population.

Provident has an automated telephone banking system available 24 hours per day with a Spanish language option and an option for the hearing impaired. Almost all banking services can be performed through this system with the exception of deposits and withdrawals. All ATMs are also designed to assist customers whose primary language is Spanish.

### Community Development Services

During the review period, Provident took an active approach in providing a broad range of community development services directly benefiting LMI communities and individuals. These activities are highlighted within the individual AA evaluations below. Programs that included the combined AA were:

- First Home Club – This Federal Home Loan Bank of New York (“FHLBNY”) program provides down payment assistance to first time homebuyers through matched savings up to a maximum of \$7.5 thousand for LMI borrowers, along with credit counseling and a designated savings account. During the review period, Provident assisted nine prospective home buyers.
- First-Time Homebuyer Workshops – Provident sponsored first-time homebuyer workshops in partnership with homeownership counseling agencies. During the review period, 25 first-time homebuyer workshops were held with 225 people in attendance.
- Community Preservation Corp. (“CPC”) – Provident senior executives offer financial and technical assistance serving as members of the CPC Loan Committee. CPC constructs and rehabilitates housing units for LMI individuals and families throughout New York State.
- Habitat for Humanity - Provident provides loan servicing assistance for Habitat for Humanity loans. Habitat for Humanity is a not for profit entity that provides affordable housing opportunities for LMI families.

***Institution (continued)***

- New York State Business Development Corporation- a senior executive serves on the board of this economic development organization.

**Fair Lending or Other Illegal Credit Practices Review**

An evaluation of compliance with consumer laws and regulations was performed during the preceding comprehensive examination of the bank. That examination found no evidence of violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices.

**State**

**Summary**

**CRA Rating for New York**

**CRA RATING<sup>a</sup>:**

**The Lending Test is rated:**

**The Investment Test is rated:**

**The Service Test is rated:**

**Satisfactory**

**High Satisfactory**

**High Satisfactory**

**High Satisfactory**

**Scope of Examination**

This evaluation included a review of HMDA reportable residential mortgage loans, consumer loans and small business loans for the period January 1, 2008 through September 30, 2010. We also reviewed Provident's community development loans, qualified investments, and community development services.

**Description of Institution's Operations in New York**

Provident is headquartered in Montebello, Rockland County, New York. The greatest majority (31) of the Bank's branches are located within Orange, Rockland, Ulster and Westchester Counties, all of which are located within the New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area #408 ("NY CSA"). One office is located in Putnam County, and two are in the non-MSA Sullivan County, which were not included in the CSA evaluation. All but 22 of the 5.5 thousand loans originated during the review period were within the state of New York.

<sup>a</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

**State Metropolitan Area & State Reviewed**

*(for metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**Description of Institution's Operations in New York-Newark-Bridgeport, NY-NJ-CT-PA CSA**

Provident operates a 31-branch network within this AA. Since the prior performance evaluation, Provident opened three branches in Westchester County, NY. These branches offer limited services, including originating commercial loans and accepting commercial deposits. The bank does not actively promote or deliver consumer or residential loan products within Westchester County, New York.

**Description of New York-Newark-Bridgeport, NY-NJ-CT-PA CSA AA**

This AA consists of Orange, Rockland, and Westchester counties, and a portion of Ulster County, NY. Rockland and Westchester Counties are located in the New York-White Plains-Wayne, NY-NJ MD #35644; Ulster County is in the Kingston, NY MSA #28740; and Orange County is in the Poughkeepsie-Newburgh-Middletown, NY MSA #39100. All four counties are contiguous and are part of the New York-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area #408 (NY CSA). Table 19 illustrates demographic data on population, families, and housing units within the NY CSA AA.

<b>Table 19 - Demographic Data (Based on 2000 U.S. Census Data)</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	1,314,740
Total Families	331,426
1-4 Family Units	348,151
Multi-family Units	130,223
% Owner-Occupied Units	58%
% Rental-Occupied Units	37%
% Vacant Housing Units	5%
Weighted Average Median Housing	\$229,011

Table 20 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

<b>Table 20 - Distribution of Geographies, Families and Housing Units NY CSA AA</b>						
<b>Geog Inc Level</b>	<b>Geographies</b>		<b>Total Area Families</b>		<b>1-4 Family Dwellings</b>	
<b>2000 Census:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	11	3.7%	11,242	3.4%	10,136	2.9%
Moderate	35	11.9%	32,764	9.9%	28,476	8.2%
Middle	84	28.5%	97,800	29.5%	103,513	29.7%
Upper	162	54.9%	189,620	57.2%	206,026	59.2%
Income NA	3	1.0%	0	0.0%	0	0.0%
<b>Total</b>	<b>295</b>	<b>100.0%</b>	<b>331,426</b>	<b>100.0%</b>	<b>348,151</b>	<b>100.0%</b>

The distribution of geographies, AA families, and one-to-four family dwellings follows the pattern of the combined AA noted above.

According to 2000 census data, 28.8 percent of the families in the NY CSA AA are classified as low-to moderate-income, with 7.4 percent of the families reporting income below the poverty level. The Department of Housing and Urban Development (“HUD”) annually adjusts the 2000 census data to update the income levels. The adjusted figures are used in the Lending to Borrowers of Different Incomes section of this Performance Evaluation. Table 21(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 21(b) reflects the updated HUD median family income for each year during the review period; and table 21(c) shows the distribution of families in each income range of the AA.

<b>Table 21(a) - Median Family Income Ranges*</b>						
<b>Income Category (As % of MD/MSA Median)</b>	<b>NY-White Plains, NY-NJ MD (#35644)</b>		<b>Kingston, NY MSA (#28740)</b>		<b>Poughkeepsie, NY MSA (#39100)</b>	
	<b>From</b>	<b>To</b>	<b>From</b>	<b>To</b>	<b>From</b>	<b>To</b>
Low (< 50%)	\$1	\$32,799	\$1	\$35,049	\$1	\$41,699
Moderate (50% - 79%)	\$32,800	\$52,479	\$35,050	\$56,079	\$41,700	\$66,719
Middle (80% - 119%)	\$52,480	\$78,719	\$56,080	\$84,119	\$66,720	\$100,079
Upper (>= 120%)	\$78,720	+	\$84,120	+	\$100,080	+

\* Based on HUD 2010 Median Family Income of the Metropolitan Division or MSA

<b>Table 21(b) - Annual HUD Median Family Income</b>			
<b>Year</b>	<b>NY-White Plains, NY MD</b>	<b>Kingston, NY MSA</b>	<b>Poughkeepsie, NY MSA</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
2008	\$63,000	\$66,700	\$78,900
2009	\$64,800	\$69,700	\$81,800
2010	\$65,600	\$70,100	\$83,400

<b>Table 21(c) - Distribution of Families NY CSA AA</b>		
<b>Family Income Category (% of MD/MSA Median)</b>	<b>2000 Census Data</b>	
	<b>Number</b>	<b>Percent</b>
Low (< 50%)	52,206	15.8%
Moderate (50% - 79%)	43,101	13.0%
Middle (80% - 119%)	57,351	17.3%
Upper (>= 120%)	178,768	53.9%
Total	331,426	100.0%

**Conclusions with Respect to Performance Tests in NY CSA AA**

**Lending Test:**

Provident originated 5,264 loans (95.7 percent) of its total loans within the NY CSA AA. As such, this AA received the greatest weight when rating CRA performance. Provident’s performance in this NY CSA AA mirrors the performance in the combined AA. Refer to the Conclusions With Respect To Performance Tests in the Combined AA for evaluation of the bank’s Lending Test performance with respect to the distribution of HMDA, small business, and consumer loans.

Community Development Lending

The overall level of AA community development lending is good. The bank provided \$18.5 million in community development loans, with seven Rockland and Orange County-based organizations receiving 16 review period loans. Loans were granted for: a community center providing day care, youth services and a food pantry for LMI populations; group homes, an emergency shelter and human services for disadvantaged and special needs populations; affordable housing; and homeownership counseling. These included:

- The Martin Luther King Multi- Purpose Center;
- McQuade Foundation;
- Ramapo Local Development Corporation;
- Regional Economic Community Action Program;
- Help from People to People;
- Occupations, Inc; and
- Footings, Inc.

In addition the bank provided \$125 thousand to the New York Business Development Corporation (“NYBDC”) Credit for Success – Second Look Program loan fund. The program provides assistance through a consortium of banks for small and medium-size, and minority and women-owned businesses unable to obtain conventional bank financing. Upon approval, individual small business loans between \$25 thousand and \$150 thousand are originated. The program serves businesses located within the counties of Rockland, Orange, Putnam, Ulster and Westchester.

#### **Investment Test:**

Provident has taken an active role investing in AA community development programs by providing \$96.5 thousand in grants through the bank and affiliated Foundation in support of qualified activities. Direct grants and contributions benefitting a broad range of organizations providing: meals for homebound seniors; affordable housing for LMI populations; day care, youth services, and health care services for disadvantaged populations; housing and rehabilitation for special needs populations and victims of domestic violence; homeownership counseling programs; food pantries; and business development, including minority and women- owned businesses.

Organizations included: Meals on Wheels of Rockland County; RECAP of Middletown, New York; Footings, Inc; Help from People to People; Joseph’s Homes, Inc; Rockland Housing Action Coalition; Building Home for Heroes; Greater Hudson Valley Family Health Center; Habitat for Humanity of Greater Newburgh; McQuade Children’s Services; Rockland Family Shelter; Rockland Economic Development Corp; Safe Homes of Orange County; and, the Women’s Business Development Center.

#### **Service Test:**

Provident provided an adequate level of retail services within the combined AA, and was very active in supporting qualified community development activities by providing financial and technical assistance to organizations serving LMI and special needs populations.

#### Retail Services

Provident maintains two of its 31 AA branches within moderate-income geographies. The NY CSA AA has 11 low-income geographies and 35 moderate-income geographies. Branch locations do not unreasonably inconvenience low- and moderate-income segments of the combined AA population.

With the exception of the three Westchester branches, the remaining 31 NY CSA AA branches offer a wide variety of hours tailored to community needs as well as a full complement of products and services as described under the combined AA.

### Community Development Services

The Bank provided technical and financial assistance to organizations serving AA community development purposes including:

FHLBY Affordable Housing Program (“AHP”) - Provident provided financial and technical assistance for the Murphy Manor project AHP grant that resulted in the award of a \$520 thousand to the Rockland Housing Action Coalition. The grant will help finance the construction of 26 units of affordable rental housing for low-income households in Haverstraw, New York. The bank submitted a successful \$500 thousand AHP grant application for the Kiryas Joel Housing Development Organization, Inc’s Project Faith. This project targeted LMI homebuyers, providing \$8.3 thousand towards closing costs for each family with a total of \$66.7 thousand provided during the review period.

Rockland Housing Action Coalition (“RHAC”) - Provident loan origination staff provided housing counseling through RHAC, an organization that provided counseling for individuals or families during the examination period.

Provident Board members, managers, and staff participate in a broad range of community service organizations supporting charitable, fraternal, and other worthy activities. Activities with a community development purpose included:

- Meals On Wheels of Rockland County,
- Rockland Business Women's Network,
- Rockland Business Association,
- Rockland Economic Development Corp.,
- Service Corps of Retired Executives (Rockland Division),

## **State Metropolitan Area & State Reviewed**

### Description of Institution's Operations in Putnam County, NY

In 2009, Provident ranked 8<sup>th</sup> with an 8.3 percent deposit market share with slightly over \$40.6 million in deposits. During the same period, Provident granted 10 HMDA-reportable loans totaling slightly over \$1 million. Based upon the number of loans originated, limited performance weight was given to this very small AA,

### Description of Putnam County, NY AA

This AA consists of the town of Carmel in Putnam County, NY, and contains six upper-income geographies.

### Conclusions with Respect to Performance Tests in Putnam County, NY AA

Provident originated only 26 loans (0.5 percent) within the Putnam County AA. Provident's performance in this AA was evaluated using limited examination procedures due to the low volume of loans.

#### Community Development Lending

Provident did not make any community development loans specific to the Putnam County AA, however, the bank participated in the NYBDC Credit for Success – Second Look Program described in the NY CSA AA .

#### Investment Test:

Provident has taken a limited role in investing in AA community development programs and in providing grants in support of qualified activities. Provident provided a grant to Cornell Cooperative Extension to promote agricultural education and economic growth for local farmers.

#### Service Test:

Provident's performance under the Service Test is adequate.

### Retail Services

Provident has one branch located in the town of Carmel, New York and offers late night and part-time Saturday hours to serve the community. The full complement of products and services that are available at other Provident branches are offered at the Carmel office.

### Community Development Services

There were no specific community development services provided within the Putnam County AA. However, this AA benefits from Provident's statewide community development activities as described in the combined AA evaluation.

**State Nonmetropolitan Area & State Reviewed<sup>b</sup>**

**Description of Institution’s Operations in Sullivan County, NY Non-MSA**

Provident operates two branch offices in Sullivan County, New York. One branch is located in a moderate-income geography and the other branch is in an upper-income geography.

In 2009, Provident ranked 5<sup>th</sup> with a 10.5 percent deposit market share or slightly over \$37.5 million. During the same period, Provident granted 10 HMDA-reportable loans totaling just over \$1 million. Provident ranked 11<sup>th</sup> with a 2.3 percent market share, by number of loans granted, among 87 lenders that granted 434 residential mortgage loans. Limited performance weight was given to the Non-MSA AA due to its small size and limited amount of lending.

**Description of Sullivan County, NY AA**

This AA consists of the towns of Fallsburg, Forestburgh, Mamakating and Thompson in Sullivan County, NY. This AA (“Non-MSA”) contains 10 geographies. Table 25 illustrates demographic data on population, families, and housing units within the Non-MSA AA.

<b>Table 25 - Demographic Data (Based on 2000 U.S. Census Data)</b>	
<b>Demographic Data</b>	<b>2000 Census</b>
Population	38,258
Total Families	9,217
1-4 Family Units	17,107
Multi-family Units	2,579
% Owner-Occupied Units	40%
% Rental-Occupied Units	23%
% Vacant Housing Units	37%
Weighted Average Median Housing	\$88,411

<sup>b</sup> The discussion of an institution’s CRA performance within a nonmetropolitan statewide area is only required for institutions with branches in two or more states. A separate discussion of CRA performance within a nonmetropolitan statewide area for intrastate banks that have branches in metropolitan and nonmetropolitan areas is optional. However, for intrastate institutions with branches in both metropolitan and nonmetropolitan areas, or for intrastate banks with branches in only nonmetropolitan areas, the examiner may wish to discuss in greater detail the assessment areas within nonmetropolitan areas that were reviewed using a full-scope review.

Table 26 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

<b>Table 26 - Distribution of Geographies, Families and Housing Units Sullivan County AA</b>						
<b>Geog Inc Level</b>	<b>Geographies</b>		<b>Total Area Families</b>		<b>1-4 Family Dwellings</b>	
<b>2000 Census:</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0%	0	0.0%	0	0.0%
Moderate	1	10.0%	597	6.5%	1,294	7.6%
Middle	7	70.0%	5,770	62.6%	11,290	66.0%
Upper	2	20.0%	2,850	30.9%	4,523	26.4%
Total	10	100.0%	9,217	100.0%	17,107	100.0%

The predominance of families and 1-4 family dwellings are located in middle-income geographies.

According to 2000 census data, 37.1 percent of the families in the AA are classified as low- to moderate-income, with 13.7 percent of the families reporting income below the poverty level. Table 27(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 27(b) reflects the updated HUD median family income for each year during the review period; and table 27(c) shows the distribution of families in each income range of the Non-MSA AA.

<b>Table 27(a) - Median Family Income Ranges*</b>		
<b>Income Category (% of Non-MSA Median)</b>	<b>Income Ranges</b>	
	<b>From</b>	<b>To</b>
Low (< 50%)	\$1	\$27,649
Moderate (50% - 79%)	\$27,650	\$44,239
Middle (80% - 119%)	\$44,240	\$66,359
Upper (>= 120%)	\$66,360	+

<b>Table 27(b)-Annual HUD Median Family Income</b>	
<b>Year</b>	<b>Amount</b>
2008	\$52,700
2009	\$54,900
2010	\$55,300

\* Based on HUD 2010 Median Family Income of the Non-MSA

<b>Table 27(c)-Distribution of Families Sullivan County AA</b>		
<b>Family Income Category (As a % of MSA Median)</b>	<b>2000 Census Data</b>	
	<b>Number</b>	<b>Percent</b>
Low (< 50%)	1,878	20.4%
Moderate (50% - 79%)	1,545	16.8%
Middle (80% - 119%)	1,767	19.2%
Upper (>= 120%)	4,027	43.6%
Total	9,217	100.0%

## Conclusions with Respect to Performance Tests in Sullivan County, NY AA

During the performance period, Provident originated 5,500 loans (including all HMDA-reportable, consumer, and small business loans). Provident originated 188 loans (3.4 percent) within the Non-MSA AA.

### Community Development Lending

The overall level of AA community development lending is very good. Provident originated five community development loans totaling \$2.4 million within this AA. All five loans were granted to New Hope Community Inc., a provider of community support services and housing for special needs populations and senior citizens. Provident provided an additional \$125 thousand to the NYBDC Credit for Success – Second Look Program, described above, serving businesses located within Sullivan County.

#### Investment Test:

This AA only contains two towns with limited opportunity for qualified investments. The bank demonstrated a reasonable response to community development needs by donating a two-family, Ellenville, New York dwelling valued at \$50 thousand to the non-profit Shadowland Theatre. The property houses performing artists, and is part of Ellenville's downtown revitalization efforts.

#### Service Test:

Provident's performance under the Service Test is reasonable.

### Retail Services

The two branches in Rock Hill and South Fallsburg, New York offer late night and weekend hours to accommodate the communities served. The full complement of products and services that are available at other Provident branches are available at Rock Hill and South Fallsburg.

### Community Development Services

Provident employees provide financial and technical assistance for community development activities through service with the Sullivan County Empire Zone Board as well as participation in the Ellenville Revolving Loan Fund and Local Development Corporation. This AA benefits from the Provident's statewide community development activities, as described in the combined AA evaluation.

**State**

**Summary**

**CRA Rating for New Jersey**

**CRA RATING<sup>c</sup>:**

**The Lending Test is rated:**

**The Investment Test is rated:**

**The Service Test is rated:**

**Satisfactory**

**Low Satisfactory**

**Low Satisfactory**

**Low Satisfactory**

Lending was limited during the 33-month review period, with 22 loans originated in New Jersey. Provident did not originate any community development loans in New Jersey. Qualified investments and community development services also fell outside the New Jersey AA, although some of the qualified investments served the greater New York and New Jersey metropolitan area.

**Scope of Examination**

We reviewed the Bank's residential mortgage loans, consumer loans, and small business loans in evaluating performance under the Lending Test. We also reviewed the Bank's investment in, and grant activity to, qualified community development organization to determine the bank's performance under the Investment Test. We reviewed the Bank's activities under the Service Test to determine the level and quality of its delivery systems and community development services.

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<sup>c</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

**State Metropolitan Area & State Reviewed**

*(for metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**Description of Institution's Operations in Bergen County, NJ**

Provident operates one branch office in the borough of Lodi, Bergen County, New Jersey. The branch is located in a middle-income geography. In 2009, Provident ranked 11<sup>th</sup> with a 4.4 percent deposit market share or slightly less than \$20 million on deposits. During the same period, Provident granted three HMDA-reportable loans totaling \$2.1 million. Limited performance weight was given to the state of New Jersey AA due to the limited number of communities served and limited amount of lending.

**Description of Bergen County, NJ AA**

Provident's only AA in New Jersey consists of the towns of Garfield and Lodi, both located in Bergen County. This AA ("Bergen County") AA, is located in the New York-White Plains-Wayne, NY-NJ-PA MD #35644, is not contiguous to any other AA, and contains ten middle-income geographies.

**Conclusions with Respect to Performance Tests in Bergen County, NJ AA**

Only 22 loans were originated within the Bergen County AA. Provident's performance in this AA was evaluated using limited examination procedures due to the low volume of loans, along with the lack of any low- or moderate-income geographies within this AA.

Community Development Lending

Provident did not make any community development loans in the Bergen County AA.

**Investment Test:**

The Bergen County AA only contains two towns with limited opportunity for qualified investments therein. There were no specific qualified investments or grants with in the New Jersey AA.

**Service Test:**

Provident's performance under the Service Test is adequate.

Retail Services

The sole branch in Lodi, New Jersey offers late night and part-time Saturday hours to accommodate the community it serves. The full complement of products and services that are available at other Provident branches are offered at the Lodi office.

Community Development Services

There were no specific community development services provided within the New Jersey AA.

**Appendix A**

**Scope of Examination**

SCOPE OF EXAMINATION		
Full Scope Examination		
<b>TIME PERIOD REVIEWED:</b>	01/01/2008 – 11/01/2010	
<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>	
Provident Bank	Residential Mortgage Loans; Consumer Loans; and Small Business Loans.	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
NA		

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED <sup>1</sup>	OTHER INFORMATION
Portion of NY-Newark-Bridgeport, NY-NJ-CT-PA Combined Statistical Area (CSA)	Full	Congers; Main Office	NA
Portion of Putnam County, NY, located in the NY-White Plains-Wayne, NY-NJ Metropolitan Division (MD)	Limited	NA	NA
Portion of Sullivan County, NY, located in a Non-Metropolitan Statistical Area (Non-MSA)	Limited	NA	NA
Portion of Bergen County, NJ, located in the NY-White Plains-Wayne, NY-NJ MD	Limited	NA	NA

<sup>1</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

**Appendix B**

Summary of State and Multistate Metropolitan Area Ratings

<b>State or Multistate Metropolitan Area Name</b>	<b>Lending Test Rating</b>	<b>Investment Test Rating</b>	<b>Service Test Rating</b>	<b>Overall State Rating</b>
State of New York	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
State of New Jersey	Low Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory

## **CRA Rating Definitions**

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.