

PUBLIC DISCLOSURE

July 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

AVIDIA BANK

Certificate # 90215

**42 MAIN STREET
HUDSON, MASSACHUSETTS 01794**

Division of Banks

1000 Washington Street, 10th Floor

Boston, MA 02118

Federal Deposit Insurance Corporation

350 Fifth Avenue, Suite 1200

New York, New York 10118

NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations 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 Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Avidia Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **July 15, 2013**. The agencies evaluate performance in the assessment area(s), as they are defined 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. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit (“LTD”) ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 12 quarters since the prior CRA evaluation, dated April 5, 2010, was approximately 91 percent. The Bank's net LTD ratio as of March 31, 2013 is 96.3 percent. The institution also sells loans to the secondary market, and compared favorably to similarly situated banks.

Assessment Area Concentration

A majority of the Bank's home mortgage and small business loans, by number, were made within its designated assessment area. During 2011 and 2012, 58.1 percent of the number of home mortgage loans, and 60.0 percent of the number of small business loans were made inside the assessment area. The total dollar amount was just slightly below 50 percent (49.7 percent).

As of July 15, 2013, the total value of the Bank's qualified equity investments was approximately \$14.2 million. This equates to 1.2 percent of total assets and 5.0 percent of investments. The following is a summary of the qualified investments made during the evaluation period and/or held in the investment portfolio from prior evaluation periods.

Massachusetts Development Finance Agency

In March of 2012 the Bank invested in a tax exempt bond for \$11.3 million that refinanced an existing bond from another financial institution. Collateral consists of a property that serves as a long-term care facility in Worcester. Approximately 88 percent of its residents are low- or moderate-income.

Massachusetts Housing Investment Corporation (MHIC).

In March of 2012 the Bank made a total commitment of \$2.1 million in a MHIC project. The purpose of the project was to acquire, preserve, and rehabilitate 96 affordable housing units located in Hudson, Massachusetts. The project sponsor is Preservation of Affordable Housing, LLC. The organization is nationally recognized for its focus and successful projects to preserve long-term affordable housing for the elderly and disabled. Preservation of Affordable Housing, LLC owns 7,000 units in 10 states. MHIC invested in eight projects in Massachusetts. The Bank receives low-income housing tax credits. The current project is eligible for low-cost funding from FHLB through the Community Development Advances Program. The funded amount of this investment as of July 15, 2013 was \$440,000.

In July of 2011 the Bank made a total commitment of approximately \$1 million (including fees of \$120,000 for management, acquisition and syndication costs) for a MHIC project. Additional investors are TD Bank and MHIC. The project is for the adaptive reuse and renovation of an historic manufacturing building in Leominster, Massachusetts into affordable residential housing. The building is to be converted into 40 housing units, available to households at or below 60 percent of the area medium income. This is a 12 year investment with historic and low-income tax credits. As of July 15 2013, the Bank funded \$464,800 and the project is scheduled to be fully funded by September of 2013.

Access Capital Strategies Community Investment Fund, Inc.

The Bank holds an investment in the Access Capital Strategies Community Investment Fund, Inc. (the "Fund"). The Fund, which commenced in June of 1998, provides a unique bottom line return by investing in targeted debt securities in communities chosen by its investors. The fund supports community development activities for low- and moderate-income individuals, affordable rental housing units, SBA loans, and economic development projects. The investment benefits the assessment area. The Bank's investment as of July 15, 2013, had a book value of \$459,309.

The Community Reinvestment Act Qualified Investment Fund ("CRA Fund")

The Bank holds an investment in CRA Fund, which was organized on January 15, 1999. The CRA Fund's objective is income derived through investments in high-credit quality fixed-income securities. These investments support community activities such as low-income housing, affordable healthcare, and job training. The investment benefits the current assessment area. The Bank joined this fund in 2003, and as of July 15 2013, maintained a balance of \$991,217.

Senior Housing Crime Prevention Foundation ("SHCPF")

The Bank continues to hold a Federal Home Loan Bank Security with a 7-year maturity as part of the SHCPF. The SHCPF is a national non-profit. The SHCPF administers the Senior Crimestoppers Program in over 4,000 senior housing facilities in 45 states. The program was recently expanded to cover veterans living in nursing homes for the purpose of aiding low- and

moderate-income veterans residing in these facilities. The investment benefits portions of the assessment area. The objective is the reduction of crime in the nation's senior housing facilities and the provision of crime prevention programs to promote safe, secure and high quality of life environments for veterans residing in nursing homes. Sponsorship levels are in \$250,000 increments, which are loans to the foundation. The loans are then fully collateralized with investment grade securities of the Bank's choice. The Bank's investment as of July 15, 2013, had a book value of \$488,361.

Charitable Donations

Avidia Bank made qualified grants and donations to organizations that provided education, youth programs, affordable housing, and health and human services, as well as those that supported business growth and development and benefited low- and moderate-income families and individuals. The Bank made qualified grants and donations both directly and through the Avidia Bank's Charitable Foundation. Total qualified donations made during the review period April 5, 2010 through July 15, 2013, totaled \$304,695, up from \$203,940 reported in the last evaluation, dated April 5, 2010. Table 9 notes the breakdown of the total qualified donations by year.

Table 9 - Community Development Grants and Donations Bank and Charitable Foundation												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
4/06/2010 – 12/31/2010	3	2	24	74	0	0	0	0	0	0	27	76
2011	4	5	28	82	1	1	0	0	0	0	33	88
2012	5	8	29	88	0	0	0	0	0	0	34	96
1/01/2013- 7/15/2013	1	1	9	43	0	0	0	0	0	0	10	44
Total	13	16	90	287	1	1	0	0	0	0	104	304

Source: Bank Records, *Targeted to Low- or Moderate-Income Individuals, ** In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

Avidia Bank Charitable Foundation

The Bank's Charitable Foundation makes grants and donations to various organizations within and around its assessment area. The Bank created the Charitable Foundation by the transfer of stock owned by the Bank to the foundation. Transfer of Bank funds or assets is done periodically to maintain the Foundation. The Foundation granted, during the review period, a total of \$259,499 in charitable donations, \$168,500, or 64.9 percent, of which were considered qualified. The following are some of the organizations that received grants from the Foundation.

- Wachusett Health Education Team (WHEAT) – The mission of this organization is to assist low-income households by providing information and referrals for housing, food, healthcare, and any other services needed.
- Boys and Girls Club of Metro-West – This is a non-profit organization that provides social, educational, physical and cultural programs for boys and girls in the Metro-West