Section 1: 10-K/A (AMENDMENT NO. 2 TO FORM 10-K)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 2

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to________

Commission File Number: 001-37504

PROVIDENT BANCORP, INC.

(Exact name of registrant as specified in its charter)

Massachusetts	**45-3231576**
(State or other jurisdiction of incorporation or organization)	**I.R.S. Employer Identification No.)**
5 Market Street, Amesbury, Massachusetts	**01913**
(Address of principal executive offices)	**(Zip Code)**

(978) 834-8555
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, no par value
(Title of Class)

The NASDAQ Stock Market LLC
(Name of exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, computed by reference to the last sale price as of June 30, 2016, as reported by the Nasdaq Capital Market, was approximately $59 million.

The number of shares outstanding of the registrant's common stock as of March 8, 2017 was 9,652,448.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant's Definitive Proxy Statement for the 2017 Annual Meeting of the Stockholders are incorporated by reference in Part III.

Explanatory Note

Provident Bancorp, Inc. (the "Company") is filing this Amendment No. 2 on Form 10-K/A to its Annual Report on Form 10-K for the year ended December 31, 2016, as initially filed with the Securities and Exchange Commission on March 16, 2017. The Company is re-filing Item 8 of Part II of the Form 10-K to include the signature for the Report of Independent Registered Public Accounting Firm.

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PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements, including supplemental data, of Provident Bancorp, Inc. begin on page F-1 of this Annual Report.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from Provident Bancorp, Inc.'s Annual Report on Form 10-K/A for the year ended December 31, 2016, filed on April 5, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		Provident Bancorp, Inc.
Date: April 5, 2017	By:	/s/ David P. Mansfield
		David P. Mansfield President and Chief Executive Officer

PROVIDENT BANCORP, INC. AND SUBSIDIARY

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholders
Provident Bancorp, Inc. and Subsidiary
Amesbury, Massachusetts

We have audited the accompanying consolidated balance sheets of Provident Bancorp, Inc. and Subsidiary (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2016. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Provident Bancorp, Inc. and Subsidiary as of December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

/s/ Whittlesey & Hadley, P.C.

Hartford, Connecticut
March 13, 2017

Provident Bancorp, Inc. and Subsidiary

Consolidated Balance Sheets
December 31, 2016 and 2015

(In thousands)	2016	2015
Assets		
Cash and due from banks	$ 7,939	$ 7,302
Interest-bearing demand deposits with other banks	2,637	12,865
Money market mutual funds	129	297
Cash and cash equivalents	10,705	20,464
Investments in available-for-sale securities (at fair value)	117,867	80,984
Investments in held-to-maturity securities (fair value of $46,474 as of December 31, 2015)	—	44,623
Federal Home Loan Bank stock, at cost	2,787	3,310
Loans, net	624,425	554,929
Bank owned life insurance	19,395	18,793
Premises and equipment, net	11,587	11,606
Accrued interest receivable	2,320	2,251
Deferred tax asset, net	4,913	5,056
Other assets	1,544	1,381
Total assets	$ 795,543	$ 743,397
Liabilities and Shareholders' Equity		
Liabilities		
Deposits:		
Noninterest-bearing	$ 158,075	$ 153,093
Interest-bearing	469,907	424,142
Total deposits	627,982	577,235
Federal Home Loan Bank advances	49,858	57,423
Other liabilities	8,554	7,333
Total liabilities	686,394	641,991
Shareholders' equity		
Preferred stock; authorized 50,000 shares: no shares issued and outstanding	—	—
Common stock, no par value: 30,000,000 shares authorized; 9,652,448 and 9,498,722 shares issued and outstanding at December 31, 2016 and 2015, respectively	—	—
Additional paid-in capital	43,393	43,159
Retained earnings	66,229	59,890
Accumulated other comprehensive income	2,622	1,690
Unearned compensation – ESOP	(3,095)	(3,333)
Total shareholders' equity	109,149	101,406
Total liabilities and shareholders' equity	$ 795,543	$ 743,397

The accompanying notes are an integral part of these consolidated financial statements.

PROVIDENT BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2016 and 2015

(In thousands)	2016	2015
Interest and dividend income:		
Interest and fees on loans	$ 25,549	$ 22,124
Interest and dividends on securities	3,312	3,290
Interest on interest-bearing deposits	33	38
Total interest and dividend income	28,894	25,452
Interest expense:		
Interest on deposits	2,163	1,630
Interest on Federal Home Loan Bank advances	622	544
Total interest expense	2,785	2,174
Net interest and dividend income	26,109	23,278
Provision for loan losses	703	805
Net interest and dividend income after provision for loan losses	25,406	22,473
Noninterest income:		
Customer service fees on deposit accounts	1,274	1,222
Service charges and fees - other	1,777	1,754
Gain on sales of securities, net	690	317
Other income	694	513
Total noninterest income	4,435	3,806
Noninterest expense:		
Salaries and employee benefits	12,857	11,797
Occupancy expense	1,548	1,535
Equipment expense	631	528
FDIC assessment	323	378
Data processing	662	568
Marketing expense	249	127
Professional fees	1,088	942
Charitable Foundation expense	—	2,150
Other	3,119	3,068
Total noninterest expense	20,477	21,093
Income before income tax expense	9,364	5,186
Income tax expense	3,025	1,363
Net income	$ 6,339	$ 3,823
Net income attributable to common shareholders	$ 6,339	$ 3,656
Income per share:		
Basic	$ 0.69	N/A
Diluted	$ 0.69	N/A
Weighted Average Shares:		
Basic	9,176,384	N/A
Diluted	9,176,384	N/A

The accompanying notes are an integral part of these consolidated financial statements.

PROVIDENT BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2016 and 2015

(In thousands)	**2016**	**2015**
Net income	$ 6,339	$ 3,823
Other comprehensive income:		
Change in net unrealized holding (losses)	(80)	(863)
Reclassification adjustment for realized gains in net income	(690)	(317)
Net change in unrealized (loss)	(770)	(1,180)
Income tax effect	281	458
Net of tax amount	(489)	(722)
Change in net unrealized holding gains on securities transferred from held-to-maturity to available-for-sale	2,239	—
Income tax effect	(818)	—
Net of tax amount	1,421	—
Other comprehensive income (loss)	932	(722)
Total comprehensive income	$ 7,271	$ 3,101

The accompanying notes are an integral part of these consolidated financial statements.

Provident Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2016 and 2015

(In thousands, except share data)	Shares of Common Stock	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned Compensation ESOP	Total
Balance, December 31, 2014	275,000	$ 17,145	$ 275	$ 55,959	$ 2,412	$ —	$ 75,791
Net income	—	—	—	3,823	—	—	3,823
Net change in other comprehensive income	—	—	—	—	(722)	—	(722)
Redemption of SBLF preferred stock	—	(17,145)	—	—	—	—	(17,145)
Preferred stock dividends	—	—	—	(167)	—	—	(167)
Issuance of 5,034,323 shares to the mutual holding company	5,034,323	—	—	—	—	—	
Transfer due to stock offering	(275,000)	—	(275)	275	—	—	—
Issuance of 4,274,425 shares in the initial public offering, net of expenses of $1,547,000	4,274,425	—	41,197	—	—	—	41,197
Issuance and contribution of 189,974 shares to the Provident Community Charitable Organization	189,974	—	1,900	—	—	—	1,900
Purchase of 357,152 shares of common stock by the ESOP	—	—	—	—	—	(3,572)	(3,572)
ESOP shares earned	—	—	62	—	—	239	301
Balance, December 31, 2015	9,498,722	—	43,159	59,890	1,690	(3,333)	101,406
Net income	—	—	—	6,339	—	—	6,339
Net change in other comprehensive income	—	—	—	—	932	—	932
Stock-based compensation expense	—	—	113	—	—	—	113
Restricted stock award grants	153,726	—	—	—	—	—	—
ESOP shares earned	—	—	121	—	—	238	359
Balance, December 31, 2016	9,652,448	$ —	$ 43,393	$ 66,229	$ 2,622	$ (3,095)	$109,149

The accompanying notes are an integral part of these consolidated financial statements.

PROVIDENT BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

(In thousands)	2016	2015
Cash flows from operating activities:		
Net income	$ 6,339	$ 3,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of securities premiums, net of accretion	849	860
ESOP expense	359	301
Contribution of stock to charitable foundation	—	1,900
Gain on sales, calls and donations of securities, net	(690)	(317)
Change in deferred loan fees, net	50	(6)
Provision for loan losses	703	805
Depreciation and amortization	832	713
Loss (gain) on disposal of premise and equipment	60	(2)
Increase in accrued interest receivable	(69)	(195)
(Increase) decrease in taxes receivable	(53)	146
Deferred tax benefit	(394)	(966)
Share-based compensation expense	113	—
Increase in cash surrender value of life insurance	(602)	(452)
Increase in other assets	(110)	(230)
Increase in other liabilities	1,221	439
Net cash provided by operating activities	8,608	6,819
Cash flows from investing activities:		
Purchases of available-for-sale securities	(9,835)	(17,841)
Proceeds from sales of available-for-sale securities	3,286	739
Proceeds from pay downs, maturities and calls of available-for-sale securities	15,379	10,913
Proceeds from pay downs, maturities and calls of held-to-maturity securities	220	450
Redemption of Federal Home Loan Bank Stock	523	332
Loan originations and principal collections, net	(55,221)	(61,582)
Recoveries of loans previously charged off	26	37
Loans purchased	(15,054)	—
Additions to premises and equipment	(873)	(1,819)
Proceeds from sale of premise and equipment	—	5
Purchase of bank owned life insurance	—	(6,197)
Net cash used in investing activities	(61,549)	(74,963)

The accompanying notes are an integral part of these consolidated financial statements.

PROVIDENT BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS — (CONTINUED)
For the Years Ended December 31, 2016 and 2015

(In thousands)	2016	2015
Cash flows from financing activities:		
Net increase in demand deposits, NOW and savings accounts	84,063	40,512
Net (decrease) increase in time deposits	(33,316)	39
Proceeds from sale of common stock, net	—	41,197
Common stock purchased by ESOP	—	(3,572)
Proceeds from advances from the Federal Home Loan Bank	5,388	—
Net change in Federal Home Loan Bank short-term advances	(12,953)	18,186
Redemption of SBLF preferred stock	—	(17,145)
Preferred stock dividends	—	(167)
Net cash provided by financing activities	43,182	79,050
Net (decrease) increase in cash and cash equivalents	(9,759)	10,906
Cash and cash equivalents at beginning of year	20,464	9,558
Cash and cash equivalents at end of year	$ 10,705	$ 20,464
Supplemental disclosures:		
Interest paid	$ 2,777	$ 2,162
Income taxes paid	3,078	2,183
Held-to-maturity securities transferred to available-for-sale	44,240	—

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — NATURE OF OPERATIONS

Provident Bancorp, Inc. (the “Company”) is a Massachusetts-chartered corporation organized for the purpose of owning all of the outstanding capital stock of The Provident Bank (the “Bank”). On July 15, 2015, the Company closed its offering and issued 4,274,425 shares of common stock to the public at $10.00 per share, including 357,152 shares purchased by The Provident Bank Employee Stock Ownership Plan. In addition, the Company issued 5,034,323 shares to Provident Bancorp, the Company’s mutual holding company (the “MHC”), and 189,974 shares to The Provident Community Charitable Organization, Inc., a charitable foundation that was formed in connection with the stock offering and is dedicated to supporting charitable organizations operating in the Bank’s local community.

Expenses incurred related to the offering were $1.5 million, and have been recorded against offering proceeds.

Upon the completion of the stock offering, a special “liquidation account” was established for the benefit of certain depositors of the Bank in an amount equal to the percentage ownership interest in the equity of the Company to be held by persons other than the MHC as of the date of the latest balance sheet contained in the prospectus. Following the completion of the offering, the Company is not permitted to pay dividends on its capital stock if the Company’s shareholders’ equity would be reduced below the amount of the liquidation account. The liquidation account is reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder’s interest in the liquidation account.

The Company is headquartered in Amesbury, Massachusetts. The Bank operates its business from eight banking offices located in Amesbury and Newburyport, Massachusetts and Portsmouth, Exeter, Hampton, Bedford, and Seabrook, New Hampshire. The Bank provides a variety of financial services to individuals and small businesses. Its primary deposit products are checking, savings and term certificate accounts and its primary lending products are commercial mortgages and commercial loans.

NOTE 2 — ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“GAAP”) and predominant practices within the banking industry. The consolidated financial statements were prepared using the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses, stock-based compensation expense and deferred income taxes.

Basis of Presentation

The consolidated financial statements include the accounts of Provident Bancorp, Inc., its wholly owned subsidiary, the Bank, and the Bank’s wholly owned subsidiaries, Provident Security Corporation and 5 Market Street Security Corporation. Provident Security Corporation was established to buy, sell, and hold investments for its own account, and 5 Market Street Security Corporation, an inactive corporation, was established to buy, sell, and hold investments for its own account. All material intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, amounts due from banks, interest-bearing demand deposits with other banks, money market mutual funds and federal funds sold.

Investment Securities

Investments in debt securities are adjusted for amortization of premiums and accretion of discounts so as to approximate the interest method. Gains or losses on sales of investment securities are computed on a specific identification basis and are recorded as of the trade date.

The Company classifies debt and equity securities into one of three categories: held-to-maturity, available-for-sale or trading. These security classifications may be modified after acquisition only under certain specified conditions. In general, securities may be classified as held-to-maturity only if the Company has the positive intent and ability to hold them to maturity. Trading securities are defined as those bought and held principally for the purpose of selling them in the near term. All other securities must be classified as available-for-sale.

- Held-to-maturity securities are measured at amortized cost in the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings or as a separate component of shareholders' equity.

- Available-for-sale securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses are not included in earnings, but are reported as a net amount (less expected tax) as a separate component of shareholders' equity until realized.

- Trading securities are carried at fair value on the consolidated balance sheets. Unrealized holding gains and losses for trading securities are included in earnings.

The Company evaluates debt and equity securities within the Company's available for sale and held to maturity portfolios for other-than-temporary impairment ("OTTI"), at least quarterly. If the fair value of a debt security is below the amortized cost basis of the security, OTTI is required to be recognized if any of the following are met: (1) the Company intends to sell the security; (2) it is "more likely than not" that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For all impaired debt securities that the Company intends to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for such debt securities is recognized in other comprehensive income, net of applicable taxes. In evaluating its marketable equity securities portfolios for OTTI, the Company considers its intent and ability to hold an equity security to recovery of its cost basis in addition to various other factors, including the length of time and the extent to which the fair value has been less than cost and the financial condition and near term prospects of the issuer. Any OTTI on marketable equity securities is recognized immediately through earnings.

Federal Home Loan Bank Stock

As a member of the Federal Home Loan Bank of Boston (the "FHLB"), the Company is required to invest in $100 par value stock of the FHLB. The FHLB capital structure mandates that members must own stock as determined by their Total Stock Investment Requirement which is the sum of a member's Membership Stock Investment Requirement and Activity-Based Stock Investment Requirement. FHLB stock is a non-marketable equity security that is carried at cost and evaluated for impairment when deemed necessary.

Loans

Loan receivables that management has the intent and ability to hold until maturity or payoff are reported at their outstanding principal balances adjusted for amounts due to borrowers on unadvanced loans, any charge-offs, the allowance for loan losses and any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans.

Interest income is accrued on the unpaid principal balance.

Loan origination and commitment fees and certain direct origination costs are deferred, and the net amount is recognized as an adjustment of the related loan yield using the interest method. The Company is amortizing these amounts over the contractual life of the related loans.

Residential real estate loans are generally placed on non-accrual status when reaching 90 days past due or in process of collection. Past due status is based on the contractual terms of the loan. All closed-end consumer loans 90 days or more past due and any equity line in the process of foreclosure are placed on non-accrual status. Secured consumer loans are written down to realizable value and unsecured consumer loans are charged-off upon reaching 120 or 180 days past due depending on the type of loan. Commercial real estate loans and commercial business loans and leases which are 90 days or more past due are generally placed on non-accrual status, unless secured by sufficient cash or other assets immediately convertible to cash. When a loan has been placed on non-accrual status, previously accrued and uncollected interest is reversed against interest on loans. A loan can be returned to accrual status when collectability of principal is reasonably assured and the loan has performed for a period of time, generally six months. Interest income received on non-accrual loans is accounted for on the cash basis or cost-recovery method, until qualifying for return to accrual.

Cash receipts of interest income on impaired loans are credited to principal to the extent necessary to eliminate doubt as to the collectability of the net carrying amount of the loan. Some or all of the cash receipts of interest income on impaired loans is recognized as interest income if the remaining net carrying amount of the loan is deemed to be fully collectible. When recognition of interest income on an impaired loan on a cash basis is appropriate, the amount of income that is recognized is limited to that which would have been accrued on the net carrying amount of the loan at the contractual interest rate. Any cash interest payments received in excess of the limit and not applied to reduce the net carrying amount of the loan are recorded as recoveries of charge-offs until the charge-offs are fully recovered.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibality of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management’s periodic review of the collectability of the loans in light of historical experience, the size and composition of the loan portfolio, adverse situations that may affect the borrower’s ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance for loan losses is allocated to loan types using both a formula-based approach (general component) and an analysis of certain individual loans for impairment (allocated component).

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower’s prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures.

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: residential real estate, commercial real estate, construction and land development, commercial and consumer. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. These historical loss factors are adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Commercial real estate: Loans in this segment are primarily income-producing properties throughout Massachusetts and New Hampshire. The underlying cash flows generated by the properties can be adversely impacted by a downturn in the economy resulting in increased vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management periodically obtains rent rolls and continually monitors the cash flows and collateral value of these loans.

Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Residential real estate: The Company generally does not originate loans with a loan-to-value ratio greater than 80% and does not grant subprime loans. Loans with loan to value ratios greater than 80% require the purchase of private mortgage insurance. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower and value of collateral. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Construction and land development: Loans in this segment primarily include speculative and pre-sold real estate development loans for which payment is derived from sale of the property and construction to permanent loans for which payment is derived from cash flows of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Consumer: Loans in this segment are generally unsecured and repayment is dependent on the credit quality of the individual borrower.

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan by loan basis for commercial, commercial real estate and construction loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan.

The Company from time to time, may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modified loan is considered a troubled debt restructuring (“TDR”). All TDRs are initially classified as impaired.

An unallocated component can be maintained to cover uncertainties that could affect management’s estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Bank-Owned Life Insurance

Bank-owned life insurance policies are reflected on the consolidated balance sheets at cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received, are reflected in non-interest income on the consolidated statements of income and are not subject to income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Cost and related allowances for depreciation and amortization of premises and equipment retired or otherwise disposed of are removed from the respective accounts with any gain or loss included in income or expense. Generally, depreciation on the buildings and equipment is calculated principally on the straight line method, and depreciation and amortization expense is charged against operations over the estimated useful lives of the related assets.

Foreclosed and Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure or repossession are held for sale and are initially recorded at the lower of the investment in the loan or fair value less estimated costs to sell at the date of foreclosure or repossession, establishing a new cost basis. Subsequently, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations, changes in the valuation allowance, any direct write-downs and gains or losses on sales are included in other real estate owned expense.

Advertising

The Company directly expenses costs associated with advertising as they are incurred.

Earnings per Common Share

Basic earnings per share represent income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. At December 31, 2016, there are no common stock equivalents.

Employee Stock Ownership Plan

Compensation expense for The Provident Bank Employee Stock Ownership Plan (the “ESOP”) is recorded at an amount equal to the shares allocated by the ESOP multiplied by the average fair market of the shares during the period. The Company recognizes compensation expense ratably over the year based upon the Company’s estimate of the number of shares expected to be allocated by the ESOP. Unearned compensation applicable to the ESOP is reflected as a reduction of shareholders’ equity on the consolidated balance sheet. The difference between the average fair market value and the cost of the shares by the ESOP is recorded as an adjustment to additional paid-in-capital.

Stock-based Compensation Plans

The Company measures and recognizes compensation cost relating to stock-based payment transactions based on the grant-date fair value of the equity instruments issued. Stock-based compensation is recognized over the period the employee is required to provide services for the award. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options granted. The fair value of restricted stock is recorded based on the grant date value of the equity instrument issued.

Income Taxes

The Company recognizes income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are established for the temporary differences between the accounting basis and the tax basis of the Company’s assets and liabilities at enacted tax rates expected to be in effect when the amounts related to such temporary differences are realized or settled. A tax valuation allowance is established, as needed, to reduce net deferred tax assets to the amount expected to be realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company examines its significant income tax positions annually to determine whether a tax benefit is more likely than not to be sustained upon examination by tax authorities.

Fair Values of Financial Instruments

GAAP requires that the Company disclose estimated fair values for its financial instruments. Fair value methods and assumptions used by the Company in estimating its fair value disclosures are as follows:

Cash and cash equivalents: The carrying amounts of cash and cash equivalents approximate fair values.

Investments (including government mortgage-backed securities): Fair values for investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans receivable: For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. The fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Accrued interest receivable: The carrying amount of accrued interest receivable approximates its fair value.

Deposit liabilities: The fair values disclosed for deposits (e.g., interest and non-interest checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank advances: Fair values of Federal Home Loan Bank advances are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Off-balance sheet instruments: The fair value of commitments to originate loans is estimated using the fees currently charged to enter similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments and the unadvanced portions of loans, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligation with the counterparties at the reporting date.

Recent Accounting Pronouncements

ASU (Accounting Standards Update) No. 2014-09 — Revenue from Contracts with Customers (Topic 606). The ASU establishes a single comprehensive model for an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled, and will supersede nearly all existing revenue recognition guidance, to clarify and converge revenue recognition principles under US GAAP and International Financial Reporting Standards (IFRS). The update outlines five steps to recognizing revenue: (i) identify the contracts with the customer; (ii) identify the separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the separate performance obligations; (v) recognize revenue when each performance obligation is satisfied. The update requires more comprehensive disclosures, relating to quantitative and qualitative information for amounts, timing, the nature and uncertainty of revenue, and cash flows arising from contracts with customers, which will mainly impact construction and high-tech industries. The most significant potential impact to banking entities relates to less prescriptive derecognition requirements on the sale of other real estate owned (OREO) property. In August 2015, the Financial Accounting Standards Board (FASB) issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The amendments in ASU 2015-14 defer the effective date of

ASU 2014-09 for all entities by one year. Accordingly, the amendments are effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted for annual and interim reporting periods beginning after December 15, 2016. An entity may elect either a full retrospective or a modified retrospective application. The Company does not expect the application of this guidance will have a material impact on the Company's financial statements.

ASU No. 2014-14, Receivables-Troubled Debt Restructurings by Creditors (Subtopic 310-40) — "Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure (a consensus of the FASB Emerging Issues Task Force)". The ASU has been issued to reduce diversity in practice in the classification of foreclosed residential mortgage loans held by creditors that are fully guaranteed under certain government programs, including the Federal Housing Administration guarantees. A residential mortgage loan would be derecognized and a separate other receivable would be recognized upon foreclosure if the loan has both of the following characteristics: (i) the loan has a government guarantee that is not separable from the loan before foreclosure entitling the creditor to the full unpaid principal balance of the loan; and (ii) at the time of foreclosure, the creditor has the intent to make a claim on the guarantee and the ability to recover the full unpaid principal balance of the loan through the guarantee. Notably, upon foreclosure, the separate other receivable would be measured based on the current amount of the loan balance expected to be recovered under the guarantee. The amendments were effective for the Company as of January 1, 2016. This amendment did not impact the Company's financial statements and the Company does not expect the application of this guidance will have a material impact on the Company's financial statements in the future.

ASU No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): "Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU has been issued to improve the recognition and measurement of financial instruments by requiring 1) equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; 2) separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements; 3) the use of the exit price notion when measuring fair value of financial instruments for disclosure purposes; and 4) separate presentation by the reporting organization in other comprehensive income for the portion of the total change in the fair value of a liability resulting from the change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The standard is effective for the Company beginning on January 1, 2018. The Company holds a portfolio of marketable equity securities; depending on the size and composition of the portfolio at the adoption date, the impact of the ASU could be material to the Company's consolidated financial statements.

ASU 2016-02, Leases (Topic 842). The amendments in this update require lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Accounting by lessors will remain largely unchanged. The guidance will be effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. Adoption will require a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented. The Company does not expect the application of this guidance will have a material impact on the Company's financial statements.

ASU 2016-09, Compensation Stock — Compensation (Topic 718): "Improvements to Employee Share Based Payment Accounting." This ASU changes how companies account for certain aspects of share based payments to employees. Entities will be required to recognize the income tax effects of awards in the statement of income when the awards vest or are settled, the guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation and for forfeitures is changing and the update requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity. The amendments in this update will be effective for the Company on January 1, 2017 and interim periods within that annual period. The Company does not expect the application of this guidance to have a material impact on the Company's financial statements.

ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): "Measurement of Credit Losses on Financial Instruments." The ASU changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking "expected loss" model that will replace today's "incurred loss" model and can result in the earlier recognition of credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to current practice, except that the losses will be recognized as an allowance. The amendments in this update will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently evaluating the impact of its pending adoption of this guidance on the Company's financial statements.

ASU No. 2016-15, Statement of Cash Flows (Topic 230): "Classification of Certain Cash Receipts and Cash Payments." This ASU changes how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230, Statement of Cash Flows, and other Topics. The amendments address the classification of the following eight items in the statement of cash flows; debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the Predominance Principle. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company does not expect the application of this guidance to have a material impact on the Company's financial statements.

ASU No. 2016-18, Statement of Cash Flows (Topic 230): "Restricted Cash" This ASU provide guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company does not expect the application of this guidance to have a material impact on the Company's financial statements.

NOTE 3 — INVESTMENTS IN SECURITIES

In May 2016, the Company reclassified its $44.2 million held-to-maturity investment portfolio to available-for-sale. Due to its strong outlook for loan growth and falling interest rates, the Company decided to proceed with the reclassification to provide liquidity. The reclassification increased total shareholders' equity by $1.3 million associated with the recording of the net security gains on the portfolio, net of tax effect, to accumulated other comprehensive income. In accordance with regulatory and accounting requirements, the Company is prohibited from classifying security purchases as held-to-maturity for a period of two years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following summarizes the amortized cost of investment securities classified as available-for-sale and their approximate fair values at December 31, 2016 and 2015:

(In thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2016				
State and municipal	$ 49,367	$ 1,281	$ 68	$ 50,580
Corporate debt	1,000	31	—	1,031
Asset-backed securities	8,747	—	69	8,678
Government mortgage-backed securities	41,818	435	339	41,914
Trust preferred securities	1,368	—	400	968
Marketable equity securities	11,492	3,551	218	14,825
	113,792	5,298	1,094	117,996
Money market mutual funds included in cash and cash equivalents	(129)	—	—	(129)
Total available-for-sale securities	$ 113,663	$ 5,298	$ 1,094	$117,867
December 31, 2015				
U.S. Government and federal agency	$ 1,996	$ 37	$ —	$ 2,033
State and municipal	3,373	309	—	3,682
Corporate debt	1,000	71	—	1,071
Asset-backed securities	9,656	9	41	9,624
Government mortgage-backed securities	52,515	622	325	52,812
Trust preferred securities	1,368	55	307	1,116
Marketable equity securities	8,638	2,653	348	10,943
	78,546	3,756	1,021	81,281
Money market mutual funds included in cash and cash equivalents	(297)	—	—	(297)
Total available-for-sale securities	$ 78,249	$ 3,756	$ 1,021	$ 80,984

The following summarizes the amortized cost of investment securities classified as held-to-maturity and their approximate fair values at December 31, 2015:

(In thousands)	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2015				
State and municipal	$ 44,623	$ 1,905	$ 54	$46,474

The scheduled maturities of debt securities were as follows at December 31, 2016:

(In thousands)	Available-for-Sale Fair Value
Due within one year	$ 1,813
Due after one year through five years	2,326
Due after five years through ten years	7,810
Due after ten years	40,630
Government mortgage-backed securities	41,914
Asset-backed securities	8,678
	$ 103,171

During the years ended December 31, 2016 and 2015, gross realized gains on sales, calls and donated securities were $693,000 and $328,000, respectively, and gross losses realized were $3,000 and $11,000, respectively.

There were no securities of issuers whose aggregate carrying amount exceeded 10% of equity at December 31, 2016.

Securities with carrying amounts of $60.6 million and $61.7 million were pledged to secure available borrowings with the Federal Reserve Bank and Federal Home Loan Bank at December 31, 2016 and 2015, respectively.

The aggregate fair value and unrealized losses of securities that have been in a continuous unrealized-loss position for less than twelve months and for twelve months or more, and are temporarily impaired, are as follows at December 31, 2016 and 2015:

	Less than 12 Months		12 Months or Longer		Total	
(In thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2016						
Temporarily impaired securities:						
State and municipal	$ 6,413	$ 63	$ 160	$ 5	$ 6,573	$ 68
Asset-backed securities	8,104	60	574	9	8,678	69
Government mortgage-backed securities	20,868	247	2,770	92	23,638	339
Trust preferred securities	26	18	942	382	968	400
Marketable equity securities	1,942	104	768	114	2,710	218
Total temporarily impaired securities	$37,353	$ 492	$ 5,214	$ 602	$42,567	$ 1,094
December 31, 2015						
Temporarily impaired securities:						
State and municipal	$ 3,195	$ 28	$ 729	$ 26	$ 3,924	$ 54
Asset-backed securities	5,062	7	2,005	34	7,067	41
Government mortgage-backed securities	21,108	88	9,156	237	30,264	325
Trust preferred securities	—	—	1,017	307	1,017	307
Marketable equity securities	1,591	166	529	182	2,120	348
Total temporarily impaired securities	$30,956	$ 289	$13,436	$ 786	$44,392	$ 1,075

Government mortgage-backed securities, state and municipal securities and asset-backed securities: Because the decline in fair value of the government mortgage-backed securities, asset backed securities and state and municipal securities is primarily attributable to changes in interest rates and not credit quality, and because the Company has the intent and ability to hold these investments until market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

Marketable equity securities: Management continuously monitors equity securities for impairment by reviewing the financial condition of the issuer, company-specific events, industry developments, and general economic conditions. Management reviews corporate financial reports, credit agency reports and other publicly available information. Based on these reviews, these securities are not considered to be other-than-temporarily impaired.

Trust preferred securities: Management monitors its pooled-trust preferred securities for possible other-than-temporary-impairment on a quarterly basis. This review included an analysis of collateral reports, cash flows, stress default levels and financial ratios of the underlying issuers. Management utilizes a third party to compile this data and perform other-than-temporary-impairment cash flow testing. Critical assumptions that go into the other-than-temporary-impairment cash flow testing are prepayment speeds, default rates of the underlying issuers and discount margins. The result of the third-party other-than-temporary-impairment cash flow testing noted no other-than-temporary-impairment in 2016.

Activity related to the credit component recognized in earnings on debt securities held by the Company for which a portion of other-than-temporary impairment was recognized in other comprehensive income for the years ended December 31, 2016 and 2015 is as follows:

(In thousands)	
Trust preferred securities:	
Balance, December 31, 2014	$ 688
Additions for the credit component on debt securities in which an other-than-temporary impairment was previously recognized	—
Balance, December 31, 2015	688
Additions for the credit component on debt securities in which an other-than-temporary impairment was previously recognized	—
Balance, December 31, 2016	$ 688

NOTE 4 — LOANS

Loans consisted of the following at December 31, 2016 and 2015:

(In thousands)	2016	2015
Commercial real estate	$ 336,102	$ 285,356
Commercial	166,157	112,073
Residential real estate	76,850	92,392
Construction and land development	48,161	71,535
Consumer	6,172	1,855
	633,442	563,211
Allowance for loan losses	(8,590)	(7,905)
Deferred loan fees, net	(427)	(377)
Net loans	$ 624,425	$ 554,929

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth information regarding the allowance for loans and impaired loans by portfolio segment as of and for the years ended December 31, 2016 and 2015:

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Construction and Land Development	Consumer	Unallocated	Total
December 31, 2016							
Allowance for loan losses:							
Beginning balance	$ 3,827	$ 2,138	$ 412	$ 1,236	$ 119	$ 173	$ 7,905
Charge-offs	—	—	—	—	(44)	—	(44)
Recoveries	—	1	12	—	13	—	26
Provision (benefit)	676	374	(96)	(354)	191	(88)	703
Ending balance	$ 4,503	$ 2,513	$ 328	$ 882	$ 279	$ 85	$ 8,590
Ending balance:							
Individually evaluated for impairment	$ —	$ 46	$ —	$ —	$ —	$ —	$ 46
Ending balance:							
Collectively evaluated for impairment	4,503	2,467	328	882	279	85	8,544
Total allowance for loan losses ending balance	$ 4,503	$ 2,513	$ 328	$ 882	$ 279	$ 85	$ 8,590
Loans:							
Ending balance:							
Individually evaluated for impairment	$ 1,956	$ 1,660	$ 422	$ —	$ —	$ —	$ 4,038
Ending balance:							
Collectively evaluated for impairment	334,146	164,497	76,428	48,161	6,172	—	629,404
Total loans ending balance	$ 336,102	$ 166,157	$ 76,850	$ 48,161	$ 6,172	$ —	$633,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Construction and Land Development	Consumer	Unallocated	Total
December 31, 2015							
Allowance for loan losses:							
Beginning balance	$ 3,500	$ 1,751	$ 560	$ 872	$ 184	$ 357	$ 7,224
Charge-offs	—	(96)	—	—	(65)	—	(161)
Recoveries	—	20	6	—	11	—	37
Provision (benefit)	327	463	(154)	364	(11)	(184)	805
Ending balance	$ 3,827	$ 2,138	$ 412	$ 1,236	$ 119	$ 173	$ 7,905
Ending balance:							
Individually evaluated for impairment	$ —	$ 488	$ —	$ —	$ —	$ —	$ 488
Ending balance:							
Collectively evaluated for impairment	3,827	1,650	412	1,236	119	173	7,417
Total allowance for loan losses ending balance	$ 3,827	$ 2,138	$ 412	$ 1,236	$ 119	$ 173	$ 7,905
Loans:							
Ending balance:							
Individually evaluated for impairment	$ 3,272	$ 1,755	$ 437	$ —	$ —	$ —	$ 5,464
Ending balance:							
Collectively evaluated for impairment	282,084	110,318	91,955	71,535	1,855	—	557,747
Total loans ending balance	$ 285,356	$ 112,073	$ 92,392	$ 71,535	$ 1,855	$ —	$563,211

At December 31, 2016 and 2015, loans with an aggregate principal balance of $250.7 million and $245.8 million, respectively, were pledged to secure possible borrowings from the Federal Reserve Bank.

Certain directors and executive officers of the Company and companies in which they have significant ownership interests were customers of the Bank during 2016. Total loans to such persons and their companies amounted to $7.5 million and $8.5 million at December 31, 2016 and 2015, respectively. During the years ended December 31, 2016 and 2015, $271,000 and $6,000 of advances and principal payments of $1.3 million and $1.2 million were made, respectively.

Notes to Consolidated Financial Statements

The following tables set forth information regarding non-accrual loans and past-due loans by portfolio segment at December 31, 2016 and 2015:

(In thousands)	30 – 59 Days	60 – 89 Days	90 Days or More Past Due	Total Past Due	Total Current	Total Loans	90 Days or More Past Due and Accruing	Nonaccrual Loans
December 31, 2016								
Commercial real estate	$ —	$ —	$346	$346	$335,756	$336,102	$—	$ 346
Commercial	29	—	—	29	166,128	166,157	—	933
Residential real estate	—	—	—	—	76,850	76,850	—	303
Construction and land development	—	—	—	—	48,161	48,161	—	—
Consumer	—	—	—	—	6,172	6,172	—	—
Total	$ 29	$ —	$346	$375	$633,067	$633,442	$—	$ 1,582
December 31, 2015								
Commercial real estate	$ —	$ —	$ —	$ —	$285,356	$285,356	$—	$ 106
Commercial	—	—	—	—	112,073	112,073	—	1,147
Residential real estate	130	173	365	668	91,724	92,392	—	1,031
Construction and land development	—	—	—	—	71,535	71,535	—	—
Consumer	1	1	—	2	1,853	1,855	—	—
Total	$131	$174	$365	$670	$562,541	$563,211	$—	$ 2,284

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information about the Company's impaired loans by portfolio segment was as follows at December 31, 2016 and 2015:

(In thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2016					
With no related allowance recorded:					
Commercial real estate	$ 1,956	$ 1,956	$ —	$ 2,744	$ 188
Commercial	799	799	—	794	42
Residential real estate	422	422	—	429	20
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired with no related allowance	$ 3,177	$ 3,177	$ —	$ 3,967	$ 250
With an allowance recorded:					
Commercial real estate	$ —	$ —	$ —	$ —	$ —
Commercial	861	861	46	886	—
Residential real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired with an allowance recorded	$ 861	$ 861	$ 46	$ 886	$ —
Total					
Commercial real estate	$ 1,956	$ 1,956	$ —	$ 2,744	$ 188
Commercial	1,660	1,660	46	1,680	42
Residential real estate	422	422	—	429	20
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired loans	$ 4,038	$ 4,038	$ 46	$ 4,853	$ 250
December 31, 2015					
With no related allowance recorded:					
Commercial real estate	$ 3,272	$ 3,272	$ —	$ 3,788	$ 149
Commercial	661	661	—	611	20
Residential real estate	437	437	—	323	17
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired with no related allowance	$ 4,370	$ 4,370	$ —	$ 4,722	$ 186
With an allowance recorded:					
Commercial real estate	$ —	$ —	$ —	$ —	$ —
Commercial	1,094	1,094	488	901	2
Residential real estate	—	—	—	—	—
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired with an allowance recorded	$ 1,094	$ 1,094	$ 488	$ 901	$ 2
Total					
Commercial real estate	$ 3,272	$ 3,272	$ —	$ 3,788	$ 149
Commercial	1,755	1,755	488	1,512	22
Residential real estate	437	437	—	323	17
Construction and land development	—	—	—	—	—
Consumer	—	—	—	—	—
Total impaired loans	$ 5,464	$ 5,464	$ 488	$ 5,623	$ 188

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following summarizes troubled debt restructurings entered into during the years ended December 31, 2016 and 2015:

(Dollars in thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Year-Ended December 31, 2016			
Troubled debt restructurings:			
Commercial	1	$ 58	$ 58
	1	$ 58	$ 58
Year-Ended December 31, 2015			
Troubled debt restructurings:			
Commercial real estate	2	$ 464	$ 464
Commercial	8	1,578	1,578
Residential real estate	2	226	226
	12	$2,268	$2,268

None of the loans modified as troubled debt restructuring during 2016 and 2015 defaulted during the period after modification.

In 2016, we approved one troubled debt restructure totaling $58 thousand, with no specific reserve required based on an analysis of the borrower's repayment ability and/or collateral coverage. This commercial loan was placed on an extended 13-month interest only period with re-amortization to follow based on a five-year term.

In 2015, we approved nine troubled debt restructures with no specific reserves required based on an analysis of the borrowers' repayment ability and/or collateral coverage. Of these, two commercial loans to the same borrower were placed on a 13-month interest only period with re-amortization to follow based on the remaining term. One commercial loan and one owner-occupied commercial real estate mortgage to the same borrower were re-amortized over an extended term and maturity to ease up the borrowers' cash flow. One investment commercial real estate loan was placed on interest only payments to allow the borrower time to market the property, with principal and interest payments to follow. Two small commercial term loans were re-amortized under forbearance agreements with no reserve required due to 100% SBA guarantees. Finally, two residential real estate mortgages were modified to interest only payments and later were re-amortized over an extended term and maturity. We approved three troubled debt restructures that required a specific reserve consisting of a commercial loan term that was modified to defer principal payments. The Company classified this loan as doubtful and maintains a 50% reserve on the balance of the loan. Two commercial term loans were modified under forbearance agreements and a 15% reserve was applied, consisting of the non-SBA guaranteed portion of the loan balances.

At December 31, 2016 and 2015, there were no commitments to lend additional funds to borrowers whose loans were modified in troubled debt restructurings.

Credit Quality Information

The Company utilizes a seven grade internal loan rating system for commercial real estate, construction and land development, and commercial loans as follows:

Loans rated 1 – 3: Loans in these categories are considered "pass" rated loans with low to average risk.

Loans rated 4: Loans in this category are considered "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 5: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 6: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 7: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Company formally reviews the ratings on all commercial real estate, construction and land development, and commercial loans.

For residential real estate and consumer loans, the Company initially assesses credit quality based upon the borrower's ability to pay and rates such loans as pass. Subsequent risk rating downgrades are based upon the borrower's payment activity. All other residential and consumer loans are not formally rated.

The following tables present the Company's loans by risk rating and portfolio segment at December 31, 2016 and 2015:

(In thousands)	Commercial Real Estate	Commercial	Residential Real Estate	Construction and Land Development	Consumer	Total
December 31, 2016						
Grade:						
Pass	$ 319,712	$ 157,306	$ —	$ 48,161	$ —	$525,179
Special mention	4,471	1,668	—	—	—	6,139
Substandard	11,919	7,183	729	—	—	19,831
Not formally rated	—	—	76,121	—	6,172	82,293
Total	$ 336,102	$ 166,157	$ 76,850	$ 48,161	$ 6,172	$633,442
December 31, 2015						
Grade:						
Pass	$ 265,325	$ 106,677	$ —	$ 71,535	$ —	$443,537
Special mention	15,700	1,403	—	—	—	17,103
Substandard	4,331	3,083	1,329	—	—	8,743
Doubtful	—	910	—	—	—	910
Not formally rated	—	—	91,063	—	1,855	92,918
Total	$ 285,356	$ 112,073	$ 92,392	$ 71,535	$ 1,855	$563,211

The Bank has sold mortgage loans with servicing rights retained. The fair value of those servicing rights under GAAP is not material and has not been recognized in the 2016 and 2015 consolidated financial statements.

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were $11.2 million and $10.4 million at December 31, 2016 and 2015, respectively.

Notes to Consolidated Financial Statements

Note 5 — Premises and Equipment

The following is a summary of premises and equipment at December 31, 2016 and 2015:

(In thousands)	2016	2015
Land	$ 2,424	$ 2,424
Buildings and leasehold improvements	9,241	9,191
Furniture and equipment	4,499	4,190
Leasehold improvements	4,234	2,911
Construction in progress	—	1,251
	20,398	19,967
Accumulated depreciation and amortization	(8,811)	(8,361)
Premises and equipment, net	$ 11,587	$ 11,606

Depreciation and amortization expense was $832,000 and $713,000 for the years ended December 31, 2016 and 2015, respectively.

Note 6 — Deposits

The following is a summary of deposit balances by type at December 31, 2016 and 2015:

(In thousands)	2016	2015
NOW and demand	$ 280,773	$ 238,462
Regular savings	111,016	106,208
Money market deposits	145,321	108,377
Total non-certificate accounts	537,110	453,047
Term certificates of $100,000 or more	20,227	36,941
Term certificates less than $100,000	70,645	87,247
Total certificate accounts	90,872	124,188
Total deposits	$ 627,982	$ 577,235

The aggregate amounts of time deposits in denominations over $250,000 were $3.4 million and $3.4 million at December 31, 2016 and 2015, respectively.

At December 31, 2016 and 2015, the aggregate amount of brokered time deposits was $49.3 million and $63.8 million respectively. At December 31, 2016 and 2015, $49.3 million and $63.4 million, respectively, of brokered time deposits were included in time deposit accounts in denominations of less than $100,000 above.

At December 31, 2016 and 2015, the scheduled maturities for time deposits for each of the following five years are as follows:

(In thousands)	2016	2015
2016	$ —	$ 81,116
2017	69,775	27,746
2018	17,230	12,737
2019	1,414	679
2020	1,663	1,910
2021	790	—
Total	$ 90,872	$ 124,188

Deposits from related parties held by the Company at December 31, 2016 and 2015 amounted to $3.6 million and $3.1 million, respectively.

NOTE 7 — FEDERAL HOME LOAN BANK ADVANCES

Advances consist of funds borrowed from the FHLB. Maturities of advances from the FHLB for years ending after December 31, 2016 and 2015 are summarized as follows:

(In thousands)	2016	2015
2016	$ —	49,112
2017	35,000	5,000
2018	5,000	—
2020	6,358	3,311
2021	—	—
Thereafter	3,500	—
Total	$ 49,858	$ 57,423

Borrowings from the FHLB are secured by a blanket lien on qualified collateral, consisting primarily of loans with first mortgages secured by one to four family properties, certain commercial loans and qualified mortgage-backed government securities.

In August of 2015, the Bank modified $3.5 million of its FHLB borrowings and extended the maturity. The Bank incurred a prepayment penalty of $233,000. In accordance with ASC 470, the prepayment penalty is being amortized over the life of the newly modified borrowing.

At December 31, 2016, the interest rates on FHLB advances ranged from 0.72% to 3.99%. At December 31, 2016, the weighted average interest rate on FHLB advances was 1.36%.

NOTE 8 — INCOME TAXES

The components of income tax expense are as follows for the years ended December 31, 2016 and 2015:

(In thousands)	2016	2015
Current tax expense (benefit):		
Federal	$ 2,780	$ 2,066
State	653	277
Net operating loss carryforward	(14)	(14)
	3,419	2,329
Deferred tax expense (benefit):		
Federal	(302)	(745)
State	(92)	(221)
	(394)	(966)
Net income tax expense	$ 3,025	$ 1,363

Notes to Consolidated Financial Statements

The following is a summary of the differences between the statutory federal income tax rate and the effective tax rates for the years ended December 31, 2016 and 2015:

	2016	2015
Federal income tax at statutory rate	34.0%	34.0%
Increase (decrease) in tax resulting from:		
State tax, net of federal tax benefit	4.6	3.5
Tax exempt income and dividends received deduction	(4.8)	(9.5)
Gain on donated securities	(0.1)	(1.6)
Other	(1.4)	(0.1)
Effective tax rate	32.3%	26.3%

The following is a summary of the Company’s gross deferred tax assets and gross deferred tax liabilities at December 31, 2016 and 2015:

(In thousands)	2016	2015
Deferred tax assets:		
Allowance for loan losses	$ 3,431	$ 3,157
Net operating loss carryforward	54	69
Employee benefit plans and share-based compensation plans	2,406	1,940
Deferred loan fees, net	174	154
Writedown of securities	235	242
Reserve for unfunded commitments	54	68
Charitable contribution carryover	297	597
Other	56	16
Gross deferred tax assets	6,707	6,243
Deferred tax liabilities:		
Depreciation	(145)	(57)
FHLB restructure fees	(67)	(85)
Net unrealized holding gain on securities	(1,582)	(1,045)
Gross deferred tax liabilities	(1,794)	(1,187)
Net deferred tax asset	$ 4,913	$ 5,056

At December 31, 2016, the Company had federal net operating loss carryovers of $160,000. The carryovers were transferred to the Company upon the merger with Amesbury Cooperative Bank during the year ended December 31, 2001. The losses will expire in 2020 and are subject to certain annual limitations which amount to $42,000 per year.

The Company reduces the deferred tax asset by a valuation allowance if, based on the weight of the available evidence, it is not “more likely than not” that some portion or all of the deferred tax assets will be realized. The Company assesses the realizability of its deferred tax assets by assessing the likelihood of the Company generating federal and state income tax, as applicable, in future periods in amounts sufficient to offset the deferred tax charges in the periods they are expected to reverse. Based on this assessment, management concluded that a valuation allowance was not required as of December 31, 2016 and 2015.

It is the Company’s policy to provide for uncertain tax positions and the related interest and penalties based upon management’s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. At December 31, 2016 and 2015, there was no material uncertain tax positions related to federal and state income tax matters. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2013 through December 31, 2015.

NOTE 9 — EMPLOYEE BENEFITS & SHARE-BASED COMPENSATION PLANS

401(k) Plan

The Company sponsors a 401(k) plan. All employees are eligible to join the 401(k) plan. However, participants in the 401(k) plan must complete one year of service to be eligible for safe harbor contributions and employer discretionary contributions. A Safe Harbor Plan was adopted by the Company effective January 1, 2007. Under the Safe Harbor Plan, the Company matches 100% of employee contributions up to 6% of compensation. In addition, the Company may make a discretionary contribution to the 401(k) plan determined on an annual basis. Employees may contribute up to 75% of their salary subject to certain limits based on federal tax laws. The expense recognized under the 401(k) plan was $401,000 and $336,000 for the years ended December 31, 2016 and 2015, respectively.

Supplemental Executive Retirement Plans

The Company has Supplemental Executive Retirement Agreements with certain executive officers. These agreements are designed to supplement the benefits available through the Company’s retirement plan. The liability for the retirement benefits amounted to $4.4 million and $3.5 million at December 31, 2016 and 2015, respectively, and is included in other liabilities. The expense recognized for these benefits was $947,000 and $895,000 for the years ended December 31, 2016 and 2015, respectively.

Employee Stock Ownership Plan

The Bank maintains the ESOP to provide eligible employees the opportunity to own Company stock. This plan is a tax-qualified retirement plan for the benefit of Company employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax limits. The number of shares committed to be released per year through 2029 is 23,810.

The Company contributed funds to a subsidiary to enable it to grant a loan to the ESOP for the purchase of 357,152 shares of the Company’s stock at a price of $10.00 per share. The loan obtained by the ESOP from the Company’s subsidiary to purchase Company stock is payable annually over 15 years at a rate per annum equal to the prime rate (3.75% at December 31, 2016). Loan payments are principally funded by cash contributions from the Company.

Shares held by the ESOP include the following:

	December 31, 2016	December 31, 2015
Allocated	23,810	—
Committed to be allocated	23,810	23,810
Unallocated	309,532	333,342
Total	357,152	357,152

Shared-Based Compensation Plan

Under the Provident Bancorp, Inc. 2016 Equity Incentive Plan (the “Equity Plan”), the Company may grant options, restricted stock, restricted units or performance awards to its directors, officers and employees. Both incentive stock options and non-qualified stock options may be granted under the Equity Plan, with the total shares reserved for options equaling 446,440. The exercise price of each option equals the market price of the Company’s stock on the date of grant and the maximum term of each option is ten years. The total number of shares reserved for restricted stock or restricted units is 178,575. The value of restricted stock grants is based on the grant date fair value of the related stock. Options and awards vest ratably over five years. The fair value of shares awarded is based on the market price at the date of grant. Stock option awards granted to date under the Equity Plan expire ten years after issue date.

Expense related to options and restricted stock granted to directors is recognized as directors' fees within non-interest expense.

Stock Options

The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

- Volatility is based on peer group volatility because the Company does not have a sufficient trading history.
- Expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term, and the vesting period.
- The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected life of the option.

The fair value of options granted in 2016 is based on the following assumptions:

Date of Grant	November 17, 2016
Options granted	384,268
Vesting period (years)	5
Expiration date	November 17, 2026
Expected volatility	20.80%
Expected life (years)	7.5
Expected dividend yield	0.00%
Risk free interest rate	2.12%
Fair value per option	$5.03

A summary of the status of the Company's stock option grants for the year ended December 31, 2016, is presented in the table below:

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1, 2016	—	$ —	—	$ —
Granted	384,268	17.40	9.88	192,134
Balance at December 31, 2016	384,268	$17.40	9.88	$ 192,134
Outstanding and expected to vest at December 31, 2016	384,268	$17.40	9.88	$ 192,134
Exercisable at December 31, 2016	—	—	—	—
Unrecognized compensation cost	$ 1,884,000			
Weighted average remaining recognition period (years)	4.88			

Total expense for the stock options was $47,000 for the year ended December 31, 2016. There was no stock-based compensation expense for the year ended December 31, 2015.

Restricted Stock

Shares issued upon vesting may be either authorized but unissued shares or reacquired shares held by the Company. Any shares not issued because vesting requirements are not met will again be available for issuance under the plan. The fair market value of shares awarded, based on the market prices at the date of grant, is recorded as unearned compensation and amortized over the applicable vesting period.

The following table presents the activity in restricted stock awards under the Equity Plan for the year ended December 31, 2016:

	Outstanding Restricted Stock Awards	Weighted Average Grant Price
Restricted stock awards at January 1, 2016	—	$ —
Granted	153,726	17.40
Restricted stock awards at December 31, 2016	153,726	$ 17.40
Unrecognized compensation cost	$ 2,609,000	
Weighted average remaining recognition period (years)	4.88	

Total expense for the restricted stock awards was $66,000 for the year ended December 31, 2016. There was no stock-based compensation expense for the year ended December 31, 2015.

Long-Term Incentive Plan

The Bank awards compensation through a plan called The Provident Bank Long-Term Incentive Plan. The purpose of the plan is to provide deferred compensation to officers of the Bank and to provide performance incentives for such persons. Such deferred compensation is based upon the award of phantom stock, the value of which is based on the Bank's ability to grow earnings and capital.

Compensation under the Plan is accrued over the vesting period.

The liability for the plan amounted to $1.4 million and $1.3 million at December 31, 2016 and 2015, respectively, and is included in other liabilities. Expenses relating to the plan amounted to $485,000 and $480,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 — EARNINGS PER SHARE

Earnings per share consisted of the following components for the year ended December 31, 2016. The Company was not publicly traded for all of 2015 and, as a result, earnings per share is not presented for 2015.

(Dollars in thousands)	Year Ended December 31, 2016
Net Income attributable to common shareholders	$ 6,339
Average number of common shares outstanding	9,498,722
Less: unallocated ESOP shares	(322,338)
Average number of common shares outstanding to calculate basic earnings per common share	9,176,384
Effect of dilutive unvested restricted stock and stock option awards	—
Average number of common shares outstanding to calculate diluted earnings per common share	9,176,384

For the year ended December 31, 2016, 537,994 of stock grants were anti-dilutive and therefore excluded from the earnings per share calculation. Anti-dilutive shares are common stock equivalents with weighted average exercise prices in excess of the weighted average market value for the periods presented.

Note 11 — REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Effective January 1, 2015 (with a phase-in period of two to four years for certain components), the Bank became subject to capital regulations adopted by the FDIC, which implement the Basel III regulatory capital reforms and the changes required by the Dodd-Frank Act. The new regulations require a new Common Equity Tier 1 ("CET1") capital ratio of 4.5%, a minimum Tier 1 capital to risk-weighted assets ratio of 6.0%, a minimum total capital to risk-weighted assets ratio of 8.0% and a minimum Tier 1 leverage ratio of 4.0%. CET1 generally consists of common stock and retained earnings, subject to applicable adjustments and deductions. Under new prompt corrective action regulations, in order to be considered "well capitalized," the Bank must maintain a CET1 capital ratio of 6.5% and a Tier 1 ratio of 8.0%, a total risk based capital ratio of 10% and a Tier 1 leverage ratio of 5.0%. In addition, the regulations establish a capital conservation buffer above the required capital ratios that started phasing in on January 1, 2016 at 0.625% of risk-weighted assets and increases each year by 0.625% until it is fully phased in at 2.5% effective January 1, 2019. Beginning January 1, 2016, failure to maintain the capital conservation buffer will limit the ability of the Bank and the Company to pay dividends, repurchase shares or pay discretionary bonuses.

The new regulations implemented changes to what is included in regulatory capital. Certain instruments no longer constitute qualifying capital, subject to phase-out periods. In addition, Tier 2 capital is no longer limited to the amount of Tier 1 capital included in total capital. Mortgage servicing rights, certain deferred tax assets and investments in unconsolidated subsidiaries over designated percentages of CET1 must be deducted from capital. The Bank has elected to permanently opt-out of the inclusion of accumulated other comprehensive income in capital calculations, as permitted by the regulations. This opt-out will reduce the impact of market volatility on the Bank's regulatory capital ratios.

The new regulations also changed the risk weights of certain assets, including an increase in the risk weight of certain high volatility commercial real estate acquisition, development and construction loans and non-residential mortgage loans that are 90 days past due or on non-accrual status to 150% from 100%, a credit conversion factor for the unused portion of commitments with maturities of less than one year that are not cancellable to 20% from 0%, an increase in the risk weight for mortgage servicing rights and deferred tax assets that are not deducted from capital to 250% from 100%, and an increase in the risk weight for equity exposures to 600% from 0%.

As of December 31, 2016 and 2015, the Bank met the conditions to be classified as well capitalized under the regulatory framework for prompt corrective action.

The Bank's actual capital amounts and ratios at December 31, 2016 and 2015 are summarized as follows:

	Actual Capital		For Capital Adequacy Purposes			To Be Well Capitalized Under Prompt Corrective Action Provisions		
(Dollars in thousands)	Amount	Ratio	Amount		Ratio	Amount		Ratio
December 31, 2016								
Total Capital (to Risk Weighted Assets)	$107,731	15.88%	$ 54,272	≥	8.0%	$ 67,840	≥	10.0%
Tier 1 Capital (to Risk Weighted Assets)	97,750	14.41	40,704	≥	6.0	54,272	≥	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets)	97,750	14.41	30,528	≥	4.5	44,096	≥	6.5
Tier 1 Capital (to Average Assets)	97,750	12.59	31,058	≥	4.0	38,822	≥	5.0
December 31, 2015								
Total Capital (to Risk Weighted Assets)	$104,032	17.06%	$ 48,780	≥	8.0%	$ 60,975	≥	10.0%
Tier 1 Capital (to Risk Weighted Assets)	95,370	15.64	36,585	≥	6.0	48,780	≥	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets)	95,370	15.64	27,439	≥	4.5	39,634	≥	6.5
Tier 1 Capital (to Average Assets)	95,370	13.42	28,435	≥	4.0	35,544	≥	5.0

NOTE 12 — COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 2016, the Company was obligated under non-cancelable operating leases for bank premises and equipment.

The total minimum rental due in future periods under these existing agreements is as follows at December 31, 2016:

(In thousands)	
2017	$ 302
2018	302
2019	293
2020	245
2021	252
Years thereafter	2,110
Total minimum lease payments	$ 3,504

The total rental expense amounted to $322,000 and $279,000 for the years ended December 31, 2016 and 2015, respectively.

NOTE 13 — FINANCIAL INSTRUMENTS

The Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to originate loans, standby letters of credit and unadvanced funds on loans. The instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for loan commitments and standby letters of credit is represented by the contractual amounts of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to originate loans are agreements to lend to a customer provided there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include secured interests in real property, accounts receivable, inventory, property, plant and equipment and income producing properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At December 31, 2016 and 2015, the maximum potential amount of the Company's obligation was $5.2 million and $5.5 million, respectively, for financial and standby letters of credit. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit.

Notional amounts of financial instrument with off-balance sheet credit risk are as follows at December 31, 2016 and 2015:

(In thousands)	**2016**	**2015**
Commitments to originate loans	$ 25,363	$ 15,592
Letters of credit	5,164	5,474
Unadvanced portions of loans	202,032	191,598
	$ 232,559	$ 212,664

NOTE 14 — SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

Most of the Company's business activity is with customers located within Massachusetts and New Hampshire. There are no concentrations of credit to borrowers that have similar economic characteristics. The majority of the Company's loan portfolio is comprised of loans collateralized by real estate located in Massachusetts and New Hampshire.

NOTE 15 — FAIR VALUE MEASUREMENTS

The Company reports certain assets at fair value in accordance with GAAP, which defines fair value and establishes a framework for measuring fair value in accordance with generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

Basis of Fair Value Measurements

- Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 — Observable inputs other than level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability;

- Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair Values of Financial Instruments Measured on a Recurring Basis

The Company's investments in U.S. Government and federal agency, state and municipal, corporate debt, asset-backed and government mortgage-backed securities available-for-sale is generally classified within Level 2 of the fair value hierarchy. For these investments, we obtain fair value measurements from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument's terms and conditions.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used. Subsequent to inception, management only changes Level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalization and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows. The Company classifies its investments in trust preferred securities as Level 3 securities.

The Company classified its investments in marketable equity securities as Level 1 securities.

The following summarizes financial instruments measured at fair value on a recurring basis at December 31, 2016 and 2015:

	Fair Value Measurements at Reporting Date Using			
(In thousands)	**Total**	**Quoted Prices in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**
December 31, 2016				
State and municipal	$ 50,580	$ —	$ 50,580	$ —
Corporate debt	1,031	—	1,031	—
Asset-backed securities	8,678	—	8,678	—
Mortgage-backed securities	41,914	—	41,914	—
Trust preferred securities	968	—	—	968
Marketable equity securities	14,696	14,696	—	—
Totals	$117,867	$14,696	$102,203	$ 968
December 31, 2015				
U.S. Government and federal agency	$ 2,033	$ —	$ 2,033	$ —
State and municipal	3,682	—	3,682	—
Corporate debt	1,071	—	1,071	—
Asset-backed securities	9,624	—	9,624	—
Government mortgage-backed securities	52,812	—	52,812	—
Trust preferred securities	1,116	—	—	1,116
Marketable equity securities	10,646	10,646	—	—
Totals	$ 80,984	$10,646	$ 69,222	$ 1,116

The Company did not have any transfers of financial instruments measured at fair value on a recurring basis between Levels 1 and 2 of the fair value hierarchy during the years ended December 31, 2016 and 2015.

The following is a summary of activity for Level 3 financial instruments measured at fair value on a recurring basis at December 31, 2016 and 2015:

(In thousands)	Available for Sale Securities
Balance beginning January 1, 2015	$ 1,122
Total gains or (losses) (realized/unrealized)	
Included in earnings	—
Included in other comprehensive income	128
Paydowns	(134)
Ending balance, December 31, 2015	$ 1,116
Balance beginning January 1, 2016	$ 1,116
Total gains or (losses) (realized/unrealized)	
Included in earnings	—
Included in other comprehensive income	(148)
Paydowns	—
Ending balance, December 31, 2016	$ 968

Fair Values of Financial Instruments Measured on a Nonrecurring Basis

The Company's impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using Level 2 inputs based upon appraisals of similar properties obtained from a third party. For Level 3 inputs, fair value is based upon management estimates of the value of the underlying collateral or the present value of the expected cash flows.

The following summarizes financial instruments measured at fair value on a nonrecurring basis at December 31, 2016 and 2015:

	Fair Value Measurements at Reporting Date Using:			
(In thousands)	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2016				
Impaired loans	$815	$—	$—	$ 815
December 31, 2015				
Impaired loans	$606	$—	$—	$ 606

The following is a summary of the valuation methodology and unobservable inputs for Level 3 assets measured at fair value on a nonrecurring basis at December 31, 2016 and 2015:

(In thousands)	Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
December 31, 2016				
Impaired loans	$ 815	Real estate appraisals	Discount for dated appraisals	6 – 10%
December 31, 2015				
Impaired loans	$ 606	Real estate appraisals	Discount for dated appraisals	6 – 10%

NOTE 16 — DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS

GAAP requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Certain financial instruments and all nonfinancial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The carrying amounts and estimated fair values of the Company's financial instruments, all of which are held or issued for purposes other than trading, are as follows at December 31, 2016 and 2015:

		Fair Value			
(In thousands)	Carrying Amount	Level 1	Level 2	Level 3	Total
December 31, 2016					
Financial assets:					
Cash and cash equivalents	$ 10,705	$ 10,705	$ —	$ —	$ 10,705
Available-for-sale securities	117,867	14,696	102,203	968	117,867
Federal Home Loan Bank of Boston stock	2,787	2,787	—	—	2,787
Loans, net	624,425	—	—	632,278	632,278
Accrued interest receivable	2,320	—	2,320	—	2,320
Financial liabilities:					
Deposits	627,982	—	—	628,060	628,060
Federal Home Loan Bank advances	49,858	—	49,901	—	49,901
December 31, 2015					
Financial assets:					
Cash and cash equivalents	$ 20,464	$ 20,464	$ —	$ —	$ 20,464
Available-for-sale securities	80,984	10,646	69,222	1,116	80,984
Held-to-maturity securities	44,623	—	46,474	—	46,474
Federal Home Loan Bank of Boston stock	3,310	3,310	—	—	3,310
Loans, net	554,929	—	—	561,937	561,937
Accrued interest receivable	2,251	—	2,251	—	2,251
Financial liabilities:					
Deposits	577,235	—	—	577,316	577,316
Federal Home Loan Bank advances	57,423	—	57,774	—	57,774

The carrying amounts of financial instruments shown above are included in the consolidated balance sheets under the indicated captions. Accounting policies related to financial instruments are described in Note 2.

NOTE 17 — SMALL BUSINESS LENDING FUND

On September 13, 2011, as part of the Small Business Lending Fund Program ("SBLF") of the U. S. Treasury ("Treasury"), the Company issued and sold to the Treasury 17,145 shares of the Company's Non-Cumulative Perpetual Preferred Stock, Series A, no par value, having liquidation preference of $1,000 per preferred share (the "Series A Preferred Stock").

The initial rate payable on SBLF capital is, at most, five percent, and the rate falls to one percent if a bank's small business lending increases by ten percent or more. Banks that increase their lending by less than ten percent pay rates between two percent and four percent. If a bank's lending does not increase in the first two years, however, the rate increases to seven percent, and after 4.5 years total, the rate for all banks increases to nine percent (if the bank has not already repaid the SBLF funding). The dividend will be paid only when declared by the Company's Board of Directors. The Series A Preferred Stock has no maturity date and ranks senior to Common Stock with respect to the payment of dividends and distributions and amounts payable upon liquidation, dissolution and winding up of the Company. The Company's dividend rate on SBLF capital at December 31, 2015 was 1.0%. SBLF dividends paid for the year ended December 31, 2015 amounted to $167,000.

On December 21, 2015, the Company redeemed the 17,145 shares of Series A Preferred Stock issued to the Treasury under the SBLF preferred stock program with a payment to the Treasury of $17.1 million plus accrued dividends.

NOTE 18 — RECLASSIFICATION

Certain amounts in the prior year have been reclassified to be consistent with the current year's consolidated financial statement presentation, and had no effect on the net income reported in the consolidated income statement.

NOTE 19 — CONDENSED FINANCIAL STATEMENTS OF PARENT ONLY

Financial information pertaining only to Provident Bancorp, Inc. is as follows:

Provident Bancorp, Inc. — Parent Only Balance Sheet

(In thousands)	2016	2015
Assets		
Cash and due from banks	$ 5,659	$ 961
Investment in common stock of The Provident Bank	100,426	97,128
Other assets	3,138	3,338
Total assets	$ 109,223	$ 101,427
Liabilities and Shareholders' Equity		
Accrued expenses	$ 73	$ 21
Shareholders' equity	109,150	101,406
Total liabilities and shareholders' equity	$ 109,223	$ 101,427

Provident Bancorp, Inc. — Parent Only Income Statement

	Year Ended December 31,	
(In thousands)	2016	2015
Total income	$ 4,549	$ 54
Operating expenses	95	9
Income before income taxes and equity in undistributed net income of The Provident Bank	4,454	45
Applicable income tax provision	8	—
Income before equity in income of subsidiaries	4,446	—
Equity in undistributed net income of The Provident Bank	1,893	3,778
Net income	$ 6,339	$ 3,823

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Provident Bancorp, Inc. — Parent Only Statement of Cash Flows

(In thousands)	Twelve Months Ended December 31, 2016	2015
Cash flows from operating activities:		
Net income	$ 6,339	$ 3,823
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in undistributed earnings of subsidiaries	(1,893)	(3,778)
Contribution of stock to charitable foundation	—	1,900
Decrease (increase) in other assets	200	(3,338)
Increase (decrease) in other liabilities	52	(22)
Net cash provided by (used in) operating activities	4,698	(1,415)
Cash flows from investing activities:		
Investment in The Provident Bank	—	(18,078)
Net cash used in investing activities	—	(18,078)
Cash flows from financing activities:		
Proceeds from sale of common stock, net	—	37,625
Redemption of SBLF preferred stock	—	(17,145)
Preferred stock dividends	—	(167)
Net cash provided by (used) in financing activities	—	20,313
Net increase in cash and cash equivalents	4,698	820
Cash and cash equivalents at beginning of year	961	141
Cash and cash equivalents at end of year	$ 5,659	$ 961

NOTE 20 — SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(In thousands)	First Quarter 2016	First Quarter 2015	Second Quarter 2016	Second Quarter 2015	Third Quarter 2016	Third Quarter 2015	Fourth Quarter 2016	Fourth Quarter 2015
Interest and dividend income	$6,980	$6,074	$7,026	$6,252	$7,426	$6,448	$7,462	$6,678
Interest expense	697	547	681	550	713	567	694	510
Net interest and dividend income	6,283	5,527	6,345	5,702	6,713	5,881	6,768	6,168
Provision for loan losses	111	278	210	193	163	174	219	160
Gain on sale of securities, net	20	81	17	21	438	215	215	—
Other income	915	743	950	838	925	945	955	963
Total noninterest income	935	824	967	859	1,363	1,160	1,170	963
Total noninterest expense	4,924	4,667	5,080	4,680	5,212	6,871	5,261	4,875
Income tax expense (benefit)	696	393	659	459	940	(134)	730	645
Net income	$1,487	$1,013	$1,363	$1,229	$1,761	$ 130	$1,728	$1,451
Income (loss) per share:								
Basic	$ 0.16	N/A	$ 0.15	N/A	$ 0.19	N/A	$ 0.19	N/A
Diluted	$ 0.16	N/A	$ 0.15	N/A	$ 0.19	N/A	$ 0.19	N/A
Weighted Average Shares:								
Basic	9,167,364	N/A	9,173,317	N/A	9,179,269	N/A	9,185,285	N/A
Diluted	9,167,364	N/A	9,173,317	N/A	9,179,269	N/A	9,185,285	N/A

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Section 2: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David P. Mansfield, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K/A of Provident Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 5, 2017

/s/ David P. Mansfield

David P. Mansfield
President and Chief Executive Officer

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Section 3: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Carol L. Houle, certify that:

1. I have reviewed this Amendment No. 2 to the Annual Report on Form 10-K/A of Provident Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 5, 2017

/s/ Carol L. Houle

Carol L. Houle
Executive Vice President and Chief Financial Officer

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Section 4: EX-32 (EXHIBIT 32)

EXHIBIT 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

David P. Mansfield, President and Chief Executive Officer of Provident Bancorp, Inc. (the “Company”), and Carol L. Houle, Executive Vice President and Chief Financial Officer of the Company, each certify in his or her capacity as an officer of the Company that they have reviewed the Amendment No. 2 to the Annual Report on Form 10-K/A for the year ended December 31, 2016 (the “Report”) and that to the best of their knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 5, 2017	/s/ David P. Mansfield
	David P. Mansfield President and Chief Executive Officer
Date: April 5, 2017	/s/ Carol L. Houle
	Carol L. Houle Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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