

FEDERAL RESERVE SYSTEM

Provident Financial Services, Inc.  
Jersey City, New Jersey

Order Approving the Merger of Bank Holding Companies

Provident Financial Services, Inc. (“Provident”), Jersey City, New Jersey, a financial holding company within the meaning of the Bank Holding Company Act (“BHC Act”),<sup>1</sup> has requested the Board’s approval under section 3 of the BHC Act<sup>2</sup> to merge with Lakeland Bancorp, Inc. (“Lakeland”), Oak Ridge, New Jersey, a financial holding company, and thereby indirectly acquire Lakeland’s state nonmember bank subsidiary, Lakeland Bank, Newfoundland, New Jersey. Following the proposed transaction, Lakeland Bank would be merged with and into Provident’s subsidiary state nonmember bank, Provident Bank, Jersey City, New Jersey.<sup>3</sup>

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (87 Federal Register 68,496 (November 15, 2022)), in accordance with the Board’s Rules of Procedure.<sup>4</sup> The time for submitting comments has expired, and the Board has considered the proposal and the comments received in light of the factors set forth in section 3 of the BHC Act.

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> 12 U.S.C. § 1842.

<sup>3</sup> The merger of Lakeland Bank with and into Provident Bank is subject to the approval of the Federal Deposit Insurance Corporation (“FDIC”), under section 18(c) of the Federal Deposit Insurance Act. 12 U.S.C. § 1828(c) (“Bank Merger Act”). The FDIC approved the Bank Merger Act application on March 21, 2024.

<sup>4</sup> 12 CFR 262.3(b).

Provident, with consolidated assets of approximately \$14.2 billion, is the 128th largest insured depository organization in the United States.<sup>5</sup> Provident controls approximately \$10.3 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States.<sup>6</sup> Provident controls Provident Bank, which operates in New Jersey, Pennsylvania, and New York. Provident Bank is the 8th largest insured depository institution in New Jersey, controlling deposits of approximately \$9.8 billion, which represent approximately 2.2 percent of the total deposits of insured depository institutions in that state. Provident Bank is the 132nd largest depository institution in New York, and the 112th largest depository institution in Pennsylvania, controlling deposits of approximately \$236 million and \$280 million, in New York and Pennsylvania, respectively, which represent less than 1 percent of the total deposits of insured depository institutions in each state.

Lakeland, with consolidated assets of approximately \$11.1 billion, is the 149th largest insured depository organization in the United States. Lakeland controls approximately \$8.6 billion in consolidated deposits, which represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. Lakeland controls Lakeland Bank, which operates in New Jersey and New York. Lakeland Bank is the 11th largest insured depository institution in New Jersey, controlling deposits of approximately \$8.4 billion, which represent approximately 1.9 percent of the total deposits of insured depository institutions in New Jersey. Lakeland Bank is the 156th largest depository institution in New York, controlling deposits of approximately \$105 million, which represent less than 1 percent of the total deposits of insured depository institutions in New York.

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<sup>5</sup> Consolidated asset and national ranking data are as of December 31, 2023.

<sup>6</sup> Consolidated national deposit and market share data are as of December 31, 2023. State deposit and ranking data are as of June 30, 2023. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

On consummation of this proposal, Provident would become the 83rd largest insured depository organization in the United States, with consolidated assets of approximately \$25.3 billion, which would represent less than 1 percent of the total assets of insured depository organizations in the United States. Provident would control total consolidated deposits of approximately \$18.9 billion, which would represent less than 1 percent of the total amount of deposits of insured depository institutions in the United States. In New Jersey, Provident Bank would become the 7th largest insured depository institution, controlling deposits of approximately \$18.2 billion, which represent approximately 4.1 percent of the total deposits of insured depository institutions in that state. Provident Bank would also become the 118th largest depository institution in New York, controlling deposits of approximately \$341 million, which represent less than 1 percent of the total deposits of insured depository institutions in New York.

### ***Interstate Analysis***

Section 3(d) of the BHC Act generally provides that, if certain conditions are met, the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank located in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.<sup>7</sup> The Board may not approve under this provision an application that would permit an out-of-state bank holding company to acquire a bank in a host state if the target bank has not been in existence for the lesser of the state statutory minimum period of time or five years.<sup>8</sup> When determining whether to approve an application under this provision, the Board must take into account the record of the applicant's depository institution under the Community Reinvestment Act of 1977 ("CRA")<sup>9</sup> and the applicant's record of compliance with applicable state community

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<sup>7</sup> 12 U.S.C. § 1842(d)(1)(A).

<sup>8</sup> 12 U.S.C. § 1842(d)(1)(B).

<sup>9</sup> 12 U.S.C. § 2901 et seq.

reinvestment laws.<sup>10</sup> In addition, the Board may not approve an interstate application under this provision if the bank holding company controls or, upon consummation of the proposed transaction, would control more than 10 percent of the total deposits of insured depository institutions in the United States or, in certain circumstances, if the bank holding company, upon consummation, would control 30 percent or more of the total deposits of insured depository institutions in any state in which the acquirer and target have overlapping banking operations.<sup>11</sup>

For purposes of this provision, the home state of Provident is New Jersey.<sup>12</sup> Lakeland Bank is located in New Jersey and New York. Provident is well capitalized and well managed under applicable law. Lakeland Bank has been in existence for more than five years, and Provident Bank has a “Satisfactory” rating under the CRA.<sup>13</sup>

On consummation of the proposed transaction, Provident would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. Of the states in which Provident and Lakeland overlap, New Jersey imposes a 30 percent limit on the total amount of in-state deposits that a single banking organization may control, and New York does not impose a limit.<sup>14</sup> The combined organization would control approximately 4.0 percent of the total amount of

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<sup>10</sup> 12 U.S.C. § 1842(d)(3).

<sup>11</sup> 12 U.S.C. § 1842(d)(2)(A) and (B). Under section 3(d) of the BHC Act, the acquiring and target organizations have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)–(7).

<sup>12</sup> 12 U.S.C. § 1841(o)(4). A bank holding company’s home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

<sup>13</sup> New York has a state community reinvestment law, which does not apply to this proposal. See NY CLS Bank § 28-b; 3 NYCRR Part 76.

<sup>14</sup> See N.J. Rev. Stat. § 17:9A-133.1(b).

deposits of insured depository institutions in New Jersey and less than 1 percent of such deposits in New York. Accordingly, in light of all the facts of record, the Board is not precluded from approving the proposal under section 3(d) of the BHC Act.

### ***Competitive Considerations***

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of an attempt to monopolize the business of banking in any relevant market.<sup>15</sup> The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the communities to be served.<sup>16</sup>

Provident and Lakeland have subsidiary banks that compete directly in the Metro New York City, NY-NJ-CT-PA, banking market (“Metro New York City market”)<sup>17</sup> and the Philadelphia, Pennsylvania, banking market (“Philadelphia market”).<sup>18</sup>

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<sup>15</sup> 12 U.S.C. § 1842(c)(1)(A).

<sup>16</sup> 12 U.S.C. § 1842(c)(1)(B).

<sup>17</sup> The Metro New York City market is defined as Fairfield County, Connecticut; portions of Litchfield County, Connecticut; portions of New Haven County, Connecticut; Bronx, Dutchess, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster, and Westchester counties, New York; portions of Columbia County, New York; portions of Greene County, New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties, New Jersey; portions of Burlington County, New Jersey; portions of Mercer County, New Jersey; portions of Warren County, New Jersey; Pike County, Pennsylvania; portions of Monroe County, Pennsylvania; and portions of Wayne County, Pennsylvania.

<sup>18</sup> The Philadelphia market is defined as Camden, Cumberland, Gloucester, and Salem counties, New Jersey; Beverly, Bordentown, and Burlington cities, Fieldsboro, Palmyra, and Riverton boroughs, and Bordentown, Burlington, Chesterfield, Cinnaminson, Delanco, Delran, Eastampton, Edgewater Park, Evesham, Florence, Hainesport, Lumberton, Mansfield, Maple Shade, Medford, Moorestown, Mount Holly, Mount Laurel, Riverside, Springfield, and Willingboro townships in Burlington County, New

The Board has considered the competitive effects of the proposal in these banking markets. In particular, the Board has considered the relative share of total deposits in insured depository institutions in the market (“market deposits”) that Provident would control; the concentration level of market deposits and the increase in this level, as measured by the Herfindahl-Hirschman Index (“HHI”) under the Department of Justice (“DOJ”) Bank Merger Competitive Review guidelines (“DOJ Bank Merger Guidelines”);<sup>19</sup> the number of competitors that would remain in the market; and other characteristics of the market.

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in the Metro New York City and Philadelphia markets. On consummation, both the Metro New York City market and Philadelphia market would remain moderately concentrated, as measured by the HHI. The HHI in both markets would remain virtually unchanged, and numerous competitors would remain in both markets.<sup>20</sup>

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Jersey; Trenton city and Hamilton township in Mercer County, New Jersey; and Bucks, Chester, Delaware, Montgomery, and Philadelphia counties, Pennsylvania.

<sup>19</sup> Department of Justice, Bank Merger Competitive Review – Introduction and Overview, <https://www.justice.gov/atr/bank-merger-competitive-review-introduction-and-overview-1995> (1995). The DOJ has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points.

<sup>20</sup> Provident is the 23rd largest depository organization in the Metro New York City market, controlling approximately \$9.9 billion in deposits, which represent 0.40 percent of market deposits. Lakeland is the 24th largest depository organization in the market, controlling deposits of approximately \$8.4 billion, which represent 0.34 percent of market deposits. On consummation of the proposed transaction, Provident would become the 18th largest depository organization in the market, controlling deposits of approximately \$18.4 billion, which would represent 0.74 percent of market deposits. The HHI for the Metro New York City market would increase by 1 point to 1498.

Provident is the 53rd largest depository organization in the Philadelphia market, controlling approximately \$130 million in deposits, which represent less than 1 percent of market deposits. Lakeland is the 64th largest depository organization in the market,

The DOJ conducted a review of the potential competitive effects of the proposal and has advised the Board that it has not concluded that the proposal would have a significantly adverse effect on competition. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market. Accordingly, the Board determines that competitive considerations are consistent with approval.

***Financial, Managerial, and Other Supervisory Considerations***

In reviewing a proposal under section 3 of the BHC Act, the Board considers the financial and managerial resources and the future prospects of the institutions involved, the effectiveness of the institutions in combatting money laundering, and any public comments on the proposal.<sup>21</sup> In its evaluation of financial factors, the Board reviews information regarding the financial condition of the organizations involved on both parent-only and consolidated bases, as well as information regarding the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of public and supervisory information regarding capital adequacy, asset quality, liquidity, and earnings performance, as well as any public comments on the proposal. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the

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controlling deposits of approximately \$46 million, which represent less than 1 percent of market deposits. On consummation of the proposed transaction, Provident would become the 46th largest depository organization in the market, controlling deposits of approximately \$177 million, which would represent less than 1 percent of market deposits. The HHI for the Philadelphia market would remain unchanged at 1026.

<sup>21</sup> 12 U.S.C. § 1842(c)(2), (5), and (6).

organization to absorb the costs of the proposal and to complete the proposed integration of the operations of the institutions effectively. In assessing financial factors, the Board considers capital adequacy to be especially important. The Board considers the future prospects of the organizations involved in the proposal in light of their financial and managerial resources and the proposed business plan.

Provident, Lakeland, and their subsidiary depository institutions are well capitalized, and the combined organization would remain so upon consummation of the proposal. The proposed transaction is a bank holding company merger that is structured as a share or cash exchange.<sup>22</sup> The capital, asset quality, earnings, and liquidity of Provident and Lakeland and their subsidiary depository institutions are consistent with approval, and Provident and Lakeland appear to have adequate resources to absorb the related costs of the proposal and to complete the integration of the institutions' operations.<sup>23</sup> In addition, the future prospects of the institutions are considered consistent with approval.

The Board also has considered the managerial resources of the organizations involved and the proposed combined organization. The Board has reviewed the examination records of Provident, Lakeland, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered information provided by Provident; the Board's supervisory experiences and those of other relevant bank supervisory agencies with the organizations; the organizations' records of compliance with applicable banking, consumer protection, and anti-money-laundering laws; and the public comments on the proposal.

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<sup>22</sup> To effect the transaction, each share of Lakeland common stock would be converted into a right to receive cash or shares of Provident common stock based on an exchange ratio. Provident has the financial resources to effect the proposed transaction.

<sup>23</sup> On March 25, 2024, Provident announced that it had committed to complete a subordinated debt issuance of \$200 million prior to consummation of the proposed merger.



Provident, Lakeland, and their subsidiary depository institutions are each considered to be well managed. The combined organization's proposed directors and senior executive officers have knowledge of and experience in the banking and financial services sectors, and Provident's risk-management program appears consistent with approval of this expansionary proposal.

The Board also has considered Provident's plans for implementing the proposal. Provident has conducted comprehensive due diligence and is devoting sufficient financial and other resources to address all aspects of the post-acquisition integration process for this proposal. In addition, Provident's management has the experience and resources to operate the resulting organization in a safe and sound manner, and Provident plans to integrate Lakeland Bank's existing management and personnel in a manner that augments Provident's management.

Based on all the facts of record, including Provident's and Lakeland's supervisory records, managerial and operational resources, and plans for operating the combined organization after consummation, the Board determines that considerations relating to the financial and managerial resources and the future prospects of the organizations involved in the proposal, as well as the records of effectiveness of Provident and Lakeland in combatting money-laundering activities, are consistent with approval.

### ***Convenience and Needs Considerations***

In acting on a proposal under section 3 of the BHC Act, the Board considers the effects of the proposal on the convenience and needs of the communities to be served.<sup>24</sup> In evaluating whether the proposal satisfies the convenience and needs statutory factor, the Board considers the impact that the proposal will or is likely to have on the communities served by the combined organization. The Board reviews a variety of information to determine whether the relevant institutions' records demonstrate a history of helping to meet the needs of their customers and communities. The Board also

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<sup>24</sup> 12 U.S.C. § 1842(c)(2).

reviews the combined institution's post-consummation plans and the expected impact of those plans on the communities served by the combined institution, including on low- and moderate-income ("LMI") individuals and communities. The Board considers whether the relevant institutions are helping to meet the credit needs of the communities they serve and are providing access to banking products and services that meet the needs of customers and communities, including the potential impact of branch closures, consolidations, and relocations on that access. In addition, the Board reviews the records of the relevant depository institutions under the CRA.<sup>25</sup> The Board strongly encourages insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with the institutions' safe and sound operation and their obligations under the CRA.<sup>26</sup>

In addition, the Board considers the banks' overall compliance records and recent fair lending examinations. Fair lending laws require all lending institutions to provide applicants with equal access to credit, regardless of their race, ethnicity, gender, or certain other characteristics. The Board also considers assessments of other relevant supervisors, the supervisory views of examiners, other supervisory information, information provided by the applicant, and public comments on the proposal. The Board also may consider the acquiring institution's business model and intended marketing and outreach, the combined organization's plans after consummation, and any other information the Board deems relevant.

In assessing the convenience and needs factor in this case, the Board has considered all the facts of record, including reports of examination of the CRA performance of Provident Bank and Lakeland Bank, the fair lending and compliance records of both banks, the supervisory views of the FDIC, confidential supervisory information, information provided by Provident, and the public comments received on the proposal.

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<sup>25</sup> 12 U.S.C. § 2901 et seq.

<sup>26</sup> See 12 U.S.C. § 2901(b).

### *Public Comments on the Proposal*

The Board received three timely adverse comments on the proposal from two commenters.<sup>27</sup> Both commenters expressed fair lending concerns regarding Lakeland Bank and referenced the 2022 consent order between Lakeland Bank and the DOJ (“DOJ Consent Order”), which settled allegations that Lakeland Bank engaged in a pattern or practice of unlawful redlining.<sup>28</sup> One commenter noted that while Provident Bank has often outperformed its peers in certain New Jersey counties in mortgage lending to minority and LMI communities and individuals, Lakeland Bank has often

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<sup>27</sup> The Board also received one comment after the close of the comment period from a commenter that is a current customer of Lakeland Bank alleging that the planned closure of a specific branch would be in violation of the DOJ Consent Order and recommending that the Board only approve the proposal under the condition that Provident keep this specific branch open. While comments received after the end of the public comment period generally will not be made part of the record considered by the Board, the Board may, in its discretion, take into consideration the substance of late comments. See 12 CFR 262.3(e). The commenter noted that the branch in question is uniquely located in a diverse community with drive-through service, safe deposit boxes, and several ATMs. Provident noted that it will be maintaining a branch that is within 264 feet of the branch in question, in the same low-income, majority-minority census tract and immediate neighborhood. While Provident acknowledged that the receiving branch will not have certain features of the closing branch, it notes that it will offer other amenities, such as additional hours and parking, and will continue to operate an ATM.

<sup>28</sup> Specifically, on September 29, 2022, the District Court for the District of New Jersey approved the entry of a consent order between Lakeland Bank and the DOJ to resolve allegations that Lakeland Bank violated the Fair Housing Act and the Equal Credit Opportunity Act by engaging in a pattern or practice of unlawful redlining, between 2015 and 2021, in certain counties in New Jersey which constituted the Newark, NJ-PA Metro Division. Under this consent order, Lakeland Bank is required to: (i) provide mortgage loan subsidies of at least \$12 million over five years in majority-Black and Hispanic census tracts in Essex, Morris, Somerset, Sussex, and Union counties, New Jersey (“Newark Lending Area”); (ii) devote a minimum of \$400,000 over five years toward community development partnership contributions in majority-Black and Hispanic census tracts in the Newark Lending Area; (iii) devote a minimum of \$150,000 per year over five years toward advertising, community outreach, and credit repair and education in the Newark Lending Area; and (iv) establish two new full-service branches, one in a majority-Black and Hispanic census tract in Newark, New Jersey, and another in a majority-Black and Hispanic census tract in the Newark Lending Area.

lagged behind peer institutions, and the commenter expressed concerns regarding the percentage of Lakeland Bank branches serving LMI and majority-minority communities.<sup>29</sup> That commenter recommended that the Board only approve the proposal under the specific condition that Provident comply with the requirements of the DOJ Consent Order against Lakeland Bank and that Provident commit to a New Jersey-specific community benefits agreement developed in collaboration with the commenter. The other commenter objected to the proposal, alleging that in 2021, Provident Bank and Lakeland Bank made no home loans to African American individuals in New York State.<sup>30</sup>

*Businesses of the Involved Institutions and Response to the Public Comments*

Through Provident Bank, Provident offers consumer and commercial banking, insurance, wealth management, and mortgage products and services. Through Lakeland Bank, Lakeland offers the same products and services as Provident, as well as asset-based lending, equipment lease financing, and mortgage warehouse lending services.

With respect to a commenter's request that approval be conditioned on compliance with the DOJ Consent Order, the Board does not believe such a condition is necessary. Paragraph 60 of the DOJ Consent Order requires Lakeland Bank, as well as its "assignees, and successors in interest" to "obtain the written agreement of the successor or assign to obligations under this Consent Order as a condition of sale, merger, or other transfer." Provident has represented that, following consummation of the proposed transaction, Provident Bank will assume Lakeland Bank's obligations under the DOJ Consent Order and is committed to full compliance with the DOJ Consent Order and

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<sup>29</sup> The data cited by the commenter corresponds to publicly available 2018-2021 data by Provident Bank and Lakeland Bank under the Home Mortgage Disclosure Act of 1975 ("HMDA"), 12 U.S.C. § 2801 et seq.

<sup>30</sup> The data cited by the commenter corresponds to publicly available 2021 data by Provident Bank and Lakeland Bank under HMDA.

all fair lending laws and regulations. With respect to a commenter's request that approval be conditioned on compliance with a New Jersey-specific community benefits plan, the Board consistently has found that neither the CRA nor the federal banking agencies' CRA regulations require depository institutions to make pledges or enter into commitments or agreements with any private party.<sup>31</sup> Provident also argues that a New Jersey-specific community benefits plan is unnecessary because, as discussed above, the DOJ Consent Order provides a targeted plan to address the commenter's concerns in the New Jersey area. In response to the comment regarding Provident Bank's mortgage lending activities in New York State, Provident argues that many of the commenter's assertions are not supported by evidence. Additionally, at the time of the comment regarding mortgage lending activities in New York State, Lakeland Bank had one branch in the state and Provident Bank had two. Following consummation of the proposed transaction, the combined organization will add to its assessment area Bronx and Kings counties, each of which includes a significant number of majority-minority and LMI communities.

In addition, Provident represents that its record of meeting the needs of the communities it serves supports approval of the application. Provident notes that Provident Bank received overall "Outstanding" or "Satisfactory" CRA ratings for each evaluation since 1990 and that Lakeland Bank received an overall "Outstanding" CRA rating for each evaluation since 2005. Provident also refers to its record of meeting with community organizations to discuss community reinvestment activities. Provident notes that following the DOJ Consent Order, Lakeland also has contacted various community

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<sup>31</sup> See, e.g., TriCo Bancshares, FRB Order No. 2022-09 at 9 n.20 (March 1, 2022); First Illinois Bancorp, Inc., FRB Order No. 2020-03 at 11 n.10 (August 26, 2020); Huntington Bancshares Inc., FRB Order No. 2016-13 at 32 n.50 (July 29, 2016); CIT Group, Inc., FRB Order No. 2015-20 at 24 n.54 (July 19, 2015); Citigroup Inc., 88 Federal Reserve Bulletin 485 (2002); Fifth Third Bancorp., 80 Federal Reserve Bulletin 838, 841 (1994). In its evaluation, the Board reviews the existing CRA performance record of an applicant and the programs that the applicant has in place to serve the credit needs of its CRA assessment areas ("AAs").

organizations to discuss its commitment to the communities it serves. Provident represents that the combined organization will remain receptive to suggestions on how to further enhance its CRA programs.

*Records of Performance under the CRA*

In evaluating the CRA performance of the involved institutions, the Board generally considers each institution's most recent CRA evaluation and the supervisory views of relevant federal supervisors, which in this case is the FDIC with respect to both Provident Bank and Lakeland Bank.<sup>32</sup> In addition, the Board considers information provided by the applicant and public commenters.

The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods.<sup>33</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation by the institution's primary federal supervisor of the institution's overall record of lending in its communities.

In general, federal financial supervisors apply a lending test ("Lending Test"), an investment test ("Investment Test"), and a service test ("Service Test") to evaluate the performance of large banks, such as Provident Bank and Lakeland Bank, in helping to meet the credit needs of the communities they serve. The Lending Test specifically evaluates an institution's lending-related activities to determine whether the institution is helping to meet the credit needs of individuals and geographies of all income levels. As part of the Lending Test, examiners review and analyze an institution's data reported under the HMDA, in addition to small business, small farm, and community development loan data collected and reported under the CRA regulations,

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<sup>32</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 81 Federal Register 48,506, 48,548 (July 25, 2016).

<sup>33</sup> 12 U.S.C. § 2906.

to assess an institution's lending activities with respect to borrowers and geographies of different income levels. The institution's lending performance is evaluated based on a variety of factors, including (1) the number and amounts of home mortgage, small business, small farm, and consumer loans (as applicable) in the institution's CRA AAs; (2) the geographic distribution of the institution's lending, including the proportion and dispersion of the institution's lending in its AAs and the number and amounts of loans in low-, moderate-, middle-, and upper-income geographies; (3) the distribution of loans based on borrower characteristics, including, for home mortgage loans, the number and amounts of loans to low-, moderate-, middle-, and upper-income individuals;<sup>34</sup> (4) the institution's community development lending, including the number and amounts of community development loans and their complexity and innovativeness; and (5) the institution's use of innovative or flexible lending practices to address the credit needs of LMI individuals and geographies.<sup>35</sup> The Investment Test evaluates the number and amounts of qualified investments that benefit the institution's AAs. The Service Test evaluates the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of the institution's community development services.<sup>36</sup>

The Board is concerned when HMDA data reflect disparities in the rates of loan applications, originations, and denials among members of different racial, ethnic, or gender groups in local areas. These types of disparities may indicate weaknesses in the adequacy of policies and programs at an institution for meeting its obligations to extend credit fairly. However, other information critical to an institution's credit decisions may

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<sup>34</sup> Examiners also consider the number and amounts of small business and small farm loans made to businesses and farms with gross annual revenues of \$1 million or less, small business and small farm loans by loan amount at origination, and consumer loans, if applicable, to low-, moderate-, middle-, and upper-income individuals. See, e.g., 12 CFR 228.22(b)(3).

<sup>35</sup> See 12 CFR 228.22(b).

<sup>36</sup> See 12 CFR 228.23 and 228.24.

not be available from public HMDA data.<sup>37</sup> Consequently, the Board considers additional information not available to the public that may be needed from the institution and evaluates disparities in the context of the additional information obtained regarding the lending and compliance record of an institution.

#### *CRA Performance of Provident Bank*

Provident Bank was assigned an overall rating of “Satisfactory” at its most recent CRA performance evaluation by the FDIC, as of June 21, 2021 (“Provident Bank Evaluation”).<sup>38</sup> The bank received “High Satisfactory” ratings for both the Lending and Service Tests and a “Low Satisfactory” rating for the Investment Test.<sup>39</sup>

With respect to the Lending Test, examiners found that Provident Bank’s lending levels reflected good responsiveness to the credit needs in the bank’s AAs. Examiners also found that the geographic distribution of loans reflected good penetration throughout the bank’s AAs and that the distribution to borrowers of different income

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<sup>37</sup> Importantly, credit scores are not available in the public HMDA data. Accordingly, when conducting fair lending examinations, examiners analyze additional information not available to the public before reaching a determination regarding an institution’s compliance with fair lending laws.

<sup>38</sup> The Provident Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed small business and HMDA-reportable loan data from January 1, 2018, through December 31, 2020. Examiners also reviewed community development loans and loans originated under the bank’s innovative and flexible lending programs from July 17, 2018, through June 21, 2021.

<sup>39</sup> The Provident Bank Evaluation involved a full-scope review of the bank’s activities in Provident Bank’s three AAs located in six states and three multistate metropolitan statistical areas: the New York-Newark, NY-NJ-CT-PA Combined Statistical Area (“NY-NJ Multistate CSA”), the Allentown-Bethlehem-Easton, PA-NJ Multistate Metropolitan Statistical Area (“PA-NJ Multistate MSA”), and the Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA (“State of Pennsylvania”).

Examiners noted that the NY-NJ Multistate CSA was given the most weight in the Provident Bank Evaluation, since Provident Bank’s operations generally were heavily concentrated in that area. Additionally, because of Provident Bank’s larger home mortgage loan volume when compared to small business loans during the review period, home mortgage loans were assigned the greatest weight in the Lending Test. The Lending Test also received the most weight among the tests performed.



levels and businesses of different sizes was adequate, given the product lines offered by the bank. Examiners also noted that Provident Bank made extensive use of innovative and/or flexible lending practices in order to serve AA credit needs and provided a relatively high level of community development loans. Examiners observed that a substantial majority of Provident Bank's loans were made in the bank's AAs.

With respect to the Investment Test, examiners found that Provident Bank made an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those not routinely provided by private investors. Examiners also found that the bank rarely uses innovative and/or complex investments to support community development initiatives. Examiners characterized Provident Bank as having exhibited adequate responsiveness to credit and community development needs.

With respect to the Service Test, examiners determined that Provident Bank's delivery systems were accessible to essentially all portions of the bank's AAs. Examiners found that the bank's record of opening and closing branches had not adversely affected the accessibility of the bank's delivery systems, particularly to LMI geographies and individuals. Examiners noted that Provident Bank's services and hours of operation did not vary in a way that inconvenienced certain portions of the bank's AAs, including LMI geographies and individuals. Examiners also noted that Provident Bank provided a relatively high level of community development services.

#### *Provident Bank's Efforts since the Provident Bank Evaluation*

Provident represents that, since the Provident Bank Evaluation, Provident Bank has increased its footprint in community development lending and has continued to develop flexible and innovative lending programs to better serve LMI borrowers. Specifically, Provident notes that, in 2023, it originated 43 community development loans totaling \$159 million covering a wide range of borrowers and projects, including to nonprofit organizations that provide, among other services, workforce and economic development for at-risk populations, provide rent-controlled residences at below-market rents, and operate charter schools that offer free and reduced-price lunches. Provident

represents that Provident Bank undertakes community lending through programs that benefit individuals across its communities, including products offering assistance for down payments and closing costs for first-time homebuyers that meet certain income limits and other eligibility criteria and products that offer competitive home equity loan and other loan rates for LMI borrowers. Additionally, Provident represents that its Provident Bank Foundation, which provides grants focused on community enrichment, education, and improvements in youth healthcare, donated \$1.2 million through 101 grants in 2023. Finally, Provident represents that its Commit to Care program connects employees with community service opportunities and provides paid time off for community service volunteering. Since the Provident Bank Evaluation, 599 employees recorded 3,014 hours in support of 247 nonprofit organizations. Provident also represents that Provident Bank partners with a third party to offer free financial education seminars, including presentations and workshops in schools and underserved communities.

#### *CRA Performance of Lakeland Bank*

Lakeland Bank was assigned an overall rating of “Outstanding” at its most recent CRA performance evaluation by the FDIC, as of May 11, 2020 (“Lakeland Bank Evaluation”).<sup>40</sup> Lakeland Bank received “Outstanding” ratings for both the Investment and Service Tests and a “High Satisfactory” rating for the Lending Test.<sup>41</sup>

With respect to the Lending Test, examiners found that Lakeland Bank’s lending levels reflected excellent responsiveness to the credit needs in the bank’s AA. Examiners also found that the geographic distribution of loans reflected adequate penetration throughout the bank’s AA and that the distribution of loans to retail

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<sup>40</sup> The Lakeland Bank Evaluation was conducted using Large Institution CRA Examination Procedures. Examiners reviewed home mortgage data and small business loan data from January 1, 2018, through December 31, 2019. Examiners also reviewed community development activities from April 4, 2017, through May 11, 2020.

<sup>41</sup> The Lakeland Bank Evaluation involved a full-scope review of the bank’s activities in the bank’s sole AA, consisting of Bergen, Morris, Passaic, and Sussex counties in New Jersey, portions of Essex, Somerset, Union, Ocean, and Monmouth Counties in New Jersey, and portions of Orange County in New York.

borrowers of different income levels and businesses of different sizes was good, given the product lines offered by the bank. Examiners noted that Lakeland Bank is a leader in making community development loans and noted that Lakeland Bank makes extensive use of innovative and flexible lending practices to serve the credit needs of its AA.

With respect to the Investment Test, examiners found that Lakeland Bank made an excellent level of qualified community development investments and grants. Examiners also found that the bank occasionally uses innovative and complex investments to support community development initiatives. Examiners characterized Lakeland Bank as having exhibited good responsiveness to credit and community economic development needs.

With respect to the Service Test, examiners determined that Lakeland Bank's delivery systems were readily accessible to all portions of the bank's AA and offered a variety of alternative delivery systems. Examiners noted that Lakeland Bank's opening and closing of branches did not adversely affect the accessibility of delivery systems, particularly in LMI census tracts and/or to LMI individuals, and the bank's services and hours of operation did not vary in a way that inconvenienced certain portions of the bank's AA. Examiners also noted that Lakeland Bank is a leader in providing community development services.

#### *Lakeland Bank's Efforts since the Lakeland Bank Evaluation*

Provident represents that, since the Lakeland Bank Evaluation, Lakeland Bank has continued to grow its community lending activities, including a program that offers low down payments and below-market interest rates to first-time LMI homebuyers.<sup>42</sup> Further, Provident represents that Lakeland Bank continues to support programs that provide grants to initiatives that, among other things, provide services to and improve facilities for homeless and other at-risk populations, encourage leadership by and education for youth in LMI neighborhoods, and expand and improve programs

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<sup>42</sup> Provident represents that Lakeland Bank originated 334 loans totaling \$121.6 million using this product in 2023.

and facilities that serve adults with intellectual or developmental disabilities.

Additionally, Provident represents that Lakeland Bank employees engage in significant community service activities and that many sit on the boards or board committees of local nonprofit organizations that serve LMI individuals, families, and neighborhoods.

Provident also represents that Lakeland Bank has offered numerous homebuyer education and financial literacy presentations to LMI members of its communities and has hosted presentations in Newark, New Jersey, to teach about and seek to prevent frauds and scams against seniors.

#### *Additional Supervisory Views*

In its review of the proposal, the Board consulted with and considered the views of the FDIC as the primary federal supervisor of both Provident Bank and Lakeland Bank and also consulted with the DOJ concerning the DOJ Consent Order. The Board also considered the results of the most recent consumer compliance examinations of Provident Bank and Lakeland Bank by the FDIC, which included reviews of the banks' compliance management programs and compliance with consumer protection laws and regulations, including fair lending. The Board also has considered the DOJ Consent Order, including Lakeland Bank's efforts towards meeting its obligations under the DOJ Consent Order, and that the DOJ Consent Order binds Provident without further action by the Board.

The Board has taken the foregoing consultations and examinations, as well as the CRA performance records of Provident Bank and Lakeland Bank, into account in evaluating the proposal, including in considering whether Provident has the experience and resources to ensure that the combined bank would help meet the credit needs of the communities to be served following consummation of the proposed transaction.

#### *Additional Convenience and Needs Considerations*

The Board also considers other potential effects of the proposal on the convenience and needs of the communities to be served. This includes, for example, the combined organization's business model and intended marketing and outreach and existing and anticipated product and service offerings in the communities to be served by

the organization; any additional plans the combined organization has for meeting the needs of its communities following consummation; and any other information the Board deems relevant. Provident represents that, following consummation of the proposal, it does not anticipate that any material modification will be made to a consumer product, community development program, or service of either Provident Bank or Lakeland Bank if that modification would reduce services or other benefits being provided to the combined bank's customers and communities, including LMI communities. Following consummation of the transaction, Provident notes that it is committed to ensuring that the combined institution has the resources to meet the needs of its communities through meaningful and substantial CRA activities and to maintain a robust consumer compliance program. To ensure this, Provident represents that senior management of the combined institution will evaluate staffing levels with respect to these activities on an ongoing basis. Further, Provident represents that it has established a CRA committee to discuss ways that the combined institution can help meet the credit needs of its communities, including in LMI and majority-minority census tracts.

Provident further represents that, as a result of the transaction, the combined institution will have the ability to deliver more innovative digital products to its customers. Provident represents that customers will benefit from a more extensive branch network and an enhanced capacity for lending, including to individuals and small-to-midsized businesses. Provident further represents that the combined institution will have greater flexibility to offer credit to its customers, given the enhanced diversification of the combined institution's balance sheet and increased ability to generate capital. Provident represents that Provident Bank and Lakeland Bank have a number of programs, products, and activities designed to meet the needs of their respective communities.

#### *Branch Closures*

Physical branches remain important to many banking organizations' ability to meet the credit needs of the local communities in which they operate. When banking organizations combine, whether through acquisitions, mergers, or consolidations, the combination has the potential to increase or to reduce consumers' and small businesses'

access to available credit and other banking services. Although the Board does not have the authority to prohibit a bank from closing a branch, the Board focuses on the impact of expected branch closures, consolidations, and relocations that occur in connection with a proposal on the convenience and needs of the communities to be served by the resulting institution. In particular, the Board considers the effect of any closures, consolidations, or relocations on LMI communities.

Federal banking law provides a specific mechanism for addressing branch closings, including requiring that a bank provide notice to the public and the appropriate federal supervisory agency before a branch is closed.<sup>43</sup> In addition, the federal banking supervisory agencies evaluate a bank's record of opening and closing branches, particularly branches located in LMI geographies or primarily serving LMI individuals, as part of the CRA examination process.<sup>44</sup>

In the Provident Bank Evaluation, examiners found Provident Bank's branches were accessible to essentially all portions of the bank's AAs and that Provident Bank's record of opening and closing branches had not adversely affected accessibility, particularly in LMI communities or to LMI individuals. In the Lakeland Bank Evaluation, examiners found Lakeland Bank's retail delivery systems were readily accessible to all portions of the bank's AA and the bank offered a variety of alternative delivery systems, and that the bank's opening and closing of branches had not adversely affected the accessibility of its delivery systems, particularly in LMI communities and/or to LMI individuals. The Board has consulted with the FDIC regarding Provident Bank's post-consummation branching plans, including in LMI and majority-minority communities.

The Board has considered all the facts of record relating to branch closures, consolidations, and relocations, including the records of the relevant depository

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<sup>43</sup> See 12 U.S.C. § 1831r-1. The bank also is required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

<sup>44</sup> See, e.g., 12 CFR 228.24(d)(2).

institutions under the CRA and fair lending laws in relation to branch closures; the institutions' policies and procedures on and records of compliance with federal banking law regarding branch closures; the views of the FDIC; supervisory information; information provided by Provident; and public comments on the proposal. Based on that review, the Board concludes that Provident Bank has established policies, programs, and procedures designed to ensure the bank's branching network is consistent with the bank's CRA and fair lending obligations and to mitigate the impact of any branch closures on communities to be served by the combined bank.

#### *Conclusion on Convenience and Needs Considerations*

The Board has considered all the facts of record, including the records of the relevant depository institutions under the CRA, the institutions' records of compliance with fair lending and other consumer protection laws, supervisory information, information provided by Provident, the public comments on the proposal, and other potential effects of the proposal on the convenience and needs of the communities to be served. The Board has considered relevant facts of the record pertaining to the issues commenters raised, including the views of the FDIC and DOJ, the existence and terms of the DOJ Consent Order, Lakeland Bank's efforts towards meeting its obligations under the DOJ Consent Order, and Provident's representations regarding efforts the combined organization will make to satisfy the convenience and needs of its community, including LMI and majority-minority communities. Based on that review, the Board determines that the convenience and needs factor is consistent with approval.

#### *Financial Stability Considerations*

Section 3 of the BHC Act requires the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risks to the stability of the United States banking or financial system."<sup>45</sup>

To assess the likely effect of a proposed transaction on the stability of the United States banking or financial system, the Board considers a variety of metrics that

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<sup>45</sup> 12 U.S.C. § 1842(c)(7).

capture the systemic “footprint” of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.<sup>46</sup> These categories are not exhaustive, and additional categories could inform the Board’s decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opacity and complexity of an institution’s internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage on the broader economy.<sup>47</sup>

The Board’s experience has shown that proposals involving an acquisition of less than \$10 billion in total assets, or that result in a firm with less than \$100 billion in total assets, generally are not likely to pose systemic risks. Accordingly, the Board presumes that a proposal does not raise material financial stability concerns if the assets involved fall below either of these size thresholds, absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors.<sup>48</sup>

In this case, the Board has considered information relevant to risks to the stability of the United States banking or financial system. The proposal involves a pro

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<sup>46</sup> Many of the metrics considered by the Board measure an institution’s activities relative to the United States financial system.

<sup>47</sup> For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order No. 2012-2 (February 14, 2012).

<sup>48</sup> See People’s United Financial, Inc., FRB Order No. 2017-08 at 25-26 (March 16, 2017). Notwithstanding this presumption, the Board has the authority to review the financial stability implications of any proposal. For example, an acquisition involving a global systemically important bank could warrant a financial stability review by the Board, regardless of the size of the acquisition.



forma organization with less than \$100 billion in total assets. Both the acquirer and the target are predominantly engaged in retail and commercial banking activities.<sup>49</sup> The pro forma organization would not exhibit an organizational structure, complex interrelationships, or unique characteristics that would complicate resolution of the firm in the event of financial distress. In addition, the organization would not be a critical services provider or so interconnected with other firms or the markets that it would pose a significant risk to the financial system in the event of financial distress.

In light of all the facts and circumstances, this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the United States banking or financial system. Based on these and all other facts of record, the Board determines that considerations relating to financial stability are consistent with approval.

### ***Conclusion***

Based on the foregoing and all the facts of record, the Board determines that the application should be, and hereby is, approved.<sup>50</sup> In reaching its conclusion, the

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<sup>49</sup> Provident and Lakeland offer a range of retail and commercial banking products and services. Provident has, and as a result of the proposal would continue to have, a small market share in these products and services on a nationwide basis.

<sup>50</sup> One commenter requested that the Board hold public hearings on the proposal. Under section 3(b) of the BHC Act, the Board must hold a public hearing on a proposal if the appropriate supervisory authorities for the acquiring bank or the bank to be acquired make a timely written recommendation of disapproval of the proposal.

12 U.S.C. § 1842(b); see also 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board, in its discretion, may hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately present their views. The Board has considered the commenter's request in light of all the facts of record. In the Board's view, the commenter has had ample opportunity to submit comments on the proposal and, in fact, submitted two written comments that the Board has considered in acting on the proposal. The commenter's request does not identify disputed issues of fact that are material to the Board's decision and would be clarified by a public hearing. In addition, the request does not demonstrate why written comments do not present the commenter's views adequately or why a hearing otherwise would be

Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Provident with all the conditions imposed in this order and on any commitments made to the Board in connection with the proposal. The Board's approval also is conditioned on receipt by Provident of all required regulatory approvals. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this order or later than three months thereafter, unless such period is extended for good cause by the Board or the Reserve Bank, acting under delegated authority.

By order of the Board of Governors,<sup>51</sup> effective April 11, 2024.

*(Signed) Michele Taylor Fennell*

Michele Taylor Fennell  
Deputy Associate Secretary of the Board

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necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the request for public hearings on the proposal is denied.

The commenter also requested an extension of the comment period for the application. The commenter's request for additional time to comment did not identify circumstances that would warrant an extension of the public comment period for this proposal. Accordingly, the Board has determined not to extend the comment period.

<sup>51</sup> Voting for this action: Chair Powell, Vice Chair Jefferson, Vice Chair for Supervision Barr, Governors Bowman, Waller, Cook, and Kugler.