

NINGI RESEARCH

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List of references

All citations, references and sources are publicly available. Annual reports and other company documents were obtained through the respective issuer's website, through regulatory filings and commercial registries. Documents are cited as follow:

< company name > < year of publication >, < document title >, (for online source) < url >, < page >

Some SEC filings were retrieved through direct URLs within the EDGAR system and those filings are quoted directly.

The phrase "company data" indicates that we aggregated the specific metrics from the respective regulatory filings.

List of figures

If not stated otherwise all figures are obtained through the quoted references in the footnotes and can be found in the respective source.

All amounts in thousands unless otherwise stated.

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We are short Provident Bancorp, Inc. (NASDAQ: PVBC), because after recent revelations regarding losses due to crypto-backed loans, we think the bank is riddled with nepotism. In our opinion, the CEO failed at risk management and leadership due to seemingly personal relationships. The board of directors failed at its supervisory duties and the public's trust in the bank deteriorated. We expect further revelations and regulatory actions in the coming weeks.

Provident Bancorp, Inc.	
Ticker:	PVBC
Market Cap:	USD 142m
Share Price:	USD 7.9
Consensus	USD 12.0

In our opinion,


- Loans granted to crypto companies were **highly leveraged** and **collateralized by fast-depreciating assets or solely by cryptocurrencies**,

Loans	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020
Digital asset companies	138,600	111,900	120,500	56,000	45,000	?	15,000
QoQ growth, in %	23.86	(7.14)	115.18	24.44			


months. At December 31, 2021, credit lines to digital asset companies totaled \$120.5 million, with relationships spanning eight states. The largest loan was \$36.0 million and is secured by the USD value of the digital currency. At December 31,

- The director responsible for the crypto lending business seems to be an immediate family member of the bank's chief executive officer,

Contact our Specialty Lending Team



Paul Monsfield
SVP, Director of Specialty Lending



Ryan Fox
VP, Specialty Lending

- The chief executive officer's judgment is impaired by this relationship and this led and will lead to more losses,
- The board of directors **failed at its supervisory duties** and contrary to statements most of the bank's **board members are not independent**,
- The **audit chairwoman was granted residential mortgage loans** and the **compensation chairwoman was contracted for the design of the bank's new headquarter**,

Persons." The Provident Bank has made loans to the following directors or their related entities: Jay E. Gould, commercial real estate loans, term loans and commercial lines of credit; Laurie H. Knapp, residential mortgage loan; and Arthur Sullivan, commercial real estate line of credit and demand note. The Provident Bank also provides overdraft lines of credit to all of its

The bank has hired one of its directors, Portsmouth architect Lisa DeStefano, to redesign the building and property, originally built by the law firm in 1974

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- In the last two years, the CEO received almost \$4 million in compensation.

Name and Principal Position	Year	Salary (\$)	Stock awards (\$)(1)	Option awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
David P. Mansfield	2021	548,990	—	—	288,192	288,192	913,557
President and Chief Executive Officer	2020	533,000	1,218,339	1,008,475	202,518	202,518	3,004,044

- Bank employees lost a significant amount of their retirement savings in the bank's 401k because beginning in 2021 the bank chose to invest in its own stock,

	At December 31,	
	2021	2020
Investments, at fair value:		
Provident Bancorp, Inc. common stock	\$ 12,602,112	\$ —
Mutual funds	17,633,430	—
Investment - Plan interest in SBERA Common Collective Trust	—	22,015,550
Total investments	30,235,542	22,015,550

- Trust in this institute, the management team and the board of directors has been completely lost and the share price will reflect this in the near future as well.

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Provident Bancorp, Inc.

Provident Bancorp (Ticker: PVBC) is a nearly 200-year-old regional bank operating in Massachusetts and New Hampshire that went public in 2015. The business model is primarily based on lending to small and medium-sized companies in the region. Over the past two years, the bank has expanded its business to include lending to crypto mining companies and, in the wake of the hype surrounding fintech and crypto, strategically aligned the entire bank's long-term focus towards the "crypto business".¹ This is indicated by filings, new board members with cryptocurrency expertise, and most visibly in real-time prices of Bitcoin, Ethereum and Tether displayed on the Provident Bancorp home page.^{2 3 4} The bank did a rebranding from Provident Bank to Bankprov., and in hindsight, the new motto should have been the first red flag:⁵

"After nearly 200 years in the business, we want to be more than just your average bank."

In our opinion, because the bank chose to be more than just your average bank, this solid and regional bank is on the brink of moral ruin. In October, the bank had already publicly announced that it expected a loss of \$28 million for repossessed collateral from crypto mining companies.⁶ A month later, the bank suspended the publication of its quarterly report due to the massive losses in the area of digital assets lending, as the bank is not able to estimate how significant the impact of the losses will be.⁷ In this press release, the bank disclosed an impairment of \$76.5m on a majority of its Digital assets loans.⁸

Provident Bancorp is just one of many lenders who have used the trend of cryptocurrencies to expand its – otherwise so conservative – business, only to ultimately go tits-up in a matter of months.

Risky loans to crypto companies – also called "Specialty Lending"

On Provident Bancorp's website, the "crypto business" is aggressively touted as a line of business, but within the SEC filings, the public will find all activity aggregated within the commercial loan segment.⁹ Just a footnote reveals the actual exposure to crypto companies: as of June 30, 2022, a total of \$138.6 million was recorded as digital asset loans on the balance sheet (see Figure 1).¹⁰

Loans	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020
Digital asset companies	138,600	111,900	120,500	56,000	45,000	?	15,000
QoQ growth, in %	23.86	(7.14)	115.18	24.44			

Figure 1 Loans to digital asset companies (crypto companies), source: NINGI Research, company data

Despite falling crypto prices and the bursting of the bubble, the bank still issued \$26.7m in new loans to crypto-related businesses in Q2 2022.¹¹

¹ Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, p. 4

² Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, p. 4

³ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 9

⁴ Provident Bancorp, Inc. (2022), <https://bankprov.com/>

⁵ Provident Bancorp, Inc. (2022), <https://bankprov.com/>

⁶ Provident Bancorp, Inc. (2022), Press release "Guidance for the third quarter of 2022",

https://www.sec.gov/Archives/edgar/data/1778784/000177878422000039/pvbc-20221018xex99_1.htm

⁷ Provident Bancorp, Inc. (2022), 8-K, <https://www.sec.gov/Archives/edgar/data/1778784/000094337422000468/form8k.htm>

⁸ Provident Bancorp, Inc. (2022), 8-K, <https://www.sec.gov/Archives/edgar/data/1778784/000094337422000468/form8k.htm>

⁹ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 12

¹⁰ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 12

¹¹ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 30

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The bank grew in this area by more than 700 percent within a year and as of June 30, 2022, these loans had grown by more than 200 percent year-over-year.^{12 13} The public was unaware of just how much the bank had expanded its lending to crypto firms until mid-2021, as up to the second quarter of 2021 all crypto lending was not disclosed.^{14 15}

Loan portfolio	Q2/2022	Q4/2021	Q2/2021	Q4/2020	Q2/2020	Q4/2019
Commercial real estate	422,162	432,275	431,242	438,949	421,836	418,356
Commercial	657,745	605,741	592,780	550,976	576,428	451,791
Digital asset	138,600	120,500	45,000	15,000	-	-
Residential real estate	9,902	812	26,618	32,785	39,401	45,695
Construction and land development	67,525	42,800	33,524	28,927	57,087	46,763
Consumer	720	1,519	3,047	5,547	8,507	12,737
Mortgage warehouse	239,791	253,764	227,142	265,379	184,400	
	1,536,445	1,457,411	1,359,353	1,337,563	1,287,659	975,342
Allowance for loan losses	(18,972)	(19,496)	(19,412)	(18,518)	(17,158)	(13,844)
Deferred loan fees, net	(3,228)	(4,112)	(5,306)	(4,235)	(5,410)	(2,212)
Net loans	1,514,245	1,433,803	1,334,635	1,314,810	1,265,091	959,286

Figure 2 Loan portfolio as of June 30, 2022, source: NINGI Research, company data

In terms of total assets, loans to digital assets companies accounted for 9.15 percent at the end of the second quarter of 2022 (see Figure 2).¹⁶ However, the credit risk is much higher as 58 percent of these loans, or five percent of the total net loans were granted to two lenders, and the loans involved crypto-backed lending, crypto mining operations, and margin trading (see Figures 3 and 4).^{17 18}

Our two largest commercial business loans at December 31, 2021 totaled \$36.0 million and \$35.0 million, were originated in 2021 and 2020, respectively, and are commercial lines to digital asset companies. The third largest commercial loan totaled \$29.4 million, was originated in 2021 and is an enterprise value loan. As of December 31, 2021, the loans were performing in accordance with the original repayment terms.

Figure 3 Excerpt from the 2021 10-K filing, source: company filings

In late 2020, the Bank began offering lines of credit to enterprise businesses in the digital asset space. These lines of credit are utilized by digital asset businesses to further their offerings in crypto-backed lending, margin trading, crypto mining operations, or other growth initiatives in the rapidly expanding industry. These lines of credit are collateralized by the United States dollar ("USD") value of the digital currency. The Bank uses a custodian to hold the digital currency and monitors the collateral coverage ratio on an ongoing basis.

Figure 4 Excerpt from the 2021 10-K filing, source: company filings

At the end of 2021, the bank's largest loan was to a digital asset company and was only secured by cryptocurrencies (see Figure 5).¹⁹

¹² Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 30

¹³ Provident Bancorp, Inc. (2021), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878421000046/pvbc-20210630x10q.htm>, p. 33

¹⁴ Provident Bancorp, Inc. (2021), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878421000046/pvbc-20210630x10q.htm>, p. 33

¹⁵ Provident Bancorp, Inc. (2021), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878421000025/pvbc-20210331x10q.htm>, p. 31

¹⁶ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 30

¹⁷ Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, p. 4

¹⁸ Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, p. 5

¹⁹ Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, p. 5

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If warranted, the Bank will instruct the custodian to liquidate the collateral and provide us with the USD proceeds of the liquidation. In 2021 the Bank expanded its loan offerings in the digital asset space by offering term loans to purchase mining equipment. We lend based on the loan to value of the equipment with a term generally ranging from 24 to 30 months. **At December 31, 2021, credit lines to digital asset companies totaled \$120.5 million, with relationships spanning eight states. The largest loan was \$36.0 million and is secured by the USD value of the digital currency.** At December 31, 2021, the loan was performing in accordance with its original payment terms.

Figure 5 Excerpt from the 2021 10-K filing, source: company filings

But in the same period, the allowance for loan losses for the entire loan portfolio fluctuated only minimally, and as loans to crypto companies doubled in the fourth quarter, the loan allowance grew just by 7.5 percent (see Figure 6). In the past two quarters, this crypto loan portfolio continued to increase, but the allowance declined (see Figure 6).^{20 21}

Loans	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021	Q4/2020
Digital asset companies	138,600	111,900	120,500	56,000	45,000	?	15,000
QoQ growth, in %	23.86	(7.14)	115.18	24.44			
Allowance for loan losses	(18,972)	(19,296)	(19,496)	(18,142)	(19,412)	(19,032)	(18,518)
QoQ growth, in %	(1.68)	(1.03)	7.46	(6.54)	2.00	2.78	

Figure 6 Growth of digital asset loans and total loan allowance, source: NINGI Research, company data

In our opinion, it is unbelievable how experienced executives of a centuries-old regional bank seemingly failed at risk management and took on such highly concentrated risks within the span of a year.

Based on our analysis, the losses that have occurred are mainly due to the specialty lending segment, which sits within the bank's commercial loan segment.

The Specialty Lending division, which handles lending to the crypto companies, is run by Paul Mansfield (see Figure 7).²² We think Paul Mansfield is an immediate family member of Chief Executive Officer David Mansfield.

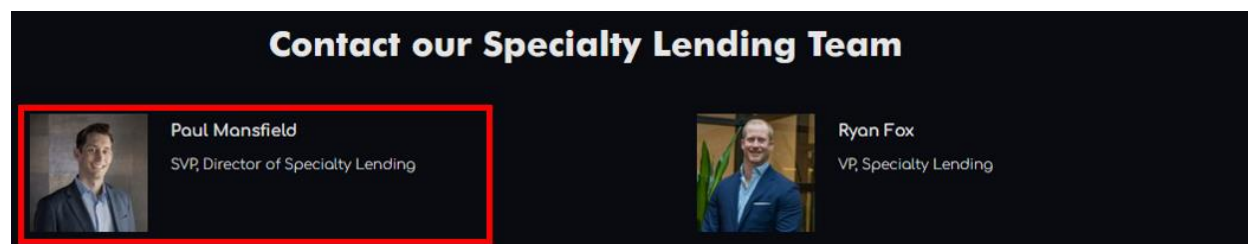


Figure 7 Screenshot of the bank's specialty lending subpage, source: NINGI Research

A woman, who we identified as David Mansfield's wife Patricia, liked several of Paul Mansfield's LinkedIn posts (see Figure 8 to 10). We think it's highly unlikely that the CEO's wife, who works as a freelance painter in Florida, would connect with an ordinary employee of Provident Bancorp on LinkedIn and like posts of this specific employee, Paul Mansfield – going back to four years ago (see Figure 8 to 10).^{23 24}

²⁰ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000035/pvbc-20220630x10q.htm>, p. 31

²¹ Provident Bancorp, Inc. (2022), 10-Q, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000023/pvbc-20220331x10q.htm>, p. 11

²² Provident Bancorp, Inc. (2022), Crypto Backed Loans – Specialty Lending, <https://bankprov.com/lending/specialty-lending/>

²³ LinkedIn (2022), Tricia Mansfield's recent activity, <https://www.linkedin.com/in/tricia-mansfield-b16bbaa3/recent-activity/>

²⁴ LinkedIn (2022), Repost by Paul Mansfield, https://www.linkedin.com/posts/bankprovspecialty_currently-in-washington-dc-along-with-our-activity-6392424678647959553-GREg

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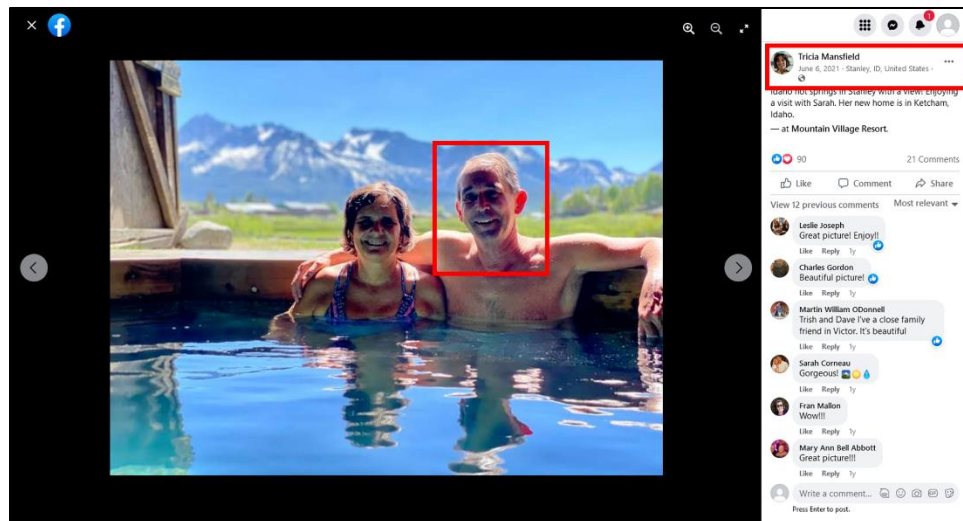


Figure 8 Screenshot of Tricia Mansfield's public Facebook profile, source: NINGI Research

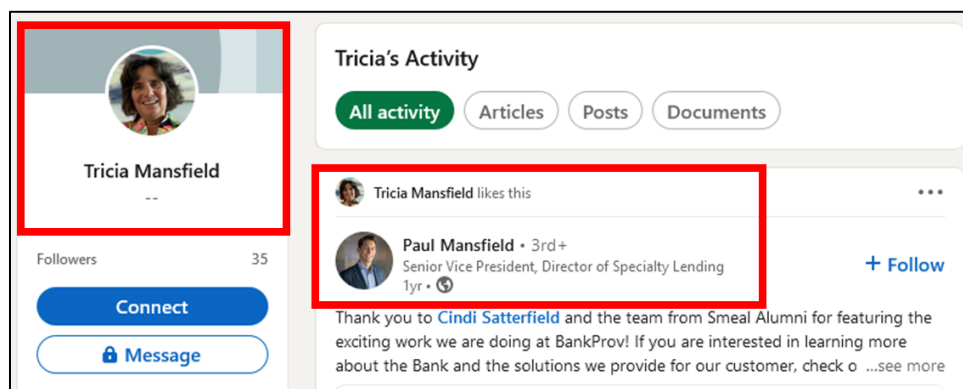


Figure 9 Screenshot of Tricia Mansfield's public LinkedIn profile, source: NINGI Research

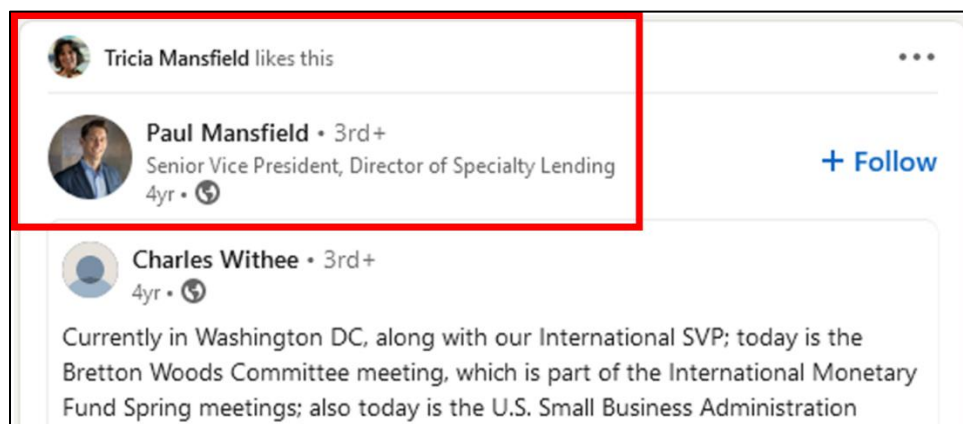


Figure 10 Screenshot of Tricia Mansfield's public LinkedIn feed, source: NINGI Research

The bank never disclosed that an immediate family member, perhaps the son of the CEO, may hold an executive position in the company.

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Questions for Provident Bank and CEO David Mansfield directly, which are of interest to the public:

- What is your relationship with Paul Mansfield?
- Is Paul Mansfield an immediate family member²⁵ of yours?

Paul Mansfield describes himself on social media as someone who enables the bank to offer “creative” lending solutions to crypto companies (see Figure 11).²⁶ We think loans backed by fast-depreciating assets or crypto currencies are not creative solutions but nothing more than stupid.



Figure 11 Screenshot of Paul Mansfield's public LinkedIn profile, source: NINGI Research

In the last two years, Paul Mansfield advanced to director of specialty lending.²⁷ In our opinion, his family connections paired with the bank's lack of risk management may be the main reason for his fast-paced rise within Provident Bank's ranks.

We estimate at best the result will be a loss of at least \$104 million this year – but mostly yet non-cash because 76.5 million dollars are crypto loans placed on non-accrual status.²⁸ We think the losses wipe out all profits since the banks' IPO in 2015 – approximately \$74.4 million.

In our opinion, this failure seems to be the result of impaired judgment and lack of oversight. Because CEO David Mansfield previously worked as a bank examiner for the Federal Deposit Insurance Corporation and has in-depth expertise (see Figure 12).²⁹

²⁵ "Immediate Family Member" means with respect to any executives; any of the executive's children, stepchildren, grandchildren, parents, stepparents, grandparents, spouses, former spouses, siblings, nieces, nephews, mothers-in-law, fathers-in-law, sons-in-law, daughters-in-law, brothers-in-law or sisters-in-law, including relationships created by adoption; (ii) any natural person sharing the executive's household (other than as a tenant or employee, directly or indirectly, of the executive)

²⁶ LinkedIn (2022), Paul Mansfield – username „bankprovspecialty“, <https://www.linkedin.com/in/bankprovspecialty/>

²⁷ LinkedIn (2022), Paul Mansfield – username „bankprovspecialty“, <https://www.linkedin.com/in/bankprovspecialty/>

²⁸ Provident Bancorp, Inc. (2022), 8-K, <https://www.sec.gov/Archives/edgar/data/1778784/000094337422000468/form8k.htm>

²⁹ LinkedIn (2022), David Mansfield – username „davidpmansfield“, <https://www.linkedin.com/in/davidpmansfield/>

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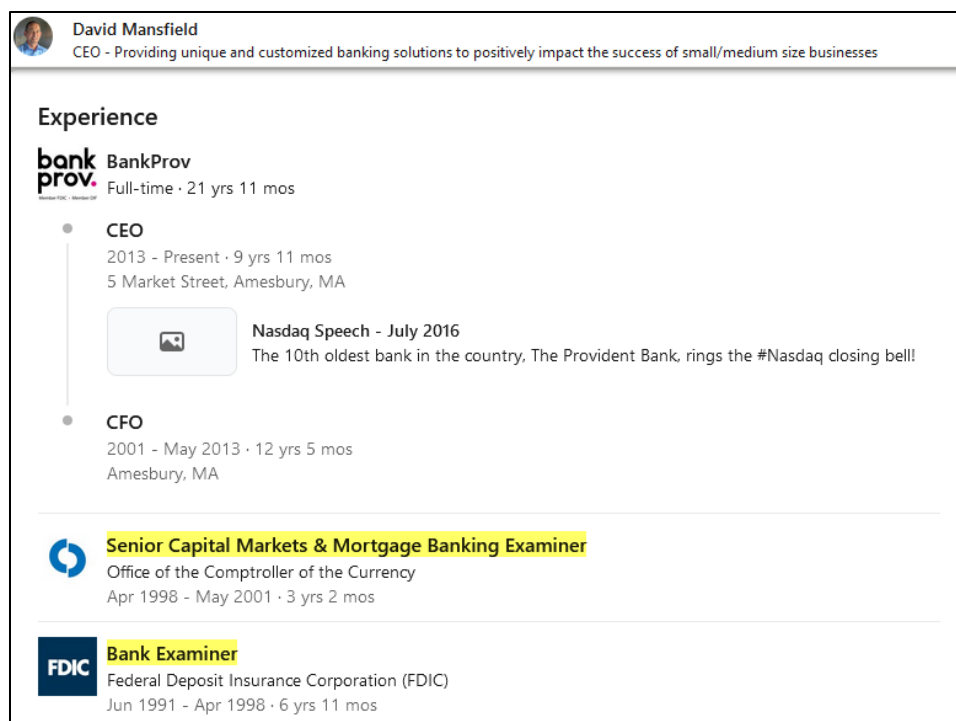


Figure 12 Screenshot of David Mansfield's public LinkedIn profile, source: NINGI Research

We think it should have been obvious that collateralized loans backed by cryptocurrency, which are backed by fast-depreciating tangible assets, are an inherent risk for the bank and not a business opportunity. Hence, such a credit risk should never have been taken. Either David Mansfield failed at risk management or the CEO didn't look closely at what loans Paul Mansfield granted in the first place. It appears by the most recent 8-K that the latter took place (see Figure 13).³⁰

loans, as well as the value of the cryptocurrency mining rigs that serve as the underlying collateral. These considerations, in conjunction with a partial write down on cryptocurrency mining rigs that were repossessed in exchange for the forgiveness of a \$27.4 million loan relationship, triggered a detailed review of the portfolio of similarly collateralized loans. After the \$27.4 million loan forgiveness, the digital asset mining loan portfolio totaled \$76.5 million at September

Figure 13 Excerpt from the most October press release, source: company filings

Only after the collateral of the forgiven loan had to be written off did the bank feel the need to review the loan portfolio in detail (see Figure 13).³¹ Let that sink in.

Questions for Provident Bank and its executive management directly, which are of interest to the public:

- How did you estimate your risk-weighted assets despite a lack of detail about your loan portfolio?
- Did the bank do a full review of the current loan portfolio as of September 30, 2022?
- Have there been any non-performing loans, write-downs, or bad debt in the loan portfolio excluding digital assets?
- To what extent did the digital assets loans contribute to the risk-weighted assets?

³⁰ Provident Bancorp, Inc. (2022), 8-K, <https://www.sec.gov/Archives/edgar/data/1778784/000094337422000468/form8k.htm>

³¹ Provident Bancorp, Inc. (2022), 8-K, <https://www.sec.gov/Archives/edgar/data/1778784/000094337422000468/form8k.htm>

As independent as your average crypto company's board

In our opinion, the events are routed on a lack of oversight by the board of directors. The bank's board of directors has been described as independent – except for the CEO (see Figure 14). We consider this to be a lie to the public because three board members have been granted loans by the bank (see Figure 14).³² Specifically, the chairwoman of the audit committee, Laurie Knapp, received residential mortgage loans.³³ The audit committee is responsible for overseeing the bank's internal controls and the company's process for monitoring compliance with laws and regulations.³⁴

The Board of Directors has determined that each of our directors and nominees, with the exception of director Mansfield, is "independent" as defined in, and for purposes of satisfying the listing standards of, the Nasdaq Stock Market, Inc. Director Mansfield is not independent as an executive officer of Provident Bancorp, Inc.

In determining the independence of our directors, the Board of Directors considered the following relationships between The Provident Bank and our directors and officers, which are not required to be reported under "Transactions With Certain Related Persons." The Provident Bank has made loans to the following directors or their related entities: Jay E. Gould, commercial real estate loans, term loans and commercial lines of credit; Laurie H. Knapp, residential mortgage loan; and Arthur Sullivan, commercial real estate line of credit and demand note. The Provident Bank also provides overdraft lines of credit to all of its directors.

Figure 14 Excerpt from the most recent proxy statement, source: company filings

In 2017, the chairwoman of the compensation committee, Lisa DeStefano, received a contract to redesign the Portsmouths headquarter for the bank (see Figure 15).³⁵ This contract did not consist of a simple redesign of an existing building but a design for the construction of a 40,000 square foot building.³⁶

The bank has hired one of its directors, Portsmouth architect Lisa DeStefano, to redesign the building and property, originally built by the law firm in 1974 following the city's urban renewal program. Provident CEO David Mansfield said a design could be presented to the city's Planning Board in May.

The new building will have retail on the first floor, the bank's offices on the second floor, housing on the third floor and some parking underground, Mansfield said.

David Mansfield, chief executive officer of The Provident Bank, said he feels "fantastic" about getting HDC approval for the project.

"I've got to give a lot of credit to the development team. Steve Wilson is the developer and he's earned some good will in town on recent projects," Mansfield said Thursday. "Lisa DeStefano really put a great package together and our commitment right from the beginning was to work with the city and the HDC to develop a prominent corner of the city into a really desirable project."

HDC approves Provident Bank building

3.5-story plan features commercial, residential

Jeff McMenemy jmcmenemy@seacoastonline.com
Published 4:54 p.m. ET Sept. 7, 2017 | Updated 6:05 p.m. ET Sept. 7, 2017

View Comments

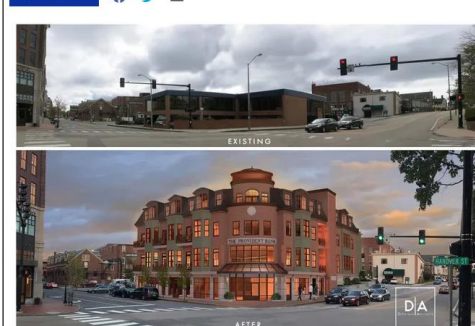


Figure 15 Excerpts from and screenshots of news articles about Provident Bank's headquarters, source: NINGI Research

This related party transaction has not been disclosed in SEC filings and was mentioned in a local news article.³⁷ In our opinion, this is another red flag, because CEO David Mansfield received a whopping

³² Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 7

³³ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 7

³⁴ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 4

³⁵ Howard Altschiller (2017), Provident Bank moves to Portsmouth to grow, <https://www.seacoastonline.com/story/news/local/portsmouth-herald/2017/04/23/provident-bank-moves-to-portsmouth/21317179007/>

³⁶ Jeff McMenemy (2017), HDC approves Provident Bank building, <https://www.seacoastonline.com/story/news/local/portsmouth-herald/2017/09/07/hdc-approves-provident-bank-building/18876424007/>

³⁷ Howard Altschiller (2017), Provident Bank moves to Portsmouth to grow, <https://www.seacoastonline.com/story/news/local/portsmouth-herald/2017/04/23/provident-bank-moves-to-portsmouth/21317179007/>

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compensation of almost \$4 million for the last two years (see Figure 16).³⁸ For comparison: the bank only made 115 million in revenue. The entire executive management received 6.7 percent of revenue, or 27 percent of net profit, in compensation for the last two years.³⁹

Name and Principal Position	Year	Salary (\$)	Stock awards (\$)(1)	Option awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	All Other Compensation (\$)(4)	Total (\$)
David P. Mansfield President and Chief Executive Officer	2021	548,990	—	—	288,192	288,192	913,557
	2020	533,000	1,218,339	1,008,475	202,518	202,518	3,004,044
Charles F. Withee President and Chief Lending Officer (S)	2021	375,000	—	—	—	—	782,995
	2020	375,000	487,341	403,394	122,775	122,775	1,425,399
Carol L. Houle Executive Vice President and Chief Financial Officer	2021	319,145	—	—	143,615	143,615	525,413
	2020	309,850	487,341	403,394	101,445	101,445	1,340,358
Joseph Mancini Executive Vice President and Chief Operating Officer	2021	206,429	180,000	151,800	67,585	67,585	649,336

Figure 16 Excerpt from the most recent proxy statement, source: company filings

It's rather odd to us, that in 2021 the executives only received cash or non-equity incentives as compensation.⁴⁰ In contrast, the bank invested a significant part of the retirement savings for its employees in 2021 in its own common stock (see Figure 17).⁴¹ Until then, employee pensions were administered through a collective trust with other banks.⁴² The SBERA agreement was terminated without any decision cited.

	At December 31,	
	2021	2020
Investments, at fair value:		
Provident Bancorp, Inc. common stock	\$ 12,602,112	\$ —
Mutual funds	17,633,430	—
Investment - Plan interest in SBERA Common Collective Trust	—	22,015,550
Total investments	30,235,542	22,015,550
Receivables:		
Participant contributions	77	—
Employer contributions	75,479	57,920
Notes receivable from participants (see Note 2)	321,305	343,459
Total receivables	396,861	401,379
Net assets available for benefits	\$ 30,632,403	\$ 22,416,929

Figure 17 Excerpt from the bank's 401k plan, source: company filings

At the end of 2021, the plan accounted for more than 12 million dollars worth of the bank's own common stock as investments.⁴³ Since then, the share price has declined sharply – from shy above \$18 to \$7.9. That's a 57% loss for employees on the 401k plan - or \$7.1 million in absolute terms.

³⁸ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 15

³⁹ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 15

⁴⁰ Provident Bancorp, Inc. (2022), DEF 14A, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000013/pvbc-20220419xdef14a.htm>, p. 15

⁴¹ Provident Bancorp, Inc. (2022), 11-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000030/pvbc-20211231x11k.htm>, p. 5

⁴² Provident Bancorp, Inc. (2022), 11-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000030/pvbc-20211231x11k.htm>, p. 7

⁴³ Provident Bancorp, Inc. (2022), 11-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000030/pvbc-20211231x11k.htm>, p. 7

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The employees and investors are now faced with a shambles. Despite the bank claims to be well capitalized with a CET1 ratio of 12.93 percent, we doubt if the crypto-related loans were properly risk-weighted within the regulatory frameworks.⁴⁴ We expect further revelations and actions by the regulators in the coming weeks.

In our opinion, regardless of the financial position of the bank, Provident Bancorp, Inc. is a zero. Despite recent events, no executives or directors have resigned. We think trust in this institute, the management team, and the board of directors has been completely lost and the share price will reflect this in the near future as well.

Based on all the information presented herein, we are short Provident Bancorp, Inc.

⁴⁴ Provident Bancorp, Inc. (2022), 10-K, <https://www.sec.gov/Archives/edgar/data/1778784/000177878422000008/pvbc-20211231x10k.htm>, F-33