

PUBLIC DISCLOSURE

March 24, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pentucket Bank
Certificate Number: 90208

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Haverhill, Massachusetts 01830

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institutions demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of community development opportunities within the assessment area.

DESCRIPTION OF INSTITUTION

Background

Pentucket Bank (PB) is headquartered in Haverhill, Massachusetts (MA) and operates in the northern part of Essex County, MA and the southern part of Rockingham County, New Hampshire (NH). PB is a stock bank that is wholly owned by mid-tier holding company Pentucket Bancorp, Inc. Pentucket Bancorp, Inc. is owned by a mutual holding company, Pentucket Bancorp, MHC. PB owns two subsidiaries: a foundation that makes donations on the bank's behalf and Pentucket Securities Corp, which holds the bank's securities.

The FDIC and the Massachusetts Division of Banks (Division) conducted the bank's previous CRA evaluation dated January 14, 2019 using Interagency Intermediate Small Institution Examination Procedures. PB received an overall "Satisfactory" rating. The FDIC rated both the Lending Test and Community Development Test "Satisfactory" while the Division rated the Lending Test as Satisfactory and the Community Development Test "High Satisfactory".

Operations

PB operates six full-service branches in its assessment area, four in the northeastern part of MA and two in southern part of NH. Of the six branches, one is located in a low-income census tract (CT) in Haverhill, MA; one is located in a moderate-income CT in Haverhill, MA; three are located in middle-income CTs in Haverhill, MA, Hampstead NH and Salem, NH; and, one branch is located in an upper-income CT in North Andover, MA. The bank did not open or close any branches and has not engaged in any merger or acquisition activities since the previous evaluation.

The bank provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. PB offers a variety of consumer and business loan products primarily focusing on home mortgage lending and commercial lending. The bank also offers investment financial services and insurance sales. PB provides alternative banking services through internet and mobile banking, electronic bill pay, and automated teller machines (ATMs). PB is also a member of the SUM Network, allowing customers to avoid ATM surcharges at participating ATMs.

Ability and Capacity

As of December 31, 2021, assets totaled approximately \$977.5 million, and included total loans of \$711.2 million and total securities of \$156.1 million. PB reported total deposits of \$824.2 million. The following table illustrates the bank's loan portfolio distribution as of December 31, 2021

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	23,651	3.3
Secured by Farmland	219	0.0
Secured by 1-4 Family Residential Properties	357,951	50.3
Secured by Multifamily (5 or more) Residential Properties	45,008	6.3
Secured by Nonfarm Nonresidential Properties	225,992	31.8
Total Real Estate Loans	652,821	91.7
Commercial and Industrial Loans	57,018	8.0
Agricultural Production and Other Loans to Farmers	170	0.0
Consumer Loans	1,032	0.2
Obligations of State and Political Subdivisions in the U.S	0	0.0
Other Loans	117	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	711,158	100.0
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA regulation requires financial institutions to define the assessment areas within which examiners will evaluate its CRA performance. PB designated a single assessment area in the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), which is a multi-state MSA that includes partial Essex County, MA and partial Rockingham County, NH. The assessment area has not changed since the previous evaluation.

Economic and Demographic Data

The assessment area consists of 79 census tracts that reflect the following income designations according to 2015 American Community Survey (ACS) data:

- 22 are in low-income geographies,
- 11 are in moderate-income geographies,
- 37 are in middle-income geographies, and
- 9 are in upper-income geographies.

There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank’s assessment area. The bank’s low- and moderate-income tracts are primarily located in Lawrence (18), Haverhill (8), Methuen (4), North Andover (1) and Derry, NH (2).

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	27.8	13.9	46.8	11.4	0.0
Population by Geography	382,342	24.5	14.9	47.6	13.0	0.0
Housing Units by Geography	149,409	22.7	16.5	48.5	12.3	0.0
Owner-Occupied Units by Geography	91,160	8.7	14.1	59.6	17.6	0.0
Occupied Rental Units by Geography	50,267	47.2	20.5	29.1	3.2	0.0
Vacant Units by Geography	7,982	29.0	17.7	44.5	8.8	0.0
Businesses by Geography	30,004	17.7	14.2	51.4	16.7	0.0
Farms by Geography	709	5.2	9.7	63.8	21.3	0.0
Family Distribution by Income Level	99,627	29.2	18.4	20.6	31.8	0.0
Household Distribution by Income Level	141,427	30.0	16.3	18.0	35.7	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA	\$100,380	Median Housing Value		\$273,113		
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH	\$90,150	Median Gross Rent		\$1,058		
		Families Below Poverty Level		11.8%		
<i>Source 2015 ACS and 2020 D&B Data, Due to rounding, totals may not equal 100.0%, (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares the home mortgage loans to the distribution of owner-occupied housing units. As shown in the table above, 61.0 percent of the 149,409 housing units are owner-occupied, slightly limiting the bank’s opportunities for home mortgage lending in the assessment area. Of the owner-occupied housing units, 22.8 percent of units are located in low- and moderate-income census tracts, limiting the bank’s opportunities in these geographies.

The median housing value in the bank’s assessment area, at \$273,113, is relatively high when compared to the median family incomes. Also shown above, almost half (47.6 percent) of the assessment area’s families are low- and moderate-income. Additionally, 11.8 percent of families in the assessment area live below the poverty level. These factors may limit the number of low- and moderate-income families that qualify for a mortgage under conventional underwriting standards. This data supports the challenges lenders face in originating loans to low- or moderate-income borrowers.

Examiners use the updated Federal Financial Institution Examination Council (FFIEC) median family income information to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low- moderate-, middle-, and upper-income categories in MD 15764 and MD 40484.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
Rockingham County-Strafford County, NH Median Family Income (40484)				
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
2021 (\$110,600)	<\$55,300	\$55,300 to <\$88,480	\$88,480 to <\$132,720	≥\$132,720
<i>Source FFIEC</i>				

According to 2020 Dun & Bradstreet (D&B) data, there are 30,004 non-farm businesses operating within the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenues (GAR) levels. GAR levels for these businesses are as follows:

- 88.3 percent earned \$1 million or less.
- 4.7 percent earned more than \$1 million.
- 7.0 percent reported unknown revenue.

Service industries represent the largest portion of businesses at 38.7 percent, followed by non-classifiable establishments at 18.7 percent, and retail trade at 12.5 percent. In the assessment area, 90.9 percent of businesses are considered small with nine or fewer employees, and 91.9 percent operate for a single location. In addition, 84.6 percent of area businesses have GARs of less than \$0.5 million.

According to the U.S. Bureau of Labor Statistics, the 2019 annual average unemployment rate was 3.1 percent in Essex County and 2.8 percent in Rockingham County. The Essex County unemployment rate was similar to the MA statewide unemployment rate of 3.1 percent, with the Rockingham County unemployment rate comparable to the NH statewide unemployment rate of 2.6 percent. Additionally, in 2019, both counties' unemployment rates were favorable to the national unemployment rate of 3.7 percent. In 2020, the COVID-19 pandemic affected the labor market, with the annual average unemployment rates increasing drastically in both counties to 9.8 percent in Essex County and 7.1 percent in Rockingham County. The unemployment rates peaked in April 2020 for both counties at 18.1 percent for Essex County and 17.1 percent for Rockingham County. The labor market and the economy are rebounding with unemployment rates dropping in both counties. In December of 2021, the unemployment rate was 3.8 percent in Essex County and 2.2 percent in Rockingham County.

Competition

PB is in a highly competitive market for financial services. According to the June 30, 2021 FDIC Deposit Market Share data, 23 financial institutions operated 94 full-service branches within the

assessment area. Of these institutions, PB ranked 6th with 6.8 percent deposit market share. The top three institutions are TD Bank N.A., Santander Bank N.A., and Bank of America N.A., which control 45.4 percent of the market.

There is a high level of competition for home mortgage loans in the assessment area. According to the 2019 Home Mortgage Disclosure Act (HMDA) aggregate lending data, 395 lenders, consisting of banks, credit unions and non-depository mortgage lenders reported originating or purchasing 17,422 residential mortgage loans in the assessment area. PB ranked 23rd with a 1.4 percent market share by number of loans. The top three lenders in market share were Quicken Loans, LLC, Wells Fargo Bank, N.A., and Citizens Bank N.A. with 14.0 percent of the total market. In 2020, 417 lenders reported originating or purchasing 24,864 residential mortgage loans in the assessment area. PB ranked 33rd with a 1.0 percent market share by number.

The analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The bank is not required to collect and report small business loan data and did not do so during the evaluation period. The statistical sample of small business loans is compared to demographic information. County level aggregate data for small business lending is the only available dataset that reflects the level of demand for small business loans. In 2020 the most recent aggregate data available for the area, 175 lenders reported 33,609 small business loans. The data indicates a high degree of competition for small business loans in the counties the bank does business, evidenced by the top three lenders originating approximately 33.1 percent of all small business loans. Examiners used this data to help determine the general level of competition in the area for small business loans; however, direct comparisons are not included in the analysis.

Community Contact

As part of the evaluation process, examiners contact third parties that are active in the assessment area to assist in the identifying of credit and community development needs. This information assists examiners in determining whether local financial institutions are responsive to the needs of the assessment area. It also identifies available credit and community development opportunities.

Examiners contacted a representative from a local community service organization that serves the bank's assessment area. The contact discussed the need for more affordable housing, credit counseling, the lack of employment opportunities, and food insecurity as concerns for the area. The contact also discussed the lack of in-person financial education opportunities caused by the COVID-19 for individuals that do not have access to internet services. The contact also stated that there is an opportunity for financial institutions to provide financial educational opportunities beyond basic banking.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, and demographic and economic data, examiners determined that affordable housing for low- and moderate-income individuals and families represent the primary community development need of the assessment area. This need exists due to a lack of affordable housing units for those looking to rent or purchase within the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, assessed PB's CRA performance since the previous evaluation dated January 14, 2019, to the current evaluation dated March 24, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate PB's performance. The procedures include two tests: The CRA Small Bank Lending Test and the Community Development Test.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage loans and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. As of December 31, 2021, home mortgage loans represented 50.3 percent of the bank's loan portfolio. Commercial loans consisting of nonfarm nonresidential real estate and commercial and industrial loans represented 39.8 percent of bank's total loan portfolio. PB's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to small business lending during the evaluation period. No other loan types, such as small farm or consumer loans, represent a major product line or provide material support for conclusions or ratings; therefore, examiners did not present these products.

The evaluation considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). The bank reported 216 originations totaling \$45.3 million in 2019, 308 originations totaling \$82.7 million in 2020, and 334 originations totaling \$108.7 million in 2021. Examiners compared PB's home mortgage lending performance to 2019 and 2020 aggregate data, and to 2015 ACS demographic data.

Because the bank is not required to collect or report small business data and did not do so during the evaluation period, examiners selected a statistical sample of 58 small business loans originated in 2021 totaling approximately \$5.2 million and considered this sample representative of the bank's performance during the entire evaluation period. In 2021, the bank originated 255 small business loans totaling approximately \$26.1 million, including 136 Small Business Administration (SBA) Paycheck Protection Program (PPP) loans totaling \$11.5 million. PPP loans did not require documented revenue, and all Not Applicable (NA) revenue loans within the selected sample are PPP loans. D&B business demographics data provided a standard of comparison to the bank's small business lending performance.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. For the Community Development Test, examiners reviewed community development loans, investments and donations, and community development services since the prior CRA evaluation dated January 14, 2019, to the current evaluation date of March 21, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 93.7 percent over the past 12 calendar quarters from March 31, 2019, to December 31, 2021. The ratio ranged from a low of 85.4 percent as of December 31, 2021, to a high of 99.9 percent as of June 30, 2020. The average ratio increased from 92.2 percent at the previous evaluation and gradually increased during the evaluation period. PB's average net LTD ratio exceeded that of the three similarly situated institutions, as shown in the following table.

Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table illustrates the bank's average net loan-to-deposit ratio compared to similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
Pentucket Bank	977,461	93.7
Cambridge Trust Company*	4,891,222	88.8
Haverhill Bank	539,010	80.6
Newburyport Five Cents Savings Bank	1,286,414	103.7
North Shore Bank	1,641,035	90.2
<i>Source Reports of Condition and Income 12/31/15 through 09/30/1</i>		
<i>*Cambridge Trust Company merged with Optima Bank & Trust Company in July 2019</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area.

The following table shows PB's lending inside and outside of the assessment area by loan category.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	241	77.7	69	22.3	310	50,865	70.9	20,795	29.1	71,660
2020	238	77.3	70	22.7	308	59,269	71.7	23,444	28.3	82,714
2021	267	79.9	67	20.1	334	79,362	73.0	29,312	27.0	108,674
Subtotal	746	78.4	206	21.6	952	189,496	72.0	73,551	28.0	263,048
Small Business										
2021	42	72.4	16	27.6	58	5,198	57.6	3,829	42.4	9,027
Subtotal	42	72.4	16	27.6	58	5,198	57.6	3,829	42.4	9,027
Total	788	75.4	222	24.6	1010	194,694	64.8	77,380	35.2	272,075
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income CTs.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data.

As shown in the following table, in 2019 the bank's performance in low-income CTs fell below aggregate performance and demographic data; however, in 2020 the bank exceeded aggregate and demographic data. In 2021, the bank increased the number and dollar amount of loans to low-income geographies, exceeding demographic data. Overall, the bank exhibited a positive trend lending to low-income geographies.

In the moderate-income CTs, the bank performed comparably to demographic data for all three years. In 2019, the bank's performance fell below aggregate data; however, in 2020, the performance improved, slightly exceeding aggregate performance. See the below table for further detail.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	8.7	12.2	15	6.2	3,254	6.5
2020	8.7	9.8	28	11.8	8,672	14.6
2021	8.7	--	32	12.0	16,128	20.3
Moderate						
2019	14.1	14.0	29	12.0	5,526	11.0
2020	14.1	14.1	38	16.0	7,230	12.2
2021	14.1	--	29	10.9	7,103	9.0
Middle						
2019	59.6	56.3	172	71.4	35,444	70.4
2020	59.6	55.9	137	57.6	34,231	57.8
2021	59.6	--	177	66.3	46,429	58.5
Upper						
2019	17.6	17.5	25	10.4	6,158	12.2
2020	17.6	20.2	35	14.7	9,136	15.4
2021	17.6	--	29	10.9	9,702	12.2
Totals						
2019	100.0	100.0	241	100.0	50,383	100.0
2020	100.0	100.0	238	100.0	59,269	100.0
2021	100.0	--	267	100.0	79,362	100.0
Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of sampled small business loans reflects reasonable dispersion.

As shown in the following table, the bank performance in low-income and moderate-income CTs was similar demographic data in 2021.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	18.6	7	16.7	348	6.7
Moderate					
2021	14.0	6	14.3	1,312	25.2
Middle					
2021	50.7	20	47.6	2,907	55.9
Upper					
2021	16.6	9	21.4	631	12.1
Not Available					
2021	0.0	0	0.0	0	0.0
Totals					
2021	100.0	42	100.0	5,198	100.0
<i>Source 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance of home mortgage and reasonable performance of small business lending supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels. Examiners emphasized performance compared to the aggregate data.

The bank's lending to low-income individuals exceeded the aggregate performance in 2019 and 2020 and there was an increase in the number of loans made to low-income families in 2021.

The bank's lending as well as aggregate lending to low-income families is notably lower than demographics. The percentage of families living below the poverty level (11.8 percent) partially explains this discrepancy. Additionally, the assessment area's performance context present mitigating factors supporting the limited opportunities for lending to low-income families.

The bank's lending to moderate-income borrowers exceeded the aggregate and demographics in both 2020 and 2021. In 2021, the bank's performance mirrored that of 2020 by number, and increased by dollar amount and it exceeded demographic data. Given the bank's performance in low-income and moderate-income CTs, the high poverty rate, and positive trending, the bank's performance is excellent.

The following table illustrates the distribution of home mortgage loans by borrower income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	29.2	9.1	24	10.0	1,878	3.7
2020	29.2	8.3	22	9.2	2,835	4.8
2021	29.2	--	34	12.7	5,071	6.4
Moderate						
2019	18.4	25.6	66	27.4	10,708	21.3
2020	18.4	24.5	62	26.1	12,910	21.8
2021	18.4	--	62	23.2	13,175	16.6
Middle						
2019	20.6	24.2	69	28.6	13,253	26.3
2020	20.6	24.0	73	30.7	16,815	28.4
2021	20.6	--	77	28.8	20,204	25.5
Upper						
2019	31.8	25.8	66	27.4	17,725	35.2
2020	31.8	28.2	68	28.6	20,456	34.5
2021	31.8	--	76	28.5	27,493	34.6
Not Available						
2019	0.0	15.3	16	6.6	6,819	13.5
2020	0.0	14.9	13	5.5	6,254	10.6
2021	0.0	--	18	6.7	13,419	16.9
Totals						
2019	100.0	100.0	241	100.0	50,383	100.0
2020	100.0	100.0	238	100.0	59,270	100.0
2021	100.0	--	267	100.0	79,362	100.0

*Source 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less.

The following table shows the majority of the bank's small business loans were to businesses with no available revenue, representing all PPP loans.

In 2020, PB’s lending performance to business reporting GARs of \$1 million or less was significantly less than demographics data. While this performance is less than demographic data, it is not unusual given, the large volume of PPP loans. In 2020, PPP loans account for 78.5 percent of all small business loans in the assessment area. When excluding these loans, the bank made approximately 44.5 percent of small business loans to businesses with GARs of \$1.0 million or less. Given the high level of competition for business loans, combined with a significant percentage of PPP loans, PB’s performance is reasonable. The following table reflects the distribution of loans by GAR level.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	89.0	4	9.5	566	10.9
>\$1,000,000					
2021	4.2	5	11.9	1,013	19.5
Revenue Not Available					
2021	6.8	33	78.6	3,619	69.6
Totals					
2021	100.0	42	100.0	5,198	100.0
<i>Source 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating

COMMUNITY DEVELOPMENT TEST

PB demonstrates adequate responsiveness to assessment area community development needs through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

The bank originated 129 community development loans totaling approximately \$33.9 million during the evaluation period. Community development loans accounted for 3.0 percent of average total assets and 5.0 percent of average net loans during the review period. Since the prior evaluation, the bank increased the number of community development loans. In the previous evaluation, the bank originated 47 community development loans for \$34.4 million. This increase in number is primarily due to the bank originating a significant number of PPP loans. Additionally, as the bank met the community development needs of the assessment area, examiners considered six community development loans for \$4.2 million outside the assessment area. When compared to similarly situated institutions, PB’s community development lending exceeded three of five

similarly situated institutions. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
1/15/2019 - 12/31/2019	3	1,118	0	0	15	1,622	0	0	18	2,740
2020	3	3,232	1	57	0	0	65	11,265	69	14,554
2021	4	3,685	2	2,612	2	1,325	34	8,983	42	16,605
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	10	8,035	3	2,669	17	2,947	99	20,248	129	33,899
<i>Source Bank Records</i>										

Below are notable examples of the bank’s community development loans:

- In 2020, the bank originated a construction loan for \$1.4 million to a local affordable housing organization. The loan proceeds were used for the construction of four affordable housing units in Haverhill, MA that will be sold below market price.
- In 2021, the bank originated a \$1.3 million loan for the purchase of four multi-family properties with 22 units in total, located in Haverhill, MA. All 22 units are qualified affordable housing units rented below the Housing and Urban Development (HUD) fair market rate.
- In 2021, the bank originated a \$1.3 million loan for the construction and permanent financing of a nine-unit affordable housing project located outside the bank’s assessment area in Dracut, MA. The project will convert a historic schoolhouse building into nine apartments for low- and moderate-income veterans.

Qualified Investments

PB made 198 community development investments and donations for a total of approximately \$1.7 million. The dollar amount of qualified investments and donations equates to 0.2 percent of net average assets and 1.1 percent of average total investments during the evaluation period. The total amount of investments made during the evaluation period decreased since the last evaluation, at which time the bank had 245 by number and \$2.6 million by dollar amount.

PB’s level of community development investments and donations was similar to three of five similarly situated institutions in the same assessment area. The following table describes the community development investments and donations during the evaluation period.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	1,201	0	0	0	0	0	0	2	1,201
1/14/2019-12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
Subtotal	2	1,201	0	0	0	0	0	0	2	1,201
Qualified Grants & Donations	9	31	182	390	5	49	0	0	196	470
Total	11	1,232	182	390	5	49	0	0	198	1,671
<i>Source: Bank Data</i>										

The following are examples of the Bank’s responsiveness to community development investments and donations:

Prior Period Investments

- **New Hampshire Community Loan Fund (NHCLF)** – The bank continues to participate in the NHCLF. The NHCLF provides financing and support for low- and moderate-income individuals to access affordable housing, childcare, early childhood education, quality jobs and tools to become financially independent.
- **Ginnie Mae Multi-Family Real Estate Mortgage Investment Conduit Trust (REMIC)** – The bank continues to participate in the Ginnie Mae REMIC, which provides affordable housing in Haverhill through a Housing and Urban Development subsidized property. All units within the property are reserved for low- and moderate-income individuals.

Donations

- **Mill Cities Community Investments (MCCI)**- MCCI is a certified community development financial institution that offers flexible and affordable loan products to low- and moderate- income individuals and families, residential development projects, and small businesses. The bank's donation supports affordable housing initiatives in the cities of Lawrence, Lowell, and Haverhill.
- **Notre Dame Cristo Rey High School** – The private not-for profit high school is located in Methuen, serving 290 low- and moderate-income youths by offering an education model built around the Corporate Work Study Program (CWSP). The CWSP is a partnership with the local business community providing on the job training, and work experience for students five days a month. The high school offers students a college preparatory education and enhanced work experience. The bank’s donation is supporting community services in low- and moderate-income communities.

- **Lawrence Partnership** – The Partnership develops and implements initiatives to support small businesses including investment capital for new small businesses, growing employment opportunities, supporting an inclusive workforce environment including creating employment opportunities for low- and moderate-income individuals, and investing in community revitalization efforts. The bank’s donation to the Partnership supports economic development.

Community Development Services

During the evaluation period, the bank’s employees and members of the senior management team provided 104 instances (1,609 hours) of financial expertise or technical assistance to 45 community development organizations located in the assessment area. These organizations focus on community development services for low- and moderate-income individuals or low- and moderate-income areas. As shown in the following table, the number of services provided in 2020 declined, but returned to normal levels in 2021. During the 2020 COVID-19 pandemic, community development services were limited due to the economic shut down. Many organizations restricted in-person activities, limiting the opportunities for the bank to provide community development services. The following table summarizes the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
1/15/2019-12/31/2019	2	38	3	0	43
2020	5	16	3	0	24
2021	1	32	3	1	37
YTD 2022	0	0	0	0	0
Total	8	86	9	1	104
<i>Source Bank Data</i>					

The following are examples of community development services provided.

- **Budget Buddies Program** – This program utilizes many volunteers to close the poverty gap by building the financial literacy, confidence, and security of low-income women and girls by combining instructional workshops and personal, one-on-one coaching and mentoring. Clients are referred by local social service agencies operating in the Haverhill and Lawrence areas. Volunteer coaches from the bank worked with clients weekly to address personalized money-management goals and challenges. The bank’s service supports qualified community services.
- **Community Action, Inc., Haverhill (CAI)** – First Time Home Buyer (FTHB) Education classes offered to area residents to learn how to purchase their first home. The Massachusetts Citizens Housing and Planning Association and Mass Housing certify the nine-hour curriculum. Residents receiving the FTHB Course Certification may be eligible for special affordable housing financing programs and housing lotteries. Bank staff and

senior managers participate as course presenters for various sessions. The bank's service supports affordable housing.

- **Emmaus, Inc.** – A community-based non-profit organization, Emmaus solicits funds to purchase and develop local building to be used for emergency shelters and affordable housing. Additionally, the organization runs a food bank and provides a variety of supportive services for individuals and families facing homelessness. Two executive officers of the bank served as Board Members in 2020.
- **Lawrence Partnership** -This partnership is a coalition of leaders from local businesses, educational and healthcare institutions, and nonprofits that coordinate resources and ideas to invest in individuals and small business owners by providing training and generating career paths. This partnership also helps create lasting employments and upward mobility for area residents from predominantly low-income areas. This organization is located in a low-income CT. The bank president serves as a Board Member.
- **Utec** – This nonprofit organization operates in the Lowell, Lawrence, and Haverhill areas with a mission to ignite and nurture the ambition of the area's most impoverished youth. Utec provides outreach, transitional coaching, workforce development in social enterprises, gun violence prevention, education, and more. A bank Executive Officer served as a Board Member in 2021.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No discriminatory or other illegal credit practice occurred during the evaluation period. As such, there is no impact on the bank's CRA performance.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2020 and 2021 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 382,342 individuals of which 28.6 percent are minorities. The minority population represented is 1.4 percent Black/African American, 2.5 percent Asian, 0.1 percent American Indian, 23.3 percent Hispanic or Latino, and 1.3 percent other.

The bank's level of lending in 2020 was compared with that of the 2020 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2020 HMDA		2020 Aggregate Data	Bank 2021 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0	0.3	0	0
Asian	7	2	2.2	7	2.1
Black/ African American	9	2.5	2.6	10	2.9
Hawaiian/Pacific Islander	1	0.3	0.2	0	0
2 or more Minority	0	0	0.1	0	0
Joint Race (White/Minority)	1	0.3	1.1	3	0.9
Total Racial Minority	18	5.1	6.5	20	5.9
White	321	90.9	70.7	298	87.1
Race Not Available	14	4	22.8	24	7
Total	353	100	100	342	100
ETHNICITY					
Hispanic or Latino	17	4.8	12	21	6.1
Joint (Hisp/Lat /Not Hisp/Lat)	3	0.9	1.2	4	1.2
Total Ethnic Minority	20	5.7	13.2	25	7.3
Not Hispanic or Latino	312	88.3	64.7	291	85.1
Ethnicity Not Available	21	6	22.1	26	7.6
Total	321	100	100	342	100

Source ACS Census 2015, HMDA Aggregate Data 2020, HMDA LAR Data 2020 and 2021

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.