

# **PUBLIC DISCLOSURE**

December 4, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples Bank  
Certificate Number: 12230

408 West Washington Street  
Cuba, Missouri 65453

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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 federal financial supervisory agency 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 loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of home mortgage and small business loans were originated within the institution's assessment areas.
- The geographic distribution of loans reflects poor dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenues.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

Peoples Bank is a community bank headquartered in Cuba, Missouri, and is owned by Peoples Bancorporation, Cuba, Missouri. Peoples Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated November 27, 2017, which utilized Interagency Small Institution Examination Procedures. The bank does not have any lending affiliates.

The institution operates from a main office and a branch in Cuba, Missouri, and branches in Bourbon, Steelville, and Sullivan, Missouri. No branches have opened or closed, and no merger or acquisition activities have occurred since the previous evaluation.

The bank's loan products include commercial, agricultural, residential real estate, and consumer loans. Commercial loan products include both term loans and lines of credit. Consumer loans include adjustable rate mortgages, home equity lines of credit, auto, and other installment loans. Fixed-rate mortgage loans are also available through a referral relationship with First Integrity Mortgage Services. The institution provides a variety of deposit services and accounts including checking, savings, health savings, individual retirement, money market, and certificate of deposit accounts. Small business deposit services include bill pay, payroll, cash management, and remote deposit capture. Alternative consumer banking services include online banking, mobile banking, nine ATMs located throughout the assessment areas, remote check deposit, and bill pay.

According to the Consolidated Reports of Condition and Income (Call Report), as of September 30, 2023, assets equaled approximately \$245.5 million, and included total loans of \$162.3 million and

total securities of \$63.7 million. Total deposits equaled \$230.9 million. These figures represent an increase from the prior evaluation for total assets, loans, and deposits, which equaled \$201.8 million, \$149.4 million, and \$36.0 million, respectively.

As illustrated in the following table, the loan portfolio is primarily composed of home mortgage lending at 53.6 percent and commercial lending at 25.4 percent. This distribution is consistent with the loan portfolio distribution at the prior evaluation, as well as the bank’s primary business focus. Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

<b>Loan Portfolio Distribution as of 09/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	11,496	7.1
Secured by Farmland	13,764	8.5
Secured by 1-4 Family Residential Properties	85,152	52.5
Secured by Multifamily (5 or more) Residential Properties	1,826	1.1
Secured by Nonfarm Nonresidential Properties	32,548	20.1
<b>Total Real Estate Loans</b>	<b>144,786</b>	<b>89.3</b>
Commercial and Industrial Loans	8,628	5.3
Agricultural Production and Other Loans to Farmers	1,733	1.1
Consumer Loans	4,981	3.1
Obligations of State and Political Subdivisions in the U.S.	247	0.2
Other Loans	1,717	1.1
Lease Financing Receivable (net of unearned income)	181	0.1
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>162,273</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income; Due to rounding, totals may not add up to 100%</i>		

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA regulation requires financial institutions to define one or more assessment areas within which its CRA performance will be evaluated. Peoples Bank has designated two assessment areas in Missouri. The Crawford County Assessment Area contains Crawford County, which is located in nonmetropolitan Missouri. The Franklin County Assessment Area contains Franklin County, which is located in the St. Louis, Missouri – Illinois Metropolitan Statistical Area (MSA). Detailed demographic information regarding each assessment area is provided in the subsequent sections of this evaluation.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated November 27, 2017, through the current evaluation dated December 4, 2023. Examiners used the FFIEC Interagency Small Institution Examination Procedures to evaluate the bank’s CRA performance. Please refer to the

Small Bank Performance Criteria section of the Appendices for a summary of the criteria evaluated. Both assessment areas were subject to full-scope reviews during this evaluation. Examiners placed more weight on performance in the Crawford County Assessment Area because this area includes a substantial majority of the branches, loans, and deposits, as illustrated below.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Crawford County	120,971	74.9	191,695	83.0	4	80.0
Franklin County	40,612	25.1	39,315	17.0	1	20.0
<b>Total</b>	<b>161,583</b>	<b>100.0</b>	<b>231,010</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>

*Source: Bank Data; FDIC Summary of Deposits (06/30/2023)*

### **Activities Reviewed**

Examiners reviewed home mortgage and small business loans to evaluate the institution’s lending performance. These loan types are the primary business focus of the institution and constitute the largest portions of the bank’s loan portfolio and lending activity since the previous evaluation. A review of small farm loans was not performed, as it is not a major product line for the bank.

Examiners considered the number and dollar volume of loans originated during the evaluation period, Call Report data, and management’s business strategy in determining the weighting applied to the loan categories reviewed. Given the concentration in home mortgage lending, greater weight is placed on the results of the home mortgage lending analysis when drawing overall conclusions.

Examiners reviewed home mortgage lending data for 2021 and 2022. Since performance was generally consistent throughout the evaluation period, only 2022 data is presented for the Geographic Distribution and Borrower Profile analyses. Home mortgage loans include all loans reported pursuant to the Home Mortgage Disclosure Act (HMDA) data collection requirements. Examiners compared home mortgage lending to 2020 U.S. Census data and 2022 aggregate HMDA lending data.

Management indicated that a review of small business loans originated in 2022 would be reflective of small business lending activity since the prior evaluation. Examiners compared small business lending performance to 2022 D&B data.

The entire universe of loans was used to evaluate the Assessment Area Concentration criterion. Regarding the Geographic Distribution analysis, examiners focused on all loans made within the assessment areas. For the Borrower Profile home mortgage analysis, examiners used HMDA lending data to evaluate all loans made within the assessment area. For the Borrower Profile small business analysis, examiners evaluated lending performance based on a sample of small business loans made within the Crawford County Assessment Area in 2022. Examiners reviewed all small business loans originated in the Franklin County Assessment Area in 2022, as the loan volume was minimal. The following table details the loans reviewed.

Loan Products Reviewed						
Loan Category	Universe		Geographic Distribution		Borrower Profile Sample	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
Home Mortgage						
2021	124	18,843	97	12,232	97	12,232
2022	114	19,219	91	11,392	91	11,392
Small Business	64	7,927	53	4,674	36*	3,568
<i>Source: Bank Data; HMDA Reported Data</i>						
<i>*Includes all six small business loans originated in the Franklin County Assessment Area in 2022.</i>						

Examiners analyzed lending performance by both the number and dollar volume of loans. However, the performance by number of loans for the Geographic Distribution and Borrower Profile analyses was emphasized, as it is generally a better indicator of the number of individuals and businesses served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Peoples Bank demonstrated satisfactory performance under the small bank performance criteria. The bank’s performance under each criterion supports this conclusion. Refer to the subsequent sections for details regarding the bank’s performance in each assessment area.

#### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Call Report data, averaged 73.9 percent over the past 24 calendar quarters from December 31, 2017, to September 30, 2023.

The performance of comparable financial institutions serves as an additional method of assessing the adequacy of an institution’s average net loan-to-deposit ratio. Examiners selected the comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, the institution’s average net loan-to-deposit ratio is reasonable when compared to the performance of similarly-situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2023 (\$000s)	Average Net LTD Ratio (%)
<b>Peoples Bank, Cuba, Missouri</b>	<b>245,538</b>	<b>73.9</b>
First Community National Bank, Steelville, Missouri	194,367	53.0
Farmers & Merchants Bank of St. Clair, Saint Clair, Missouri	347,055	76.7
Heritage County Bank, Union, Missouri	236,833	100.1
<i>Source: Reports of Condition and Incomes 12/31/2017 – 09/30/2023</i>		

**Assessment Area Concentration**

As shown in the following table, the bank originated a majority of home mortgage and small business loans within its assessment areas.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2021	97	78.2	27	21.8	124	12,232	64.9	6,611	35.1	18,843
2022	91	79.8	23	20.2	114	11,392	59.3	7,827	40.7	19,219
<b>Home Mortgage Subtotal</b>	<b>188</b>	<b>79.0</b>	<b>50</b>	<b>21.0</b>	<b>238</b>	<b>23,624</b>	<b>62.1</b>	<b>14,438</b>	<b>37.9</b>	<b>38,062</b>
Small Business	53	82.8	11	17.2	64	4,674	59.0	3,253	41.0	7,927
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment areas. Poor performance in the Crawford County Assessment Area primarily supports this conclusion, as this assessment area received greater weight when drawing overall conclusions. Performance in the Franklin County Assessment Area is excellent. Examiners focused on the percentage, by number, of loans in moderate-income census tracts within the assessment areas. The assessment areas do not contain any low-income census tracts.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes and individuals of different income levels. Reasonable performance in both assessment areas supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income individuals and the percentage of small business loans to entities with gross annual revenues of \$1 million or less.

**Response to Complaints**

The institution has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the rating.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## CRAWFORD COUNTY ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CRAWFORD COUNTY ASSESSMENT AREA

The Crawford County Assessment Area is comprised of Crawford County, which is located southwest of St. Louis, Missouri. Peoples Bank operates four branches, including its main office, in this assessment area.

#### **Economic and Demographic Data**

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

<b>Demographic Information of the Assessment Area</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	8	0.0	37.5	37.5	25.0
Population by Geography	23,056	0.0	41.3	41.3	17.4
Housing Units by Geography	12,108	0.0	39.3	39.2	21.5
Owner-Occupied Units by Geography	7,137	0.0	35.7	39.9	24.4
Occupied Rental Units by Geography	2,661	0.0	60.4	34.3	5.3
Vacant Units by Geography	2,310	0.0	26.1	42.7	31.1
Businesses by Geography	2,315	0.0	44.5	38.1	17.4
Farms by Geography	144	0.0	20.8	51.4	27.8
Family Distribution by Income Level	6,315	23.1	18.9	22.1	35.9
Household Distribution by Income Level	9,798	26.9	15.2	20.1	37.9
Median Family Income Nonmetropolitan - MO		\$56,957	Median Housing Value		\$123,562
Families Below Poverty Level		13.2%	Median Gross Rent		\$622
<i>Source: 2020 U.S. Census and 2022 D&amp;B Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

The 2022 FFIEC-updated median family income ranges are used to analyze home mortgage lending under the Borrower Profile criterion. The income categories for the nonmetropolitan areas of Missouri are presented in the following table.

<b>Median Family Income Ranges – Nonmetropolitan Missouri</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2022 (\$63,500)	<\$31,750	\$31,750 to <\$50,800	\$50,800 to <\$76,200	≥\$76,200
<i>Source: FFIEC</i>				

#### **Competition**

The Crawford County Assessment Area is a moderately competitive market for financial services. According to the FDIC Deposit Market Share data, as of June 2023, there were 5 financial

institutions operating 9 offices within the assessment area. Of these institutions, Peoples Bank ranked 1<sup>st</sup> with 42.7 percent of the deposit market share. The 2022 home mortgage aggregate lending data shows that 126 institutions reported 850 home mortgage loans in the assessment area, which indicates a moderate demand for this product. Peoples Bank ranked 2<sup>nd</sup> out of this group of lenders, with a market share of 10.0 percent based on the number of loans.

**Credit Needs**

Considering information from bank management and demographic and economic data, home mortgage and small business loans represent primary credit needs of the assessment area.

**CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CRAWFORD COUNTY ASSESSMENT AREA**

**LENDING TEST**

Peoples Bank demonstrated reasonable performance under the small bank performance criteria. Collective performance under the Geographic Distribution and Borrower Profile criteria supports this conclusion.

**Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the Crawford County Assessment Area. Poor home mortgage lending performance primarily supports this conclusion since this product received more weight in the analysis. Small business lending performance is reasonable.

***Home Mortgage***

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. Home mortgage lending in moderate-income census tracts notably trails aggregate performance and lags demographic data.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	35.7	41.3	21	29.6	3,001	33.4
Middle	39.9	35.2	37	52.1	3,824	42.5
Upper	24.4	23.5	13	18.3	2,164	24.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>8,989</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%*

***Small Business***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Small business lending in moderate-income census tracts slightly lags, but is comparable to, demographic data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	44.5	19	40.4	1,910	50.6
Middle	38.1	19	40.4	1,237	32.8
Upper	17.4	9	19.1	630	16.7
<b>Totals</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>3,777</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes in the assessment area. Reasonable lending performance in both loan categories supports this conclusion.

### ***Home Mortgage***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. Lending to moderate-income individuals is similar to both demographic data and aggregate performance. Lending to low-income individuals is less than demographic data, but compares favorably to aggregate performance.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	23.1	5.6	8	11.3	393	4.4
Moderate	18.9	17.3	13	18.3	657	7.3
Middle	22.1	24.7	17	23.9	1,942	21.6
Upper	35.9	33.5	23	32.4	4,614	51.3
Not Available	0.0	18.9	10	14.1	1,384	15.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>8,989</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business***

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. While the percentage of loans to small businesses is less than the percentage of small businesses within the assessment area, examiners considered certain limitations when evaluating the bank's performance.

The bank's primary small business loan products are property, plant, and equipment loans. However, according to management, the rising rate environment and difficulties in recruiting and retaining employees have lowered loan demand, especially small businesses' willingness to invest in facilities and equipment. While Peoples Bank is not required to collect or report its small

business lending data, aggregate lending data provides an indicator of loan demand. Aggregate small business lending data in 2021, which is the most recent year available, reveals that only 54.4 percent of all reported small business loans were made to small businesses. Considering these factors, the distribution of small business loans is reasonable

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	89.5	23	76.7	2,113	79.1
>\$1,000,000	3.1	1	3.3	60	2.2
Revenue Not Available	7.5	6	20.0	498	18.6
<b>Total</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>2,671</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data, Bank Data.            Due to rounding, totals may not equal 100.0%</i>					

## FRANKLIN COUNTY ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE FRANKLIN COUNTY ASSESSMENT AREA

The Franklin County Assessment Area is comprised of Franklin County in eastern Missouri. Franklin County is part of the St. Louis, Missouri-Illinois MSA. Peoples Bank operates one branch located on the southern border of the assessment area.

#### Economic and Demographic Data

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 #
Geographies (Census Tracts)	28	0.0	25.0	64.3	10.7
Population by Geography	104,682	0.0	25.6	67.8	6.6
Housing Units by Geography	45,507	0.0	26.9	66.9	6.2
Owner-Occupied Units by Geography	31,765	0.0	21.7	71.4	6.9
Occupied Rental Units by Geography	9,362	0.0	42.9	53.5	3.7
Vacant Units by Geography	4,380	0.0	30.2	63.5	6.3
Businesses by Geography	12,259	0.0	30.3	61.9	7.8
Farms by Geography	765	0.0	23.3	68.1	8.6
Family Distribution by Income Level	28,149	22.3	22.0	25.4	30.4
Household Distribution by Income Level	41,127	24.4	18.7	19.0	37.9
Median Family Income MSA - St. Louis, MO-IL MSA		\$84,758	Median Housing Value		\$176,821
Families Below Poverty Level		6.9%	Median Gross Rent		\$765

*Source: 2020 U.S. Census and 2022 D&B Data  
Due to rounding, totals may not equal 100.0%*

Examiners utilized the FFIEC-updated median family income for the St. Louis, Missouri-Illinois MSA to analyze home mortgage lending for the Borrower Profile analysis.

Median Family Income Ranges for the St. Louis, MO – IL MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$96,800)	<\$48,400	\$48,400 to <\$77,440	\$77,440 to <\$116,160	≥\$116,160

*Source: FFIEC*

#### Competition

Franklin County is a highly competitive market for financial services. According to June 2023 FDIC Deposit Market Share data, there were 16 financial institutions operating 41 offices within the assessment area. Of these institutions, Peoples Bank ranked 11<sup>th</sup> with 1.1 percent of the deposit market share. The 2022 home mortgage aggregate lending data shows that 246 lenders reported

4,661 home mortgage loans in the assessment area, which indicates high demand for this product. Peoples Bank ranked 38<sup>th</sup> out of this group of lenders, with a market share of 0.6 percent based on the number of loans.

### **Community Contact**

Examiners conduct community contact interviews to obtain a profile of the local community, identify credit needs and opportunities, and evaluate local financial institutions' responsiveness to those needs. Examiners referenced a recent community contact interview that was conducted with an individual from a community development organization within the assessment area. The contact stated that economic conditions in Franklin County are strong. Strengths of the area include quality of life and the depth of manufacturing in the local economy, while weaknesses include a lack of housing and slow population growth. The contact identified a need for more affordable housing. Overall, financial institutions are meeting banking and credit needs, and creditworthy individuals and businesses can obtain financing. However, lower-income families cannot afford to purchase a home, and the lack of available housing stock serves as a barrier.

### **Credit Needs**

Considering information from bank management, the community contact, and demographic and economic data, home mortgage and small business loans represent primary credit needs of the assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FRANKLIN COUNTY ASSESSMENT AREA**

### **LENDING TEST**

Peoples Bank demonstrated reasonable performance under the small bank performance criteria in the Franklin County Assessment Area. The institution conducts a low percentage of its lending and deposit activities through the branch located in this assessment area.

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects excellent dispersion throughout the assessment area. Excellent lending performance in both loan categories supports this conclusion.

### ***Home Mortgage***

As reflected in the following table, the percentage of loans originated in moderate-income census tracts significantly exceeds demographic data and aggregate performance, which reflects excellent dispersion.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	21.7	24.0	11	55.0	1,334	55.5
Middle	71.4	69.1	9	45.0	1,069	44.5
Upper	6.9	6.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>2,403</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%*

### ***Small Business***

Although the bank's lending volume in this assessment area is low, a majority of the loans originated were to small businesses located in moderate-income census tracts. As reflected in the following table, the percentage of loans originated in moderate-income census tracts significantly exceeds demographic data, which reflects excellent dispersion.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	30.3	4	66.7	370	41.2
Middle	61.9	2	33.3	527	58.8
Upper	7.8	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>897</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different revenue sizes in the assessment area. Reasonable lending performance in both loan categories supports this conclusion.

### ***Home Mortgage***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. While lending to moderate-income borrowers notably exceeds both demographic data and aggregate performance, lending to low-income borrowers approximates aggregate performance and is slightly below demographic data. Examiners also considered that the bank did not originate any home mortgage loans to low-income borrowers in 2021 within this assessment area.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	22.3	17.0	3	15.0	235	9.8
Moderate	22.0	23.5	8	40.0	507	21.1
Middle	25.4	19.4	2	10.0	370	15.4
Upper	30.4	20.1	2	10.0	635	26.4
Not Available	0.0	20.1	5	25.0	657	27.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>2,403</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data; 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%*

### ***Small Business***

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. While the bank’s percentage of loans to small businesses is significantly less than the percentage of small businesses within the assessment area, examiners considered certain limitations when evaluating the bank’s performance.

The bank’s primary small business loan products are property, plant, and equipment loans. However, according to management, the rising rate environment and difficulties in recruiting and retaining employees have lowered loan demand, especially small businesses’ willingness to invest in facilities and equipment. While Peoples Bank is not required to collect or report its small business lending data, aggregate lending data provides an indicator of loan demand. Aggregate small business lending data in 2021, which is the most recent year available, reveals that only 52.0 percent of all reported small business loans were made to small businesses. Additionally, examiners considered management’s efforts to increase the volume of loans originated within Franklin County. In the prior two years, management has added two additional lenders in assessment area, which demonstrates the bank’s willingness to lend and meet assessment area credit needs.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	90.4	3	50.0	240	26.8
>\$1,000,000	3.3	2	33.3	527	58.8
Revenue Not Available	6.3	1	16.7	130	14.5
<b>Total</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>897</b>	<b>100.0</b>

*Source: 2022 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%*

## APPENDICES

### 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 institution'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).

## 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 institution 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.

**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.

**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.

**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.

**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 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.

**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.