

**Peoples Bank  
Clifton, Tennessee**

**CRA Public Evaluation  
August 14, 2023**

**PUBLIC DISCLOSURE**

**August 14, 2023**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Peoples Bank  
129 Main Street  
Clifton, Tennessee 38425**

**RSSD ID NUMBER: 148238**

**FEDERAL RESERVE BANK OF ATLANTA  
1000 Peachtree Street, N.E.  
Atlanta, Georgia 30309-4470**

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

Major factors supporting the institution's rating include:

- The bank's LTD ratio is more than reasonable given its asset size, financial condition, and assessment area credit needs.
- A majority of the bank's loans are originated inside its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.
- The distribution of borrowers reflects excellent penetration among borrowers of different income levels and businesses of different sizes.
- The bank has not received any CRA related complaints during the review period.

**SCOPE OF EXAMINATION**

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including LMI neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, and the economic and demographic characteristics of its defined assessment area. This CRA performance review was based on the bank's lending performance in its assessment area using the Interagency Small Institution Examination Procedures. The rating was assessed using the following core criteria developed for evaluating CRA lending performance for small banks:

- LTD Ratio
- Assessment Area Concentration
- Geographic Distribution of Loans
- Loan Distribution by Borrower's Profile
- Response to Substantiated Complaints

The evaluation included an analysis of samples<sup>2</sup> of consumer loans and small business loans originated from January 1, 2021, to December 31, 2022. A small business loan is defined as a business loan with an original amount of \$1 million or less and typically is either secured by nonfarm or nonresidential real estate or classified as a commercial loan. Consumer loans include motor vehicle, other secured, and unsecured loans made for consumer purpose. In accordance with CRA examination procedures, consumer loans were chosen due to a significant volume and as such, an accurate conclusion concerning the bank's lending record could not be reached without their inclusion.

As part of this evaluation, one community contact was made with a local economic development representative who is familiar with the assessment area's economic and demographic characteristics as well as small business opportunities. Information obtained from the contact was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contact is included in the applicable section of the evaluation for the assessment area.

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<sup>2</sup> Consumer and small business loan types were sampled for this review in accordance with CA Letter 01-8, "CRA Sampling Procedures."

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## DESCRIPTION OF INSTITUTION

Peoples Bank is a wholly owned subsidiary of P B Bancshares, Inc., a one-bank holding company, both headquartered in Clifton, Tennessee.

### Branch Offices

The bank operates four branch locations, including three in Wayne County and one in Lewis County. The bank opened one branch during the review period on August 15, 2022, in Wayne County, and did not close any branches during the review period. All four branches have ATMs and there are five stand-alone ATMs in the assessment area.

### Loan Portfolio

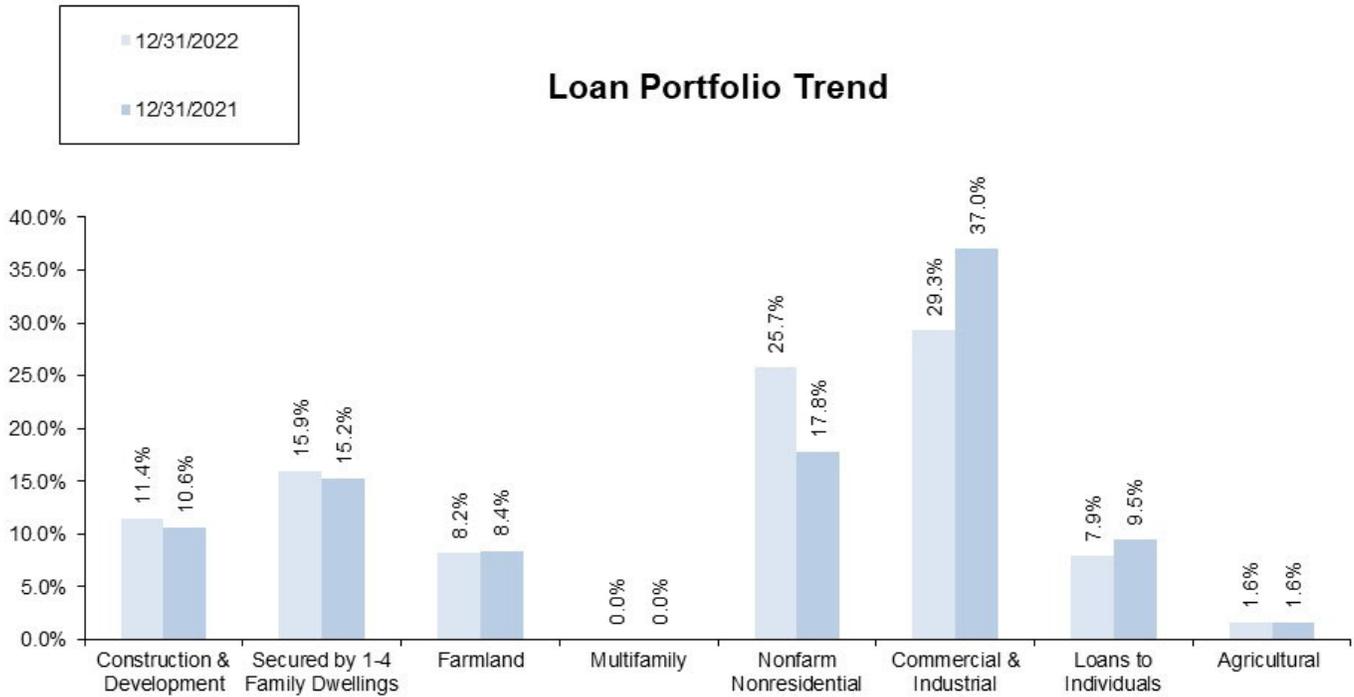
According to the December 31, 2022, Report of Condition (ROC), the bank's assets totaled \$304.9 million, an increase of approximately \$116.2 million (61.5 percent) since the bank's last CRA evaluation conducted on February 12, 2018.

The following table and graphs show the composition of the loan portfolio according to the Consolidated Report of Condition and Income (Call Report). As indicated, the bank's loan portfolio as of December 31, 2022, consisted primarily of commercial and industrial loans (29.3 percent) followed by nonfarm, nonresidential loans (25.7 percent). Over the review period, nonfarm, nonresidential loans had the highest percentage increase at 77.4 percent.

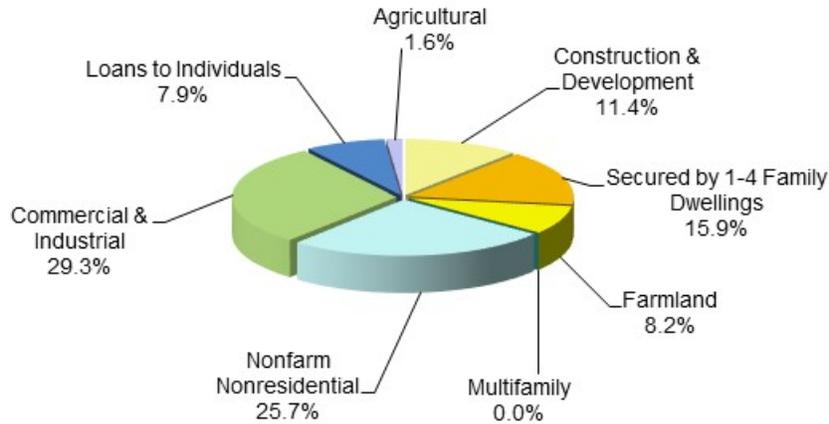
While not reflected in the following table, it is also worth noting that by number of loans originated, loans to individuals, or consumer loans, represent a significant product offering for the bank. Consumer loans not related to residential real estate are typically made in smaller dollar amounts relative to other credit products.

COMPOSITION OF LOAN PORTFOLIO					
Loan Type	12/31/2022		12/31/2021		% Change
	\$ (000s)	Percent	\$ (000s)	Percent	
Construction and Development	27,940	11.4%	21,160	10.6%	32.0%
Secured by One- to Four- Family Dwellings	38,961	15.9%	30,533	15.2%	27.6%
Other Real Estate: Farmland	20,185	8.2%	16,793	8.4%	20.2%
Multifamily	0	0.0%	0	0.0%	0.0%
Nonfarm nonresidential	63,162	25.7%	35,595	17.8%	77.4%
Commercial and Industrial	71,945	29.3%	74,046	37.0%	-2.8%
Loans to Individuals	19,333	7.9%	19,030	9.5%	1.6%
Agricultural Loans	3,965	1.6%	3,158	1.6%	25.6%
<b>Total</b>	<b>\$245,491</b>	<b>100.00%</b>	<b>\$200,315</b>	<b>100.00%</b>	

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.



**Loan Portfolio  
as of  
12/31/2022**



Credit Products

The bank offers traditional consumer and business deposit accounts, including checking, savings, certificates of deposit, and money markets. In addition, the bank offers a variety of consumer and commercial loan products to meet the credit needs of individuals and businesses in its assessment area, including agriculture loans; motor vehicle loans; personal loans (both secured and unsecured); real estate loans, and business/commercial loans. The

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bank is not a HMDA reporter but does offer residential real estate mortgage loans, which are primarily sold on the secondary market and underwritten and priced according to investor guidelines.

COVID-19 Response

Peoples Bank actively participated in the Paycheck Protection Program (PPP) in 2021. In the sample, the bank originated 81 PPP loans in 2021 for a total dollar amount of \$0.8 million; 88.9 percent of the PPP loans were in the assessment area. The volume of PPP lending increased the bank's overall small business lending during the review period. For comparison, in the sample during the review period, the bank originated 89 non-PPP small business loans totaling \$5.5 million; 82.0 percent of the non-PPP small business loans were in the assessment area. Additional details regarding the bank's PPP lending are discussed in the *Conclusions with Respect to Performance Criteria* section.

CRA Compliance

Peoples Bank complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment area. The bank received a "Satisfactory" rating at its previous evaluation conducted by the FDIC dated February 12, 2018, under the Interagency Small Institution Examination Procedures.

**DESCRIPTION OF ASSESSMENT AREA**Overview

The bank's assessment area has not changed since the previous examination and includes six contiguous non-MSA whole counties in middle Tennessee: Decatur, Hardin, Lawrence, Lewis, Perry, and Wayne.

Population Information

According to the 2020 U.S. Census, the assessment area population was 119,605, representing a 2.7 percent increase in population since 2015. This growth rate is less than Tennessee's statewide growth rate of 6.3 percent. Lawrence County is the most populous county in the assessment area, with approximately 36.9 percent of the population. The percentage of the population for the other five counties includes Hardin County with 22.4 percent, Wayne County with 13.6 percent, Lewis County with 10.5 percent, Decatur County with 9.6 percent, and Perry County with 7.0 percent. Between 2015 and 2020, four counties experienced an increase in population (Hardin, Lawrence, Lewis, and Perry) while two counties experienced a decrease in population (Decatur and Wayne).

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the FFIEC estimated 2021 and 2022 median family income (MFI) for non-MSA Tennessee. The following table provides a breakdown of the estimated annual income based on income level.

**Borrower Income Levels  
Tennessee State Non-metro**

FFIEC Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
<b>2021</b>	<b>\$53,700</b>	0 - \$26,849	\$26,850 - \$42,959	\$42,960 - \$64,439	\$64,440 - & above
<b>2022</b>	<b>\$64,700</b>	0 - \$32,349	\$32,350 - \$51,759	\$51,760 - \$77,639	\$77,640 - & above

As shown in the previous table, the estimated MFI for non-MSA Tennessee in 2021 was \$53,700 and \$64,700 in 2022. According to the 2022 FFIEC census data, there were 30,227 families in the assessment area. Of the total families, 21.6 percent were considered low-income and 19.8 percent were considered moderate-income. Overall, 13.4 percent of families in the assessment area had incomes below the poverty level and 16.0 percent of families residing in moderate-income tracts had incomes below the poverty level. The concentration of families living below the poverty level in moderate-income tracts may create challenges to lending in these tracts.

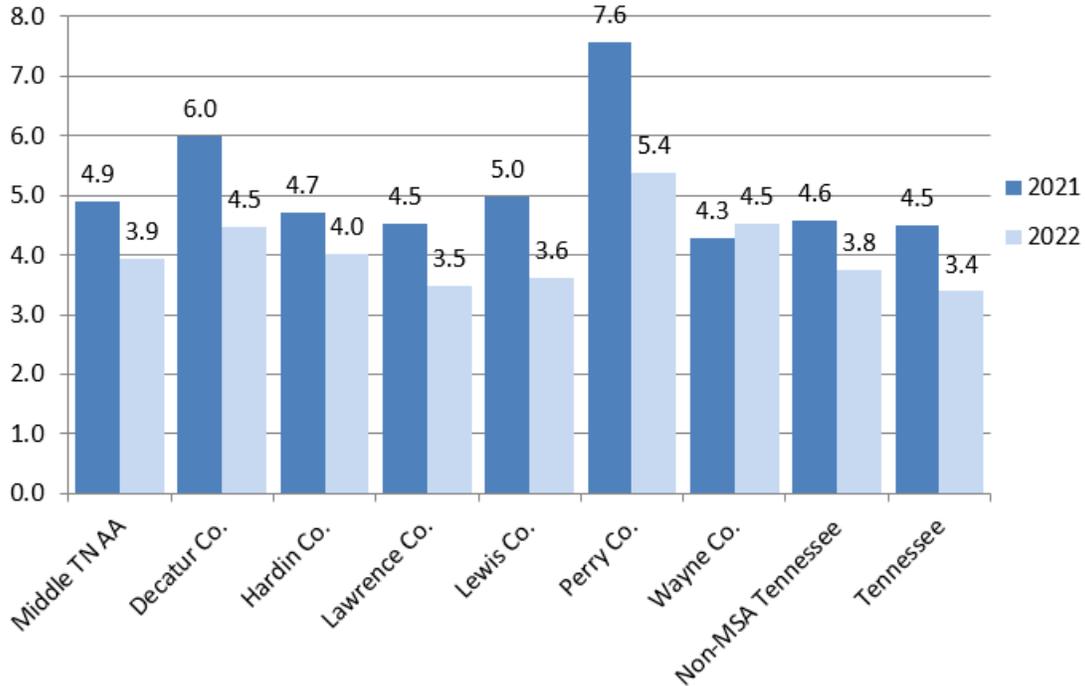
#### Housing Characteristics

According to the 2022 FFIEC census data, there were 56,926 housing units in the assessment area. Of the total units, 59.9 percent were owner-occupied, 18.0 were rental units, and 22.1 percent were vacant. While housing units were primarily owner-occupied, it is worth noting that only 43.7 percent of housing units were owner-occupied in moderate-income tracts while 32.6 percent were rental units. This indicates reduced opportunities for mortgage origination in these geographies.

*The median housing age in the assessment area was 43 years, which is older than non-MSA Tennessee at 31 years. Additionally, the median age of the housing stock in moderate-income tracts was much older at 52 years. The median housing value in the assessment area was \$112,152, which was lower than the median housing value for non-MSA Tennessee at \$131,942. The median housing value in moderate-income tracts was significantly lower at \$83,478. The housing affordability ratio, defined as the median household income divided by the median housing value, is 37.8 for the assessment area, compared to non-MSA Tennessee at 33.0. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. The median housing value and the affordability ratio indicate that housing in the assessment area is less expensive and more affordable than in non-MSA Tennessee.*

#### Employment Statistics

The following graph shows the unemployment rates in 2021 and 2022 for the six counties in the assessment area, non-MSA Tennessee, and the state of Tennessee. The declining trend in the unemployment rate in the assessment area is consistent with the trend statewide and in non-MSA Tennessee. The 2021 and 2022 annual unemployment rates for the assessment area were 4.9 percent and 3.9 percent, respectively; both higher than the state of Tennessee and non-MSA Tennessee figures over the same time period.

**Unemployment Rates - Middle TN**

Not Seasonally Adjusted. Source: Bureau of Labor Statistics

**Competition**

According to the FDIC Deposit Market Share Report as of June 30, 2022, 19 financial institutions operated 47 branch offices in the assessment area. Peoples Bank ranked fifth in deposit market share with \$254.1 million, or 8.1 percent of total deposits. The Hardin County Bank held the largest deposit market share with 15.9 percent, followed by Wayne County Bank with 11.2 percent, and First Farmers and Merchants Bank with 10.6 percent.

**Community Contact**

As part of the CRA examination, information was obtained from a contact with a local economic development organization that offers coverage in the assessment area. The contact indicated that financial literacy and access to capital for small business owners and entrepreneurs are needs in the area. The contact stated that there continues to be a need for small dollar business loans to help the small business sector, particularly pertaining to start-up businesses which experience a challenge with finding funding from financial institutions. The contact indicated that there are opportunities for financial institutions to meet the credit needs of small businesses. According to the contact, many of those opportunities are best achieved through working with local economic development organizations that help improve knowledge or awareness of products offered to small businesses, such as, lending programs offered through the SBA.

According to the community contact, the assessment area faced the same COVID-related challenges as other areas in 2020 and 2021, which resulted in economic struggles and supply chain issues. The contact also stated that banks had a surplus of capital and excess LTD ratios, and some banks were eager to lend while others were not.

General Economic and Business Characteristics

Decatur County was designated by the federal bank regulatory agencies in 2021 and 2022 as being “underserved” meaning that the county is remote or rural and has limited access to essential services. Additionally, Wayne County was designated in 2022 as “distressed” due to poverty. The designations continue to reflect local economic conditions, including unemployment, poverty, and access to essential services.

According to the Bureau of Labor Statistics, the three major industries by employment in the assessment area as of June 30, 2022, were manufacturing, retail trade, and healthcare and social assistance. According to 2022 Dun and Bradstreet (D&B) information, there were 3,432 businesses in the assessment area, 90.2 percent of which had total annual revenues of \$1 million or less and were therefore considered to be small businesses.

Assessment Area Demographics

The following tables provide demographic characteristics of the bank’s assessment area used to analyze the bank’s CRA performance. The first table is based on 2021 FFIEC census data and 2021 D&B information and is used for the analysis of 2021 CRA performance. The second table is based on 2022 FFIEC census data and 2022 D&B information and is used for analysis of 2022 CRA performance. Certain components of the data in the tables are discussed in this evaluation as they apply to specific parts of the analysis.

As shown in the tables, the assessment area had no low-income tracts and four moderate-income tracts in both 2021 and 2022.

## Combined Demographics Report - 2021

## Assessment Area: Middle TN

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0%	0	0.0%	0	0.0%	6,925	22.3%
Moderate-income	4	13.8%	4,217	13.6%	946	22.4%	5,713	18.4%
Middle-income	22	75.9%	23,654	76.0%	3,677	15.5%	6,074	19.5%
Upper-income	3	10.3%	3,241	10.4%	341	10.5%	12,400	39.9%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>29</b>	<b>100.0%</b>	<b>31,112</b>	<b>100.0%</b>	<b>4,964</b>	<b>16.0%</b>	<b>31,112</b>	<b>100.0%</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Moderate-income	8,445	4,286	12.4%	50.8%	2,300	27.2%	1,859	22.0%
Middle-income	41,588	26,775	77.2%	64.4%	6,848	16.5%	7,965	19.2%
Upper-income	6,212	3,636	10.5%	58.5%	1,013	16.3%	1,563	25.2%
Unknown-income	0	0	0.0%	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>56,245</b>	<b>34,697</b>	<b>100.0%</b>	<b>61.7%</b>	<b>10,161</b>	<b>18.1%</b>	<b>11,387</b>	<b>20.2%</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-income	685	20.1%	590	19.3%	76	28.4%	19	26.0%
Middle-income	2,372	69.7%	2,153	70.4%	166	61.9%	53	72.6%
Upper-income	344	10.1%	317	10.4%	26	9.7%	1	1.4%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>3,401</b>	<b>100.0%</b>	<b>3,060</b>	<b>100.0%</b>	<b>268</b>	<b>100.0%</b>	<b>73</b>	<b>100.0%</b>
	<b>Percentage of Total Businesses:</b>		<b>90.0%</b>		<b>7.9%</b>		<b>2.1%</b>	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-income	21	9.1%	21	9.2%	0	0.0%	0	0.0%
Middle-income	192	82.8%	189	82.5%	1	100.0%	2	100.0%
Upper-income	19	8.2%	19	8.3%	0	0.0%	0	0.0%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>232</b>	<b>100.0%</b>	<b>229</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>
	<b>Percentage of Total Farms:</b>		<b>98.7%</b>		<b>0.4%</b>		<b>0.9%</b>	

Based on 2021 FFIEC Census Data and 2021 D&amp;B Information

## Combined Demographics Report - 2022

## Assessment Area: Middle TN

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0%	0	0.0%	0	0.0%	6,527	21.6%
Moderate-income	4	12.1%	2,427	8.0%	648	26.7%	5,983	19.8%
Middle-income	26	78.8%	24,491	81.0%	3,203	13.1%	6,235	20.6%
Upper-income	3	9.1%	3,309	10.9%	203	6.1%	11,482	38.0%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>33</b>	<b>100.0%</b>	<b>30,227</b>	<b>100.0%</b>	<b>4,054</b>	<b>13.4%</b>	<b>30,227</b>	<b>100.0%</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>		<b>Rental</b>		<b>Vacant</b>		
		#	%	%	#	%	#	%
Low-income	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Moderate-income	5,547	2,425	7.1%	43.7%	1,808	32.6%	1,314	23.7%
Middle-income	45,639	28,340	83.1%	62.1%	7,199	15.8%	10,100	22.1%
Upper-income	5,740	3,343	9.8%	58.2%	1,252	21.8%	1,145	19.9%
Unknown-income	0	0	0.0%	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>56,926</b>	<b>34,108</b>	<b>100.0%</b>	<b>59.9%</b>	<b>10,259</b>	<b>18.0%</b>	<b>12,559</b>	<b>22.1%</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-income	529	15.4%	449	14.5%	68	25.8%	12	16.9%
Middle-income	2,553	74.4%	2,329	75.2%	171	64.8%	53	74.6%
Upper-income	350	10.2%	319	10.3%	25	9.5%	6	8.5%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>3,432</b>	<b>100.0%</b>	<b>3,097</b>	<b>100.0%</b>	<b>264</b>	<b>100.0%</b>	<b>71</b>	<b>100.0%</b>
	<b>Percentage of Total Businesses:</b>		<b>90.2%</b>		<b>7.7%</b>		<b>2.1%</b>	
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate-income	7	3.0%	7	3.1%	0	0.0%	0	0.0%
Middle-income	212	91.8%	209	91.7%	1	100.0%	2	100.0%
Upper-income	12	5.2%	12	5.3%	0	0.0%	0	0.0%
Unknown-income	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Total Assessment Area</b>	<b>231</b>	<b>100.0%</b>	<b>228</b>	<b>100.0%</b>	<b>1</b>	<b>100.0%</b>	<b>2</b>	<b>100.0%</b>
	<b>Percentage of Total Farms:</b>		<b>98.7%</b>		<b>0.4%</b>		<b>0.9%</b>	

Based on 2022 FFIEC Census Data and 2022 D&amp;B information

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**Overview

Peoples Bank's overall performance rating for the Lending Test is satisfactory. The bank's lending performance was evaluated by analyzing samples of consumer loans and small business loans. The bank's LTD ratio is more than reasonable with a majority of the loans by number and dollar amount originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and the distribution of borrowers reflects excellent penetration among borrowers of different income levels and businesses of different sizes. The bank has not received any CRA-related complaints since the previous examination. Performance context information, such as factors related to competition, demographics, economic conditions, business strategy, and opportunities, were considered in evaluating the bank's lending performance.

LTD Ratio

The bank's net average LTD ratio for the 21 quarters ending December 31, 2022, was 86.2 percent, which is considered more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average LTD ratio was compared with the average LTD ratios of other financial institutions of comparable asset size with branch offices in the bank's assessment area. The average LTD ratios for these institutions ranged from 80.3 percent to 81.8 percent.

Assessment Area Concentration

The bank originated a majority (89.4 percent) of the total loans sampled to borrowers and businesses residing in or located within the assessment area. The table below shows, by product type, the number, and percentage of loans reviewed that were located inside and outside of the assessment area.

**Lending Inside and Outside the Assessment Area**

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Consumer	159	93.5	\$2,012	92.5	11	6.5	\$163	7.5
Small Business	145	85.3	\$4,613	72.9	25	14.7	\$1,711	27.1
<b>TOTAL LOANS</b>	<b>304</b>	<b>89.4</b>	<b>\$6,626</b>	<b>77.9</b>	<b>36</b>	<b>10.6</b>	<b>\$1,875</b>	<b>22.1</b>

Note: Affiliate loans not included

As shown in the table above, 93.5 percent of consumer loans and 85.3 percent of small business loans are to borrowers and businesses residing in or located within the assessment area. Overall, by number, 89.4 percent of total loans sampled were made inside the assessment area, which indicates the bank's willingness to originate loans that meet the credit needs of its assessment area.

Geographic Distribution of Loans

Based on the following analysis, the overall geographic distribution of consumer loans and small business loans reflects reasonable dispersion throughout the assessment area and does not reveal any unexplained gaps in lending patterns. As previously noted, in 2021 and 2022, the assessment area had no low-income tracts and four moderate-income tracts.

Consumer Lending

The following table shows the geographic distribution of consumer loans compared to the distribution of households in the assessment area. Considering the demographic data, Peoples Bank's overall geographic distribution of consumer loans reflects reasonable dispersion throughout the assessment area.

**Geographic Distribution of Consumer Loans**

Assessment Area: Middle TN

Tract Income Levels	Bank Lending & Demographic Data									
	2021					2022				
	Count		Dollar		Households	Count		Dollar		Households
	#	%	\$ (000s)	\$ %	%	#	%	\$ (000s)	\$ %	%
Low	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	17	26.2%	382	31.7%	14.7%	8	8.5%	58	7.2%	9.5%
Middle	46	70.8%	818	67.9%	75.0%	61	64.9%	552	68.3%	80.1%
Upper	2	3.1%	5	0.4%	10.4%	25	26.6%	198	24.5%	10.4%
Unknown	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
Tr Unknown	0	0.0%	0	0.0%		0	0.0%	0	0.0%	
<i>Total</i>	<i>65</i>	<i>100%</i>	<i>1,205</i>	<i>100%</i>	<i>100%</i>	<i>94</i>	<i>100%</i>	<i>808</i>	<i>100%</i>	<i>100%</i>

Originations &amp; Purchases

Based on 2021 FFIEC Census Data; 2011-2015 ACS data; 2022 FFIEC Census Data; 2016-2020 ACS data; 2021 &amp; 2022 D&amp;B information

In 2021, the bank originated 17 loans (26.2 percent) in moderate-income tracts, which is significantly higher than the percentage of households in these tracts at 14.7 percent. This reflects excellent performance in 2021. In 2022, the bank originated eight loans (8.5 percent) in moderate-income tracts, which is less than the percentage of households in these tracts at 9.5 percent, indicating poor performance in 2022. Although the bank's lending is less than the demographics in moderate-income tracts in 2022, the bank's performance in 2021 was significantly higher than the demographic comparator. Thus, overall performance is reasonable.

Small Business Lending

The following table shows the geographic distribution of small business loans compared to the distribution of total businesses in the assessment area. Considering the demographic data, Peoples Bank's overall geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

**Geographic Distribution of Small Business Loans**  
Assessment Area: Middle TN

PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data									
		2021					2022				
		Count		Dollar		Total Businesses	Count		Dollar		Total Businesses
		#	%	\$ (000s)	\$ %	%	#	%	\$ (000s)	\$ %	%
SMALL BUSINESSES	Low	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
	Moderate	20	22.7%	224	15.2%	20.1%	3	5.3%	686	21.9%	15.4%
	Middle	66	75.0%	1,227	83.2%	69.7%	48	84.2%	2,173	69.2%	74.4%
	Upper	2	2.3%	24	1.6%	10.1%	6	10.5%	279	8.9%	10.2%
	Unknown	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%
	Tr Unknown	0	0.0%	0	0.0%		0	0.0%	0	0.0%	
	<i>Total</i>	<i>88</i>	<i>100%</i>	<i>1,475</i>	<i>100%</i>	<i>100%</i>	<i>57</i>	<i>100%</i>	<i>3,138</i>	<i>100%</i>	<i>100%</i>

Originations & Purchases

Based on 2021 FFIEC Census Data; 2011-2015 ACS data; 2022 FFIEC Census Data; 2016-2020 ACS data; 2021 & 2022 D&B information

In 2021, the bank originated 20 loans (22.7 percent) in moderate-income tracts, which is higher than the percentage of total businesses located in these tracts at 20.1 percent. Additionally, of the 88 total small business loans made in 2021, 72 (81.8 percent) were PPP loans. This reflects excellent performance in 2021. In 2022, the bank originated three loans (5.3 percent) in moderate-income tracts, which is significantly less than the percentage of total businesses located in these tracts at 15.4 percent. This reflects poor performance in 2022. Although the bank's lending is less than the demographics in moderate-income tracts in 2022, the bank's performance in 2021 was higher than the demographic comparator. Thus, overall performance is reasonable.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Based on the following analysis, the overall distribution of the bank's consumer loans by borrower income and small business loans by business revenue reflects excellent penetration throughout the bank's assessment area.

Consumer Lending

The following table shows the distribution of consumer loans in 2021 and 2022 by the income level of the borrowers. Based on the bank's performance, the distribution of the bank's consumer loans reflects excellent penetration among borrowers of different income levels.

**Borrower Distribution of Consumer Loans**

Assessment Area: Middle TN

Household Income Levels	Bank Lending & Demographic Data									
	2021					2022				
	Count		Dollar		Households by Household Income %	Count		Dollar		Households by Household Income %
	#	%	\$ (000s)	\$ %		#	%	\$ (000s)	\$ %	
Low	14	21.5%	317	26.3%	24.7%	40	42.6%	248	30.7%	25.8%
Moderate	23	35.4%	337	28.0%	17.2%	26	27.7%	237	29.3%	16.9%
Middle	13	20.0%	290	24.1%	17.5%	10	10.6%	86	10.6%	17.7%
Upper	14	21.5%	256	21.2%	40.6%	17	18.1%	204	25.2%	39.6%
Unknown	1	1.5%	5	0.4%	0.0%	1	1.1%	33	4.1%	0.0%
<i>Total</i>	<i>65</i>	<i>100.0%</i>	<i>1,205</i>	<i>100.0%</i>	<i>100%</i>	<i>94</i>	<i>100.0%</i>	<i>808</i>	<i>100.0%</i>	<i>100%</i>

Originations &amp; Purchases

Based on 2021 FFIEC Census Data; 2011-2015 ACS data; 2022 FFIEC Census Data; 2016-2020 ACS data

As shown, the bank made 14 loans (21.5 percent) to low-income borrowers in 2021, which is below the 24.7 percent of households in the assessment area that are low-income. This reflects poor performance for low-income borrowers in 2021. In contrast, the bank originated 23 consumer loans (35.4 percent) to moderate-income borrowers in 2021 which significantly exceeds the 17.2 percent of households in the assessment area that are moderate-income. This reflects excellent performance for moderate-income borrowers in 2021. The bank made 56.9 percent of all consumer loans in 2021 to LMI borrowers which significantly exceeds the households that are LMI in the assessment area (41.9 percent). Overall performance to LMI borrowers in 2021 was deemed excellent.

For 2022, the bank made 40 loans (42.6 percent) to low-income borrowers, which is significantly higher than the percentage of low-income households at 25.8 percent. This reflects excellent performance to low-income borrowers in 2022. Additionally, the bank made 26 loans (27.7 percent) to moderate-income borrowers, which is significantly higher than the moderate-income households in those tracts at 16.9 percent. This also reflects excellent performance for moderate-income borrowers in 2022. Overall, the bank's performance to LMI borrowers in 2022 (70.2 percent) is excellent.

*Small Business Lending*

The following table shows, by business revenue and loan size, the number and dollar volume of small business loans in the sample originated by Peoples Bank in 2021 and 2022. Based on the bank's performance, the distribution of the bank's small business loans reflects excellent penetration among businesses of different sizes.

**Small Business Loans by Business Revenue & Loan Size  
Assessment Area: Middle TN**

		Bank Lending & Demographic Data									
		2021					2022				
		Count		Dollar		Total Businesses	Count		Dollar		Total Businesses
#	%	\$ (000s)	\$ %	%	#	%	\$ (000s)	\$ %	%		
Revenue	\$1 Million or Less	87	98.9%	1,400	94.9%	90.0%	57	100.0%	3,138	100.0%	90.2%
	Over \$1 Million	1	1.1%	75	5.1%	7.9%	0	0.0%	0	0.0%	7.7%
	<i>Total Rev. available</i>	88	100.0%	1,475	100.0%	97.9%	57	100.0%	3,138	100.0%	97.9%
	Rev. Not Known	0	0.0%	0	0.0%	2.1%	0	0.0%	0	0.0%	2.1%
	<i>Total</i>	88	100%	1,475	100%	100%	57	100%	3,138	100%	100%
Loan Size	\$100,000 or Less	86	97.7%	1,112	75.4%		52	91.2%	1,611	51.3%	
	\$100,001 - \$250,000	2	2.3%	363	24.6%		3	5.3%	505	16.1%	
	\$250,001 - \$1 Million	0	0.0%	0	0.0%		2	3.5%	1,023	32.6%	
	<i>Total</i>	88	100%	1,475	100%		57	100%	3,138	100%	
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	85	97.7%	1,037	74.1%		52	91.2%	1,611	51.3%	
	\$100,001 - \$250,000	2	2.3%	363	25.9%		3	5.3%	505	16.1%	
	\$250,001 - \$1 Million	0	0.0%	0	0.0%		2	3.5%	1,023	32.6%	
	<i>Total</i>	87	100%	1,400	100%		57	100%	3,138	100%	

Originations & Purchases

Based on 2021 FFIEC Census Data; 2011-2015 ACS data; 2022 FFIEC Census Data; 2016-2020 ACS data; 2021 & 2022 D&B information

Of the 88 small business loans originated by the bank in 2021, 87 loans (98.9 percent) were to businesses with annual gross revenues of \$1 million or less. This is higher than the percentage of total small businesses in the assessment area at 90.0 percent, which reflects excellent performance in 2021. Additionally, all 88 loans were in amounts of \$250,000 or less, which shows the bank’s willingness to lend to small businesses in smaller loans amounts, an important credit need noted by the community contact. In 2022, all of the bank’s small business loans were to businesses with annual gross revenues of \$1 million or less which reflects excellent performance.

**RESPONSIVENESS TO SUBSTANTIATED COMPLAINTS**

The bank has not received any CRA-related complaints since the previous evaluation.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**Peoples Bank  
Clifton, Tennessee**

**CRA Public Evaluation  
August 14, 2023**

**APPENDIX A**

<b>SCOPE OF EXAMINATION</b>			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2021, to December 31, 2022 - Lending Test			
October 1, 2017, to December 31, 2022 - LTD Ratio			
February 12, 2018, to August 13, 2023 - Responsiveness to Substantiated Complaints			
<b>FINANCIAL INSTITUTION</b>		<b>PRODUCTS REVIEWED</b>	
Peoples Bank, Clifton, Tennessee		Consumer Loans and Small Business Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>	
N/A	N/A	N/A	
<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b><i>ASSESSMENT AREA</i></b>	<b><i>TYPE OF EXAMINATION</i></b>	<b><i>BRANCHES VISITED</i></b>	<b><i>OTHER INFORMATION</i></b>
Middle TN	Full-scope Review	N/A	N/A

**APPENDIX B – DEFINITIONS AND GENERAL INFORMATION****Definitions**

ATM	Automated Teller Machine
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CRA	Community Reinvestment Act (Regulation BB)
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
HMDA	Home Mortgage Disclosure Act (Regulation C)
HUD	Department of Housing and Urban Development
LMI	Low- and Moderate-Income
LTD	Loan-to-Deposit
LTV	Loan-to-Value Ratio
MD	Metropolitan Division
MSA	Metropolitan Statistical Area
OMB	Office of Management and Budget
REIS	Regional Economic Information System
SBA	Small Business Administration
USDA	United States Department of Agriculture

**Rounding Convention**

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

**General Information**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Peoples Bank prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **August 14, 2023**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

## APPENDIX C – 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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of MSAs. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multi-family rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- I. Low-or moderate-income geographies;
- II. Designated disaster areas; or
- III. Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, FDIC, and OCC, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**APPENDIX C – GLOSSARY (Continued)**

**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 MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**Metropolitan area (MA):** A MSA or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

**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 percent 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 percent and less than 80 percent, in the case of a geography.

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

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**APPENDIX C – GLOSSARY (Continued)**

**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 qualified investment is defined as any 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 MA. 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 MA, the institution will receive a rating for the multistate MA.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Call Report and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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