

FEDERAL RESERVE SYSTEM

Rolling Hills Bank & Trust  
Atlantic, Iowa

Order Approving Establishment of a Branch

Rolling Hills Bank & Trust (“Bank”), a state member bank, has requested the Board’s approval under section 9 of the Federal Reserve Act (“Act”)<sup>1</sup> to establish a branch at 502 Broad Street, Adair, Iowa.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board’s Rules of Procedure.<sup>2</sup> The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors specified in the Act.

Bank is the 108<sup>th</sup> largest depository institution in Iowa, controlling approximately \$113.4 million in deposits, which represents less than 1 percent of the total amount of deposits of insured depository institutions in the state.<sup>3</sup> Bank’s main office and five branches are in Cass, Greene, and Pottawattamie Counties, and the proposed branch would be in Adair County, all in Iowa.

Section 9(3) of the Act<sup>4</sup> requires a state member bank to obtain the Board’s approval before establishing a branch. When acting on a branch

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<sup>1</sup> 12 U.S.C. § 321 *et seq.*

<sup>2</sup> 12 CFR 262.3(b).

<sup>3</sup> Statewide ranking and deposit data are as of June 30, 2007, and reflect mergers as of April 11, 2008.

<sup>4</sup> 12 U.S.C. § 321 and 12 CFR 208.6(b).

application, the Board is required by section 9(4) of the Act to consider the financial condition of the applying bank, the general character of its management, and whether its corporate powers are consistent with the purposes of the Act.<sup>5</sup> Under the Board's regulation implementing section 9(4),<sup>6</sup> the factors that the Board must consider in acting on branch applications include (1) the financial history and condition of the applying bank and the general character of its management; (2) the adequacy of the bank's capital and its future earnings prospects; (3) the convenience and needs of the community to be served by the branch; (4) in the case of branches with deposit-taking capability, the bank's performance under the Community Reinvestment Act ("CRA");<sup>7</sup> and (5) whether the bank's investment in bank premises in establishing the branch satisfies certain limitations.

The Board has carefully considered the application in light of these factors and public comments received from a competing bank in Adair and from residents of the surrounding areas. The commenters asserted that their community's demographic and economic characteristics would not support another branch profitably.

In considering the financial history and condition, future earnings prospects, and capital adequacy of Bank, the Board has reviewed reports of examination, other supervisory information, publicly reported and other financial information, and information provided by Bank and the commenters. Bank is well capitalized and would remain so on consummation of the proposal. The

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<sup>5</sup> 12 U.S.C. § 322.

<sup>6</sup> 12 CFR 208.6(b).

<sup>7</sup> 12 U.S.C. § 2901 et seq.

Board also has reviewed Bank's business plan and financial projections for the branch, including the projections for deposits, income, and costs. After carefully considering all the facts of record, the Board has concluded that the financial history and condition, capital adequacy, and future earnings prospects of Bank are consistent with approval of the proposal. The Board also has reviewed Bank's proposed investment for a branch in Adair and concluded that its investment is consistent with regulatory limitations on investment in bank premises.<sup>8</sup>

In considering Bank's managerial resources, the Board has reviewed the bank's examination record, including assessments of its management, risk-management systems, and operations. The Board also has considered its supervisory experiences with Bank and the bank's record of compliance with applicable banking law, including anti-money laundering laws. Bank is considered to be well managed. Based on this review and all the facts of record, the Board has concluded that the character of Bank's management is consistent with approval of the proposal.

The Board also has considered the convenience and needs of the community to be served, taking into account the comments received, and the bank's performance under the CRA. Bank received a "satisfactory" rating by the Federal Reserve Bank of Chicago at its most recent CRA performance evaluation, as of December 6, 2004.<sup>9</sup> The Board notes that the proposed new

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<sup>8</sup> 12 CFR 208.21(a).

<sup>9</sup> An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor. See Interagency Questions

entry provides an additional source of products and services to consumers and businesses.<sup>10</sup> The bank has represented that it currently receives deposits from and makes loans to customers in Adair and the surrounding areas in Adair County and that the proposed branch would provide residents of these communities with a more convenient source of banking services.<sup>11</sup> In reviewing this proposal, the Board also has considered the commenters' allegations in light of Bank's income and expense projections for the proposed branch, as well as its financial and managerial resources.<sup>12</sup> For these reasons and based on a review of the entire record, the Board has concluded that the convenience and needs considerations and Bank's record of performance under the CRA are consistent with approval of the proposal.

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.<sup>13</sup> The

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and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 at 36,640 (2001).

<sup>10</sup> Commenters speculated that another branch in Adair would harm the performance of both Bank and an existing institution and negatively affect the community.

<sup>11</sup> Bank reported approximately \$2.3 million in deposits from and approximately \$1.3 million in loans to customers who work or reside in the area that would be served by the proposed branch.

<sup>12</sup> The Board also reviewed the deposit and demographic data for the Adair County, Iowa banking market, which is defined as Adair County. The data indicate a modest decrease in population from 2000 to 2006 and a moderate increase in deposits during the same period.

<sup>13</sup> A commenter requested that the Board hold a public meeting or hearing on the proposal. The Act does not require the Board to hold a public hearing on an application to establish a branch. Under its rules, the Board may, in its discretion, hold a public meeting or hearing on an application if necessary or appropriate to

Board's approval is specifically conditioned on Bank's compliance with all commitments made to the Board in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this application is also subject to the establishment of the proposed branch within one year of the date of this order, unless such period is extended by the Board or the Federal Reserve Bank of Chicago, acting under authority delegated by the Board.

By order of the Board of Governors,<sup>14</sup> effective May 2, 2008.

*(signed)*

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Robert deV. Frierson  
Deputy Secretary of the Board

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clarify factual issues related to the application and to provide an opportunity for testimony. 12 CFR 262.3(e), 262.25(d). The Board has considered carefully the commenter's request in light of all the facts of record. In the Board's view, the commenter had ample opportunity to submit his views and, in fact, submitted written comments that the Board has considered carefully in acting on the proposal. The commenter's request fails to demonstrate why written comments do not present his views adequately or why a meeting or hearing otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case. Accordingly, the request for a public meeting or hearing on the proposal is denied.

<sup>14</sup> Voting for this action: Chairman Bernanke, Vice Chairman Kohn, and Governors Warsh, Kroszner, and Mishkin.