

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 operations 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 **Rolling Hills Bank & Trust, Atlantic, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 22, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated **Outstanding**.

Rolling Hills Bank & Trust's geographic distribution of loans demonstrates a strong penetration of all segments of its local community, including low- or moderate-income areas and individuals. The bank originated a substantial majority of its consumer loans, and commercial and agricultural loans within its assessment area and its loan-to-deposit ratio exceeds standards for satisfactory performance. The examination loan sample and interviews conducted with bank personnel and community representatives revealed no evidence of prohibited discriminatory lending practices or policies intended to discourage loan applicants.

The following table indicates the performance level of **Rolling Hills Bank & Trust, Atlantic, Iowa** with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	ROLLING HILLS BANK & TRUST PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

Rolling Hills Bank & Trust (Bank), with total assets of \$39.7 million as of September 30, 1996 is located in Cass County, in the City of Atlantic, Iowa. The bank is a subsidiary of Anita Bancorporation in Newton, Iowa. The bank has two branches, one in Griswold, Iowa and one in Anita, Iowa. Rolling Hills National Bank and Griswold State Bank merged in November of 1995 to create the Rolling Hills Bank & Trust.

The bank offers a mix of real estate loan products for consumer, commercial and agricultural purposes. Consumer, commercial and agricultural installment loans, and overdraft lines of credit (Ready Reserve Checking) are available. Drive-up facilities and automated teller machines (ATMs) are available at all locations. There are no apparent factors relating to the bank's financial condition and size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting various credit needs. The bank's primary competitors include First Whitney Bank and Trust, and Union National Bank.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of all of Cass County, which includes five Block Numbering Areas (BNAs), 9901, 9902, 9903, 9904 and 9905 and all BNAs and census tracts that are contiguous to Cass County. Those geographies include BNAs 9502 in Guthrie County, 9703 in Audubon County, 9601 and 9602 in Adair County, 9801 in Montgomery County, 9601 in Shelby County and census tracts 215.00 and 217.00 in Pottawattami County. The assessment area consists of all of these contiguous whole geographies and contains all geographies where the bank has offices.

According to 1990 Census data the total population in the assessment area is 41,650, with less than 1% of the population being minority. The assessment area includes eleven BNAs and two census tracts, none of which are considered low-income or upper-income areas. BNAs 9703 in Audubon County, 9901 in Cass County and Census Tract 217.00 in Pottawattami County are classified as moderate-income areas. BNAs 9601 and 9602 in Adair County, 9902, 9903, 9904 and 9905 in Cass County, 9502 in Guthrie County, 9801 in Montgomery County, 9601 in Shelby County and census tract 215.00 in Pottawattami County are classified as middle-income. The assessment area has a median family income of \$26,623, compared to \$29,303 for the State of Iowa (NonMetro). Approximately 45% of the families within the assessment area are classified as low-income (21.6%) and moderate-income (23.7%).

Agriculture plays a major role in the local economy. Corn and soybean are the primary cash crops. Feeder cattle and some large dairy operations comprise the next largest agricultural ventures. The largest number of non-farm employment opportunities exist at Skyjack, a large manufacturer of fork lift equipment (employment figures unavailable), Glacier-Vandervell, an engine bearing manufacturer (376 employees), Henningsen Construction, a manufacturer of prefabricated steel buildings (190 employees), Delong Sportswear, a manufacturer of men's and

women's clothing (160 employees) and the Atlantic Bottling Company, a Coca-Cola bottling plant (125 employees). Other retail operations ranging from K-Mart to local entrepreneurs are prevalent. Non-farm employment figures as of August, 1996 from the State of Iowa, Workforce Development, LMI Bureau show the statewide unemployment rate at 2.8%. Cass County's non-farm workforce is reported at 8,220, with unemployment at 4.2%. The largest segment of the employment opportunities lie in the service producing sector, primarily wholesale and retail trade.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

LOAN-TO-DEPOSIT RATIO ANALYSIS

Portfolio Mix

According to the bank's September 30, 1996 Consolidated Report of Condition, the net loan-to-deposit ratio was 74.26%. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	325	1.27
Residential (1-4)	4,297	16.80
Commercial	1,558	6.09
Agricultural	4,177	16.33
Multi-family	15	0.06
CONSUMER		
Open-end Credit	0	0
All Other	1,931	7.55
COMMERCIAL AND INDUSTRIAL	4,472	17.48
AGRICULTURAL	8,762	34.25
STATE AND POLITICAL OBLIGATIONS	44	0.17
OTHER	0	0

Based upon a comparison of the bank's loan distribution taken from the same Report of Condition, total loans increased by \$8,686,000 or 51.41% from the prior year. This increase is primarily due to the acquisition of the Griswold State Bank, Griswold, Iowa, in November of 1995.

According to the Uniform Bank Performance Report (UBPR), dated June 30, 1996, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.09	1.07
1 - 4 Family Residential	18.21	26.55
Home Equity	0	0.02
Other Real Estate	25.17	19.31
Farmland	18.70	7.86
Multi-family	.25	0.17
Commercial	6.23	8.56
TOTAL REAL ESTATE LOANS	44.47	49.99
LOANS TO INDIVIDUALS	7.54	15.26
CREDIT CARD LOANS	0	0.10
COMMERCIAL & INDUSTRIAL LOANS	16.07	13.73
AGRICULTURAL LOANS	31.14	13.23
MUNICIPAL LOANS	.06	0.23
OTHER LOANS*	0	0.17
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

As the preceding chart illustrates, the percentage of total real estate loans is similar to peer. The bank has a higher percentage of loans secured by farmland and agricultural loans than its peer group, which is consistent with the makeup of the community.

Trend

As reported in the Consolidated Reports of Condition from June 30, 1995 through September 30, 1996, the bank's average quarterly loan-to-deposit ratio is 70.23%. The bank's loan-to-deposit ratio trend is in an upward direction. According to management, aggressive loan-related marketing efforts have contributed to the increase.

Competition and Peer Group

The following chart compares Rolling Hills Bank & Trust's average quarterly loan-to-deposit ratio with the average semi-annual ratio of its peer group and two local financial institutions identified by the bank as their primary competition within the assessment area:

Bank	Main Office Location	Asset Size (\$000)	Number of Branches	LTD Ratio Fall '95	LTD Ratio Spring '96	Average Ratio
Rolling Hills Bank & Trust	Atlantic	39,654	2	71.32%	74.32%	72.82%

Bank	Main Office Location	Asset Size (\$000)	Number of Branches	LTD Ratio Fall '95	LTD Ratio Spring '96	Average Ratio
First Whitney Bank & Trust	Atlantic	82,547*	1	53.57%	51.25%	52.41%
Union National Bank	Anita	30,271*	2	78.81%	76.37%	77.59%
UPBR Peer Group Average						66.61%

* According to the Spring 1996 McFadden American Financial Directory

A comparison of the bank's loan-to-deposit ratio to peer and its competitors reveals that the bank's ratio is above peer, reasonably equal to Union National Bank's and well above First Whitney Bank. The information for the bank's competitors was taken from the Fall 1995 and Spring 1996 editions of the *McFadden American Financial Directory*.

The bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. The bank's loan-to-deposit ratio, as reported in the Consolidated Report of Condition (Call Report), averages 70.23% over the most recent 18 months, is above peer group, as reported in the UBPR, and is consistent with local competition.

LENDING IN ASSESSMENT AREA

A review of the examination loan sample revealed the following level of lending within the assessment area:

LOAN TYPE	TOTAL # OF LOANS SAMPLED	WITHIN THE ASSESSMENT AREA	% OF TOTAL
Agricultural/Single-Payment	144	140	97.22%
Consumer Instalment	143	128	89.51%

From a sample of 144 agricultural single payment loans and 143 consumer installment loans, which constituted 52.76% of the bank's total number of loans from April, 1996 through September, 1996, it was determined that 268 of 287 or approximately 93% of the loans were made in the bank's assessment area. The volume of loans the bank made in its assessment area exceeds the standards for satisfactory performance.

LOAN DISTRIBUTION TO BORROWERS OF DIFFERENT INCOME LEVELS

LOAN TYPE	LOW-INCOME Number/%	MODERATE-INCOME Number/%	MIDDLE-INCOME Number/%	UPPER-INCOME Number/%
Consumer Installment	19 / 20.43	28 / 30.11%	19 / 20.43%	27 / 29.03%

From a sample of 143 consumer installment loans, 93 or 64.58% had borrower income information available. Of these 93 loans, 47 or 50.54% are loans to low- or moderate- income borrowers. From the same sample discussed in the Lending in assessment area criterion, it was determined that 83 of the 144 (57.64%) agricultural single-payment loans were made to small farms; 138 of the 144 were loans with original amounts less than \$50,000. Small farm loans are loans with original amounts under \$500,000 to farms with annual revenue of less than \$1 million. The bank's record of lending to borrowers of different incomes and farms of different sizes exceeds the standards for satisfactory performance

LOAN DISTRIBUTION IN GEOGRAPHIES OF DIFFERENT INCOME LEVELS

LOAN TYPE	LOW- INCOME Number/%	MODERATE- INCOME Number/%	MIDDLE- INCOME Number/%	UPPER- INCOME Number/%
Consumer Installment	0	42 / 32.56%	88 / 67.44%	0
Ag / Single-Payment	0	17 / 12.14%	123 / 87.85%	0

As the previous chart illustrates, of the loans within the assessment area, 59 of 268 (22.01%) were made in the 23.56% of the assessment area designated by the U.S. Census Bureau as moderate-income. The bank's assessment area does not contain low-income or upper-income census tracts or BNAs. The bank made loans in each of the geographies within its assessment area. The assessment area includes all geographies where the bank has an office or branch and does not arbitrarily exclude any low- or moderate-income geographies. The geographic distribution of the bank's loans within the assessment area meets the standards for satisfactory performance.

RESPONSE TO COMPLAINTS

No formal CRA-related complaints were filed against the bank since the previous examination.