

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR CONVERSION TO A FEDERAL SAVINGS BANK CHARTER, TRUST POWERS, HOLDING COMPANY ACQUISITION AND ESTABLISHMENT OF BRANCH OFFICE

ORDER NO.: 98-111

DATE: November 5, 1998

Peoples Bancorp, Rock Valley, Iowa (the "Holding Company"), seeks approval of the Office of Thrift Supervision (the "OTS") to convert Peoples Bank and Trust, Rock Valley, Iowa (the "Bank"), from an Iowa-chartered commercial bank to a federal stock savings bank (the "New FSB") pursuant to 12 C.F.R. § 552.2-6; to acquire the New FSB pursuant to 12 U.S.C. § 1467a(e) and 12 C.F.R. § 574.3; for the New FSB to engage in trust operations pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550; and to establish a branch office pursuant to 12 C.F.R. § 545.92. (Collectively, the foregoing are referred to as "the Applications"). In addition, the Applications request that the New FSB be granted a three-year phase-in period for compliance with the 12 U.S.C. § 1464(c)(2)(A) commercial lending limits. The Savings Bank will remain a member of the Bank Insurance Fund.

The OTS has considered the Applications under the standards set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e), and 12 C.F.R. §§ 545.92, 552.2-1, 552.2-6, and 574.3, Part 550 and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act, 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has considered the request for a three-year phase-in period to bring the New FSB's level of commercial loans into compliance with 12 U.S.C. § 1464(c)(2)(A).

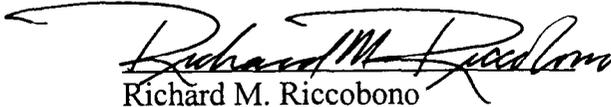
The OTS has considered a digest from the Midwest Regional Office, an analysis prepared by Corporate Activities and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee ("Regional Director"). Accordingly, the Applications and the three-year phase-in period to comply with 12 U.S.C. § 1464(c)(2)(A) are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the New FSB and the Holding Company shall certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the New FSB and the Holding Company, respectively, since the date of the financial statements submitted with the Applications;

3. The Holding Company and the New FSB must obtain all required regulatory and shareholder approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the New FSB shall file with the Regional Director a certification by legal counsel stating the effective date of the proposed transaction and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this order;
5. The New FSB must operate within the parameters of its business plan. Any proposed major deviations or material changes from the plan will require the New FSB to submit a revised business plan for the approval of the Regional Director. The request for change shall be submitted a minimum of 30 days before the proposed change is implemented;
6. The New FSB must comply with the investment limitations of 12 U.S.C. § 1464(c)(2)(A) within three years following consummation of the proposed transaction, unless such period is extended by the Regional Director for an additional period of up to one year. The phase-in period is limited to assets covered by 12 U.S.C. § 1464(c)(2)(A) and the phase-in must proceed substantially in accordance with the schedule contained in the Applications; and
7. The New FSB's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC"), including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March 17, 1998 *FFIEC Guidance Concerning the Year 2000 Impact on Customers*, the April 10, 1998 *Guidance Concerning Testing for Year 2000 Readiness*, the May 13, 1998 *Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness*, the May 13, 1998 *Guidance on Year 2000 Customer Awareness Programs*, the September 2, 1998 *Guidance Concerning Fiduciary Services and Year 2000 Readiness*, the October 15, 1998 interim *Interagency Guidelines Establishing Year 2000 Standards for Safety and Soundness* and companion interim rule, *Safety and Soundness Standards* and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

By Order of the Director of the Office of Thrift Supervision, or her designee, effective

NOVEMBER 5th, 1998.


Richard M. Riccobono
Deputy Director