

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF HILLS BANCORPORATION

I. Purpose of the Committee

The Compensation Committee (the “Committee”) (a), oversees the administration of employee qualified benefit plans and other employee benefit programs, (b) oversees the administration of Named Executive, Executive and non-Executive officer compensation and compensation programs, (c) oversees the administration of incentive and equity-based compensation plans (d) oversees and produces such other certifications or disclosures with respect to compensation programs as may be required under applicable law, rules or regulations, and (e) employee culture issues.

II. Composition of the Committee

The Committee shall be comprised of every director of the Board who satisfies the criteria for independence under the corporate governance requirements of The Nasdaq Stock Market. In addition, the members of the Committee shall be “outside directors” within the meaning of Section 162(m) of the Internal Revenue Code, and each member of the Compensation Committee shall also be a “non-employee director” as the term is defined by Rule 16b-3 of the Securities and Exchange Commission..

III. Meetings and Procedures

The Chairperson of the Board shall preside at each Committee meeting. In the event the Committee chair is not present at a Committee meeting, the Vice-chair of the Board shall preside at the meeting. A majority of the number of Committee members shall constitute a quorum for the transaction of business, and the action of a majority of those present at a meeting at which a quorum is present shall constitute an act of the Committee.

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet at least annually and additionally as it deems necessary in order to fulfill its functions and keep written minutes of its meetings, which shall be recorded and filed with the books and records of the Company.

The Committee shall be provided with the resources and vested with the authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate, without seeking approval of management. The Committee may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. With respect to compensation consultants, if any, retained to assist in the evaluation of Chief Executive Officer or executive officer compensation, this authority shall be vested solely in the Committee.

IV. Committee Responsibilities

The responsibilities of the Committee, on behalf of the Board, shall be to:

1. Review all compensation policies, practices, and plans of the Company to determine whether they encourage excessive risk-taking or pose any other threat to the safety and soundness of the Company or its subsidiaries or are otherwise inconsistent with the shareholders' long term best interests.
2. Review, monitor and approve the Company's overall compensation policies, practices and plans and assess whether the compensation structure establishes appropriate incentives for the Company's executive officers and other employees and aligns with the Company's corporate goals and objectives.
3. Review any proposed new compensation arrangement for the Company's executive officers which deviates materially from established compensation programs.
4. Review, develop and approve corporate goals and objectives related to the compensation of the Company's named executive officers, evaluate the executive officers' performance in light of those goals and objectives, and establish the form and amount of executive officer compensation based on those evaluations. Compensation for the executive officers shall be determined by a majority vote of the Committee members. The Chief Executive Officer shall not be present during any vote or deliberations related to his or her compensation. In determining the compensation level of the Chief Executive Officer and other executive officers of the Company, the Committee should consider:
 - a. the Company's overall compensation program;
 - b. the individual's performance, substantial experience, expertise and length of service with the Company;
 - c. progress toward the Company's performance objectives;
 - d. rewards for performance of those having a significant impact on the Company's profitability;
 - e. the overall financial performance of the Company;
 - f. the compensation levels of the Chief Executive Officer, and other executive officers of the Company in previous years;
 - g. the compensation levels of the Chief Executive Officer and other executive officers at businesses comparable to the Company;
 - h. the result of the most recent stockholder advisory vote on executive compensation ("Say on Pay Vote"); and
 - i. any additional factors that the Committee deems reasonable and appropriate.

5. Make recommendations to the Board of Directors regarding incentive compensation plans and equity-based plans for the Company. The Committee shall adopt and approve awards under incentive compensation plans and equity-based plans created by the Board of Directors, and shall review and monitor awards under such plans. The Committee shall ensure that such awards are administered in a manner consistent with the Company's compensation strategy and the terms of the plans with respect to participation in the plans, vesting requirements and corporate financial goals. Additionally, the Committee shall approve the submission to stockholders of all new equity-based incentive plans of the Company and shall administer such plans.
6. Review with the Company's Chief Executive Officer the management succession plans of the Company.
7. Ensure that the Company includes in its annual proxy statement a nonbinding shareholder vote on executive compensation ("Say on Pay Vote"); each in accordance with, and do often as required by, the Rules and Regulations.
8. Review all compensation decisions of the Company considering the provisions of Section 162(m) of the Internal Revenue Code relating to the deductibility of compensation of executive officers of the Company.
9. Review and discuss with the Company's management the Compensation Discussion & Analysis to be included in the Company's proxy statement and determine whether to recommend to the Board that the Compensation Discussion & Analysis be included in the Company's proxy statement and Annual Report filed on Form 10-K to be filed with the SEC.
10. Consider and approve the Report of the Compensation Committee for inclusion in the Company's proxy statement.
11. Make recommendations regarding director compensation to the Board of Directors.
12. Review stock ownership by directors and executive officers.
13. Perform any other duties or responsibilities expressly delegated to the Committee by the Board.
14. Report the matters considered and actions taken by the Committee to the Board of Directors.

V. Evaluation of the Committee

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance.

VI. Adoption of Charter

This charter was adopted by the Board of Directors on March 10, 2015.