

PUBLIC DISCLOSURE

September 15, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Frontier Savings Bank
RSSD# 2856939

940 Valley View Drive
Council Bluffs, Iowa 51502

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Frontier Savings Bank's Community Reinvestment Act (CRA) performance is rated Satisfactory. The loan-to-deposit ratio is reasonable considering the characteristics of the bank, performance of competitors, and economic and demographic conditions. The majority of the bank's loans were made within the assessment area. The distribution of loans reflects reasonable dispersion throughout the assessment area and reasonable penetration among borrowers of different income levels and businesses of different sizes. Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous CRA evaluation.

SCOPE OF EXAMINATION

Frontier Savings Bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency CRA procedures for Small Institutions. The evaluation was performed within the context of information about the institution and its assessment area such as asset size, financial condition, competition, and economic and demographic characteristics. Lending activities for the bank's major products were reviewed, which include small business and home mortgage. Small business carried more weight in the analysis as this is the bank's primary product.

Performance in the assessment area was evaluated using the streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage loans originated in the assessment area from June 28, 2010 through May 31, 2014, and small business loans originated from June 1, 2013 through May 31, 2014 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's home mortgage loans originated in the assessment area from June 28, 2010 through May 31, 2014, and small business loans originated from June 1, 2013 through May 31, 2014, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate- income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** - The bank's home mortgage loans originated in the assessment area from June 28, 2010 through May 31, 2014, and small business loans originated from June 1, 2013 – May 31, 2014, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – Neither Frontier Savings Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

DESCRIPTION OF INSTITUTION

Frontier Savings Bank is a wholly-owned subsidiary of Glenwood Bancorporation, a two-bank holding company located in Glenwood, Iowa. The bank operates in the city of Council Bluffs, Iowa where the main office, one branch, and two full-service automated teller machines (ATM) are located. Both offices are located in close proximity to each other and each has one-full service ATM.

As of June 30, 2014, the bank reported assets of \$35.3 million based on the Uniform Banking Performance Report. The bank is predominately a commercial lender with commercial and non-farm, non-residential loans comprising 55.5 percent of the loan portfolio by dollar volume. Residential real estate loans represent 29.1 percent of the loan portfolio. Loan and deposit products are standard and generally non-complex in nature. They include, but are not limited to the following: commercial, agricultural, residential real estate, home equity lines of credit, and consumer installment loans. Deposit products include traditional checking and savings accounts, negotiable orders of withdrawal, certificate of deposits, and overdraft protection. Overall, the bank provides an appropriate range of retail banking services to the communities it serves. Customers may conduct online banking transactions through the institution’s website at www.frontiersb.com.

Composition of Loan Portfolio as of June 30, 2014			
(000's)			
Category	Type	\$	%
Real Estate Secured	1-4 Family and Multi-Family Residential	5,018	29.1
	Farmland	990	5.7
	Non-farm, Non-Residential	8,379	48.6
	Total Real Estate Secured	14,387	83.4
Agricultural	Agricultural	1,080	6.3
Commercial	Commercial and Industrial	1,188	6.9
Consumer	Loans to Individuals	120	0.7
Other		468	2.7
	Total	17,243	100.0

Note: Percentages may not total to 100.0 percent due to rounding.

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated satisfactory under the Community Reinvestment Act at its previous evaluation June 28, 2010.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN OMAHA-COUNCIL BLUFFS NE-IA
METROPOLITAN STATISTICAL AREA - 36540

Frontier Savings Bank maintains all operations within the city of Council Bluffs, Iowa, which is located in the western half of Pottawattamie County and the eastern half of the Omaha-Council Bluffs MSA. Specifically, the assessment area includes of 22 of 30 tracts in Pottawattamie County. The assessment area contains one low-, ten moderate-, ten middle-, and one upper-income census tract. Since the previous evaluation dated June 28, 2010, census tracts 216.01, a middle-income tract and 315.00, a moderate-income tract were combined into census tract 319.00, a middle-income tract as of February 2012. The assessment area delineation has not changed since the previous evaluation.

As of June 30, 2013, the bank ranked tenth out of 12 FDIC-insured depository financial institutions operating in the assessment area with a modest market share of 2.0 percent. The top three financial institutions in the area are American National Bank, U.S. Bank, and Treynor State Bank with 26.3, 22.7, and 14.8 percent of area deposits, respectively. The bank identified its competitors in the market as mostly large, national banks. These include American National Bank, Bank of the West, First National Bank, Great Western Bank, and U.S. Bank, among others. Overall, the banking environment in the assessment area is competitive, stemming from credit unions and branches of larger financial institutions serving the area.

The assessment area delineation has not changed since the previous evaluation; however, as previously stated, income designations for a few census tracts changed with the updated 2010 U.S. Census Bureau information. The analysis for this examination is based on the 2010 U.S. Census. Assessment area demographics have been presented for both 2000 and 2010 U.S. Census data to illustrate area changes.

The following table presents a comparison of the bank's branch and ATM locations to relevant demographic characteristics in the assessment area. The distribution is based on 2010 census information.

Distribution of Branches and ATMS in the Assessment Area (2010 Census)						
Tract Income Level	Number of Branches	Percentage of Branches	Number of ATMs	Percentage of ATMs	Percentage of Total Families	Percentage of Businesses
Low-Income	0	0.0	0	0.0	26.7	10.2
Moderate-Income	1	50.0	1	50.0	21.7	32.5
Middle-Income	0	0.0	0	0.0	23.5	52.0
Upper-Income	1	50.0	1	50.0	28.1	5.4
Total	2	100.0	2	100.0	100.0	100.0
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>						

Assessment Area Demographics

The following tables present demographic data specific to the institution's assessment area. Based on 2010 census information, the assessment area is home to 18,353 families. Of these families, 10.2 percent are living in poverty. In addition, the assessment area contains 29,788 housing units, where 62.9 percent of units are owner-occupied. Conversely, approximately 37.1 percent are either rental or vacant.

Based on family income, low- and moderate-income families represent 48.4 percent of all families living in the assessment area. Additionally, businesses with \$1 million or less in total revenue represent 91.2 percent of all businesses located in the assessment area.

Assessment Area Combined Demographics (2010 Census)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.5	194	1.1	91	46.9	4,909	26.7
Moderate-income	10	45.5	7,885	43.0	1,157	14.7	3,977	21.7
Middle-income	10	45.5	9,265	50.5	572	6.2	4,309	23.5
Upper-income	1	4.5	1,009	5.5	50	5.0	5,158	28.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	18,353	100.0	1,870	10.2	18,353	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	931	64	0.3	6.9	709	76.2	158	17.0
Moderate-income	13,033	7,433	39.7	57.0	4,436	34.0	1,164	8.9
Middle-income	14,285	10,261	54.7	71.8	3,387	23.7	637	4.5
Upper-income	1,539	984	5.3	63.9	349	22.7	206	13.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	29,788	18,742	100.0	62.9	8,881	29.8	2,165	7.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	293	10.2	253	9.6	27	17.6	13	13.0
Moderate-income	938	32.5	824	31.3	69	45.1	45	45.0
Middle-income	1,500	52.0	1,407	53.4	53	34.6	40	40.0
Upper-income	155	5.4	149	5.7	4	2.6	2	2.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	2,886	100.0	2,633	100.0	153	100.0	100	100.0
Percentage of Total Businesses:				91.2		5.3		3.5
<p><i>Based on 2012 D&B information according to 2010 ACS Boundaries. Note: Percentages may not add to 100.0 percent due to rounding.</i></p>								

Assessment Area Combined Demographics (2000 Census)								
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	3,889	22.7
Moderate-income	12	54.5	8,339	48.6	844	10.1	4,215	24.6
Middle-income	7	31.8	6,528	38.1	395	6.1	4,112	24.0
Upper-income	3	13.6	2,279	13.3	26	1.1	4,930	28.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	17,146	100.0	1,265	7.4	17,146	100.0
	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	13,683	7,927	46.5	57.9	4,852	35.5	904	6.6
Middle-income	10,217	6,642	39.0	65.0	3,127	30.6	448	4.4
Upper-income	2,842	2,478	14.5	87.2	219	7.7	145	5.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	26,742	17,047	100.0	63.7	8,198	30.7	1,497	5.6
	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	1,458	47.4	1,271	45.6	119	69.6	68	56.7
Middle-income	1,111	36.1	1,030	37.0	40	23.4	41	34.2
Upper-income	509	16.5	486	17.4	12	7.0	11	9.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	3,078	100.0	2,787	100.0	171	100.0	120	100.0
Percentage of Total Businesses:			90.5		5.6		3.9	

*Based on 2011 D&B information according to 2000 ACS Boundaries.
Note: Percentages may not add to 100.0 percent due to rounding.*

A discussion of both 2000 and 2010 census demographic information follows. Both sections discuss relevant population information, income characteristics, and housing data. The relevant census demographic data were compared to the applicable loan periods, discussed in the preceding paragraph.

Population Characteristics

As presented in the following table, the population of Pottawattamie County and the Omaha-Council Bluffs, NE-IA MSA increased by, 6.2 and 12.8 percent, respectively since the 2000 census. The assessment area had a population of 71,001, which comprised 76.2 percent of the total Pottawattamie County and 8.2 percent of the Omaha-Council Bluffs, NE-IA MSA population.

In addition, the bank serves a homogeneous population as all census tracts within the assessment area have a minority population of less than 25.0 percent; 88.1 percent of the overall assessment area population is White Non-Hispanic. Comparatively, individuals of Hispanic origin comprise the majority of the assessment area's minority population, representing 7.6 percent of the population base.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change
Assessment Area	N/A	71,001	N/A
Pottawattamie County, IA	87,704	93,158	6.2
Omaha-Council Bluffs, NE-IA MSA	767,041	865,350	12.8
State of Iowa	2,926,324	3,046,355	4.1
Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Decennial Census			

Income Characteristics

The table below presents average incomes for families living in the assessment area, Pottawattamie County, Omaha-Council Bluffs, NE-IA MSA, and the state of Iowa. According to the 2010 census information, the median family income for Pottawattamie County was \$60,354 in comparison to the assessment area, which only includes the western portion of the county at \$56,888. Pottawattamie County saw an increase in median family income comparable to the state of Iowa, 28.1 percent and 28.7 percent, respectively. Overall, the Omaha-Council Bluffs, NE-IA MSA has the highest median family income in comparison to the assessment area, Pottawattamie County, and the state of Iowa.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income	2006-2010 Median Family Income	Percentage Change
Assessment Area	N/A	56,888	N/A
Pottawattamie County, IA	47,105	60,354	28.1
Omaha-Council Bluffs, NE-IA MSA	N/A	69,538	N/A
State of Iowa	48,005	61,804	28.7
Source: 2000—U.S. Census Bureau: Decennial Census 2006-2010—U.S. Census Bureau: American Community Survey			

Housing Characteristics

The following table presents recent housing cost trends within the assessment area, Pottawattamie County, Omaha-Council Bluffs, NE-IA MSA, and the state of Iowa. As previously stated, the assessment area contains a total of 29,788 housing units, of which the majority is owner-occupied. Based on the 2010 census information, the median housing and gross rent values in the assessment area are \$121,760 and \$693, respectively. Housing values have significantly increased in Pottawattamie County and remain relatively comparable to the state average; however, the affordability ratio for Pottawattamie County and the Omaha-Council Bluffs, NE-IA MSA are both slightly lower than the state of Iowa. Based on the 2006-2010 American Community Survey, the affordability ratio for each area is as follows: Pottawattamie County (0.39), Omaha-Council Bluffs, NE-IA MSA (0.38), and the state of Iowa (0.41). The affordability ratios indicate that housing is generally as affordable in Pottawattamie County and Omaha-Council Bluffs, NE-IA MSA, when compared to the state of Iowa. A total of 149 single family housing permits were issued in Pottawattamie County in 2013, which decreased 15.3 percent from 2012 when 176 permits were issued. No multi-family housing permits were issued in 2012 or 2013. One community representative mentioned that the amount of new homes available within the overall housing stock in Council Bluffs is relatively low and that new housing, both single family and multi-family, is needed.

Housing Costs Changes 2000 and 2006-2010				
Location	2000 Median Housing Value	2006-2010 Median Housing Value	2000 Median Gross Rent	2006-2010 Median Gross Rent
Assessment Area	N/A	121,760	N/A	693
Pottawattamie County, IA	84,800	126,100	537	689
Omaha-Council Bluffs, NE-IA MSA	N/A	143,400	N/A	730
State of Iowa	82,100	119,200	470	617

*Source: 2000 – U.S. Census Bureau: Decennial Census
2006-2010 – U.S. Census Bureau: American Community Survey*

Foreclosure Trends

Since the previous evaluation, foreclosure filings throughout the United States have fluctuated. The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure. It excludes properties that have completed the foreclosure cycle.

The study found that the number of properties in foreclosure is relatively low in the assessment area. As of October 2013, Pottawattamie County had a foreclosure inventory rate of 2.2 percent. The state of Iowa had a slightly lower foreclosure inventory rate of 2.1 percent. While foreclosure inventory rates have steadily increased from the previous evaluation, rates have since declined

from 2012 to 2013. Declining rates can be attributed to slightly improving economic conditions and reduction in unemployment rates.

Employment Characteristics

The following table presents unemployment trends for Pottawattamie County, Omaha-Council Bluffs, NE-IA MSA, the state of Iowa, and the county as a whole from 2009-2012. The unemployment rate for the overall assessment area remains relatively low. Similar to other areas of the country, the unemployment rates peaked in 2010 but have since gradually declined. The Omaha-Council Bluffs, NE-IA MSA experienced the largest decline from 5.1 to 4.4 percent since 2009, and along with Pottawattamie County, remain below the state average of 5.2 percent. Unemployment rates for all regions continue to be lower than the national average over the previous four years.

Unemployment Rates				
Region	2009	2010	2011	2012
Pottawattamie County, IA	4.5	5.2	5.2	4.6
Omaha-Council Bluffs, NE-IA MSA	5.1	5.2	5.0	4.4
State of Iowa	5.6	6.1	5.9	5.2
United States	9.3	9.6	8.9	8.1

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

Bankruptcy Trends

The number of bankruptcy filings in the assessment area is relatively high. The economic recession contributed to significant increases in bankruptcy filing rates from 2008-2010 for the state of Iowa and the country as a whole. Bankruptcy filing rates have since declined according to the Administrative Office of the U.S. Courts; however, Pottawattamie County has the highest bankruptcy filing rate of 3.0 per 1,000 in population in 2013, ranking first out of the 99 counties in the state of Iowa. Since 2009, bankruptcy filing rates in Pottawattamie County have continued to decline and remain below the 2013 national rate of 3.3 per 1,000 in population.

Industry Characteristics

The largest employers within the assessment area are detailed below. Based on data collected by the U.S. Department of Labor, the assessment area contains a diverse employment base but is heavily impacted by the gambling industry.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Omni Center	2,000	Lessors-Nonresidential Buildings
Horseshoe Council Bluffs	1,500	Other Gambling Industries
Ameristar Casino Hotel	1,350	Other Gambling Industries
Harrah's	1,200	Other Gambling Industries
Mercy Hospital	850	General Medicine & Surgical Hospitals
Jennie Edmundson Hospital	700	General Medicine & Surgical Hospitals
Iowa Western Community College	600	Colleges, Universities, & Professional Schools
Osi Industries	600	Animal Slaughtering
Walmart Supercenter	550	Department Stores

Source: America's Labor Market Information Systems (ALMIS) – Department of Labor

Community Contacts

Two community representatives in Council Bluffs, Iowa, were contacted during the evaluation to better understand the credit needs and demographics of the assessment area. The contacts indicated that banks in the area are responsive to the credit needs in the community. One contact stated that the area benefits from having a diversified job market with a skilled workforce. Also, many businesses have been able to expand, which is helping the local economy and job creation. Both representatives sense the lending environment in the area is still rather conservative and would like to see banks provide more assistance to first-time homebuyers and rehabilitation projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.

LENDING TEST

Frontier Savings Bank's performance relative to the lending test is rated satisfactory. The bank is meeting the credit needs of its community, based on an analysis of its lending activities. The loan-to-deposit ratio is reasonable considering the characteristics of the bank, performance of local competitors, current economic conditions, and all the credit needs of its assessment area. The majority of loans were made inside the assessment area. The geographic distribution of loans

reflects reasonable dispersion throughout the assessment area. Loan distribution also reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Neither Frontier Savings Bank nor this Reserve Bank received any CRA-related complaints involving the bank since the previous evaluation.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is reasonable considering the characteristics of the bank, performance of local competitors, current economic conditions, and the credit needs in its assessment area. As of December 31, 2013, the LTD ratio was 55.6 percent, with a 16-quarter average ratio of 55.1. The bank’s LTD ratio is below their national peer group and considerably lower than their competitors. The bank is also located in an area with a high number of larger national banks which are able to offer a wider array of loan products to customers. While the bank employs a conservative lending philosophy, they do refer a sizeable volume of long-term fixed rate residential real estate mortgages to the secondary market which are not reflected in the LTD ratio.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16 – Quarter Average
Frontier Savings Bank	55.1
National Peer Group 12	63.9
Competitors	
American National Bank	81.2
Bank of the West	100.1
First National Bank of Omaha	87.9
Great Western Bank	84.9
U.S. Bank	88.4

Assessment Area Concentration

The majority of home mortgage and small business loans reviewed were originated inside the assessment area, indicating the bank is actively servicing the needs of its community. The bank originated 70.6 percent of all loans by number and 70.8 percent by dollar amount inside the assessment area.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Total Home Mortgage Loans	107	69.0	15,360	69.6	48	31.0	6,707	30.4
Total Small Business Loans	56	73.7	3,699	76.3	20	26.3	1,150	23.7
Total Loans	163	70.6	19,059	70.8	68	29.4	7,857	29.2
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								

Geographic Distribution of Loans

An analysis of the geographic distribution of loans was conducted to determine the dispersion of loans among the different census tract types within the assessment area. The assessment area contains one low-, ten moderate-, ten middle-, and one upper-income census tract. Geographic distribution for home mortgage and small business loans reflect reasonable dispersion. Small business loans were evaluated more heavily as this is the bank's primary loan product.

Home Mortgage Lending

Geographic distribution of home mortgage loans is poor. The bank originated 11.2 percent by number of its home mortgage loans in moderate-income census tracts, which is significantly lower than the percentage of owner-occupied housing units located in moderate-income census tracts at 39.7 percent. The lower volume of lending in the moderate-income tract is attributed in part to the lingering effects of the economic downturn as one community representative reported that residential real estate lending in the Council Bluffs area is still down. The bank has targeted marketing efforts towards moderate-income census tracts in an effort to increase residential real estate lending.

Home Mortgage Lending, June 28,2010 – May 31, 2014 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Owner-Occupied Housing
	#	%	\$	%	
Total Home Mortgage Loans					
Low	0	0.0	0	0.0	0.3
Moderate	12	11.2	1,261	8.2	39.7
Middle	64	59.8	9,016	58.7	54.7
Upper	31	29.0	5,083	33.1	5.3
Unknown	0	0.0	0	0.0	0.0
Total	107	100.0	15,360	100.0	100.0
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>					

Small Business Lending

Geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. The bank originated 21.4 percent by number and 13.5 percent by dollar amount of its small business loans in the low-income census tracts which is above the percentage of businesses in those tracts at 10.2 percent; however, lending to the moderate-income census tracts is below the percentage of businesses in those tracts. Lending to middle-income census tracts is commensurate with area demographics.

Small Business Lending, June 1, 2013 – May 31, 2014 Geographic Distribution (000s)					
Census Tract Income Level	Bank Loans				Businesses by Census Tract Income Level
	#	%	\$	%	%
Low	12	21.4	500	13.5	10.2
Moderate	5	8.9	712	19.2	32.5
Middle	31	55.4	1,539	41.6	52.0
Upper	8	14.3	948	25.6	5.4
Unknown	0	0.0	0	0.0	0.0
Total	56	100.0	3,699	100.0	100.0
<i>Note: Percentages may not total to 100.0 percent due to rounding.</i>					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank’s home mortgage and small business lending reflects a reasonable penetration of lending among individuals of different income levels, including low- and moderate-income individuals, and to businesses of different sizes. Small business loans carried more weight as this is the bank’s primary loan product.

Home Mortgage Lending

Home mortgage lending reflects reasonable penetration among borrowers of different income levels. The bank originated 4.7 percent of home mortgage loans by number to low- income families which is well below the assessment area demographics which reports that 26.7 percent of families are low-income. This disparity is largely attributed to the high number of families living below the poverty level. According to the 2010 U.S. census data, 38.1 percent of low-income families in the assessment area are living below the poverty level. Based upon the average median housing values in the assessment area, these individuals are less likely to qualify for home mortgage loans due to insufficient income and/or assets. Moderate-income families received 11.2 percent of home mortgage loans which compares to 21.7 percent of the families in the assessment area.

Home Mortgage Lending, June 28,2010 – May 31, 2014						
Borrower Distribution						
(000s)						
Income Level of the Borrower	Bank Loans				Families by Family Income Level	
	#	%	\$ (000s)	%	#	%
Home Mortgage Loans						
Low	5	4.7	343	2.2	4,909	26.7
Moderate	12	11.2	1,019	6.6	3,977	21.7
Middle	22	20.6	2,731	17.8	4,309	23.5
Upper	57	53.2	9,592	62.4	5,158	28.1
Unknown	11	10.3	1,675	11.0	0	0.0
Total	107	100.0	15,360	100.0	18,353	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>						

Small Business Lending

The borrower distribution of small business loans reflects excellent penetration among businesses of different revenue sizes. Businesses with \$1 million or less in revenue comprise 91.2 percent of businesses in the assessment area; performance exceeds demographics with 96.4 percent of the bank’s small business loans originated to businesses with revenues of \$1 million or less. Small businesses typically seek loans with origination amounts of less than \$100,000 to meet credit needs. A majority of the bank’s loans are for amounts of \$100,000 or less at 82.1percent, which indicates the bank makes credit available to small businesses.

Small Business Loan Distribution, June 1, 2013 – May 31, 2014						
By Revenue and Loan Size						
(000s)						
Category	Bank Loans				Businesses By Annual Revenues	
	#	%	\$	%	#	%
By Revenue						
\$1 Million or Less	54	96.4	3,349	90.5	2,633	91.2
Over \$1 Million	2	3.6	350	9.5	153	5.3
Not Known	0	0.0	0	0.0	100	3.5
Total	56	100.0	3,699	100.0	2,886	100.0
By Loan Size						
\$100,000 or less	46	82.1	1,818	49.2		
\$101,000 - \$250,000	7	12.5	877	23.7		
\$251,000 - \$500,000	3	5.4	1,004	27.1		
Total	56	100.0	3,699	100.0		
By Loan Size and Revenue \$1 Million or Less						
\$100,000 or less	45	83.3	1,768	52.8		
\$101,000 - \$250,000	7	13.0	877	26.2		
\$251,000 - \$500,000	2	3.7	704	21.0		
Total	54	100.0	3,349	100.0		
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>						

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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.

APPENDIX A – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		Home Mortgage Loans: June 28, 2010 through May 31, 2014 Small Business Loans: June 1, 2013 through May 31, 2014	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED	
Frontier Savings Bank		Home Mortgage Loans Small Business Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED	
N/A	N/A	N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
OMAHA-COUNCIL BLUFFS NE-IA METROPOLITAN STATISTICAL AREA - 36540	Full scope	None	N/A

APPENDIX B - Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They 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.

Consumer loan: A loan 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 of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

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 non-relatives 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).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income

families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home mortgage loans: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing 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.

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 lenders in the MSA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (MMSA). Performance within

each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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.

Multifamily: Refers to a residential structure that contains five or more units.

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.

Small loans to business: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small loans to farms: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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