



PUBLIC DISCLOSURE

April 1, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Frontier Bank
Charter Number: 712117

101 South Phillips Avenue, Suite 103
Sioux Falls, SD 57104

Office of the Comptroller of the Currency

Sioux Falls Field Office
4900 South Minnesota Avenue, Suite 300
Sioux Falls, SD 57108

NOTE: This document is an evaluation of this institution'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 institution. This evaluation is not, and should not be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Table of Contents

OVERALL CRA RATING	1
DEFINITIONS AND COMMON ABBREVIATIONS	2
DESCRIPTION OF INSTITUTION	6
SCOPE OF THE EVALUATION.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	9
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA.....	10
STATE RATING	12
STATE OF IOWA	12
STATE RATING	16
STATE OF SOUTH DAKOTA.....	16
APPENDIX A: SCOPE OF EXAMINATION.....	20
APPENDIX B: SUMMARY OF STATE RATINGS.....	21
APPENDIX C: COMMUNITY PROFILES FOR FULL-SCOPE AREAS	22

Overall CRA Rating

The Lending Test is rated: Satisfactory.

The major factors supporting the institution's rating include:

- Frontier Bank's (Frontier or Bank) loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment areas (AAs).
- Management purchased and originated a majority of loans (82 percent by number and 74 percent by dollar volume) inside their AAs.
- The borrower distribution of loans to farms of different sizes and income levels reflects reasonable distribution of AA demographics.
- The borrower distribution of home mortgage loans to consumers of different income levels reflects reasonable distribution of AA demographics.
- The geographic distribution of home mortgage loans to census tracts (CTs) of different income levels reflects excellent distribution of AA demographics.
- No complaints were received since the prior CRA examination.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

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.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/AA.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. CT boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. CTs generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. CTs are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's AAs) or outside the AAs provided the bank has adequately addressed the community development needs of its AAs

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A CT delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement, and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

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.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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 reporting lenders in the MA/AA.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) 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 (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): 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 \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Description of Institution

Frontier is a federally chartered stock savings thrift headquartered in Sioux Falls, SD. As of December 31, 2018, Frontier had total assets of \$217 million and total tier one capital of \$19 million. The thrift is wholly owned by Rock Rivers Bancorporation, Inc., a one-bank holding company, located in Rock Rapids. As of year-end 2018, Rock Rivers Bancorp had total assets of \$21 million. Frontier has not engaged in any merger or acquisition activities since the prior CRA examination in February 2015. They opened one additional branch in downtown Sioux Falls, South Dakota in March 2015 and changed their home location from Rock Rapids, IA to the Sioux Falls location as of April 16, 2016. The Bank is affiliated with both Frontier Insurance and Realty and Alasca Farms; however, neither affiliate has loans that qualify under the Community Reinvestment Act.

Frontier is a full-service community bank that offers traditional deposit and lending products. They operate three full-service branches located in Iowa and two located in South Dakota. The Iowa branches are comprised of one in Rock Rapids, one in George, and one in Little Rock. The South Dakota branches are both located in Sioux Falls. As of December 31, 2018, the Bank's loan portfolio totaled \$163 million, or 75 percent of total assets. Based on outstanding dollar volume, the portfolio breakdown was 77 percent real estate, 14 percent agricultural, 7 percent commercial, and 2 percent consumer. Management's lending strategy remains focused on agriculture and one-to-four family residential home loans.

The Bank has two AAs. The first is the Iowa Non-MSA AA, which consists of one county and three CTs. The second is the Sioux Falls MSA AA, which consists of two counties and fifty-three CTs. According to 2018 census information, the Iowa AA consists entirely of middle income CTs. The Sioux Falls AA consists of 17 moderate-income, 24 middle-income, and 12 upper-income CTs. The Bank's primary competitors are regional banks with asset sizes ranging from \$72 million to \$552 million; however, there are also several large national banks with branches inside their AAs.

We made two community contacts during this CRA examination, one located in the Sioux Falls MSA AA and the other located in the Iowa Non-MSA AA. The Sioux Falls contact noted a growing economy that remains strong despite the depressed agricultural economy. They also noted that building permit issuance has steadily increased, especially in the housing market. The Iowa contact stated that Northwest Iowa (including Lyon County) is experiencing low unemployment, a stable to moderately growing economy, and a need for additional housing. They also mentioned that the agricultural slowdown has not significantly impacted local businesses, with the exception of agriculture-related machinery and equipment dealers. Both contacts work for agencies that focus on economic growth and support, with their focus being on local and rural businesses and farms. They also both indicated that perceptions towards area financial institutions were positive. Neither contact identified unmet credit needs.

There are no known legal, financial, or other factors impeding the Bank's ability to meet the credit needs of its AA. Frontier received a "Satisfactory" rating in its last CRA Performance Evaluation dated February 2, 2015.

Scope of the Evaluation

Evaluation Period/Products Evaluated

We evaluated Frontier using Small Bank examination procedures, which are limited to the Lending Test. The Lending Test evaluates the Bank’s record of meeting the credit needs of its AA through lending activities. The evaluation period used for determining Frontier’s performance was from January 1, 2016 to December 31, 2018. We evaluated loans originated in 2016 separately from loans originated in 2017 and 2018 because demographic information was updated with data collected from the American Community Survey (ACS) in 2017.

To determine Frontier’s primary loan products, we reviewed all loan originations by number and dollar volume during each evaluation period. Based on our analysis, we determined the Bank’s primary product in the Sioux Falls MSA AA to be home mortgage loans and primary products in the Iowa Non-MSA AA to be home mortgage and agricultural loans. The following two tables detail the breakdown of loan originations by category during each evaluation period:

Table 1 - Loan Portfolio Originations 2016				
Loan Category	Originated by # of Loans		Originated by \$ of Loans (In Thousands)	
	#	% of Portfolio	\$ (000's)	% of Portfolio
Agricultural Loans	212	30	29,987	32
Home Loans	212	30	50,073	54
Consumer Loans	189	26	3,908	4
Business Loans	101	14	8,704	10
Total	714	100	92,672	100

Source: Bank loan data from January 1, 2016 to December 31, 2016

Table 2 - Loan Portfolio Originations 2017-18				
Loan Category	Originated by # of Loans		Originated by \$ of Loans (In Thousands)	
	#	% of Portfolio	\$ (000's)	% of Portfolio
Agricultural Loans	408	30	60,675	29
Home Loans	401	29	119,707	58
Consumer Loans	403	29	8,951	4
Business Loans	160	12	19,105	9
Total	1,372	100	208,438	100

Source: Bank loan data from January 1, 2017 to December 31, 2018

To evaluate lending performance, we selected a random sample of 20 loans originated during the evaluation period for each primary loan product type in each AA, with the exception of home loans where we evaluated all originations within the evaluation period based on HMDA data. To evaluate whether the bank made loans to borrowers in their AAs, we reviewed the initial sample of 20 loans from each primary product in each AA. To analyze borrower and geographic distribution within the AAs, we sampled additional loans, as needed, to reach 20 loans originated to borrowers located within the specific AA for each primary product.

Data Integrity

We completed a HMDA data integrity review in December 2018 and did not identify any issues. Publicly reported data is accurate.

Selection of Areas for Full-Scope Review

We completed full scope reviews for both the Iowa Non-MSA and Sioux Falls MSA AAs. Full scope reviews consider quantitative and qualitative as well as performance context factors.

Ratings

Frontier's CRA rating is based on their performance in the Iowa Non-MSA and Sioux Falls MSA AAs. Performance in the Iowa Non-MSA AA will carry a 60 percent weight in the overall conclusion, while performance in the Sioux Falls MSA AA will carry a 40 percent weight. The weighting was determined based on the number of branches, market share, and number and dollar volume of deposits and loans within each AA during the evaluation periods. As of December 31, 2018, the Iowa Non-MSA AA accounted for 74 percent of the bank's total deposits. It also accounted for 64 percent of the bank's total loan volume by number and 53 percent by number. The Bank has three branches located within the Iowa Non-MSA AA and two branches in the Sioux Falls MSA AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Criteria

Frontier's performance under the Lending Test is Satisfactory. Frontier's LTD ratio is reasonable and a majority of Frontier's loans are originated to borrowers located inside its AAs.

LTD Ratio

Frontier's average lending level was reasonable given the Bank's size, financial condition, and the AA's credit needs. The LTD ratio is calculated on a bank-wide basis. The Bank's average quarterly LTD ratio was 86 percent for the 18 quarters between September 30, 2014 and December 31, 2018. The ratio ranged from a quarterly low of 83 percent to a quarterly high of 90 percent.

The Bank's LTD ratio reasonably compares to other community banks of similar size operating within 100 miles of Frontier's branch locations. The average LTD ratio for similar banks was 84 percent over the same period. The ratio ranged from an average quarterly low of 47 percent to an average quarterly high of 111 percent.

	Frontier Bank	Comparators
Quarterly Average LTD Ratio	86%	84%
Quarterly High LTD Ratio	90%	111%
Quarterly Low LTD Ratio	83%	47%

Source: Call Report Data

Lending in Assessment Area

Frontier originated the majority of agricultural and home mortgage loans to borrowers located inside its AAs during the evaluation periods. We reviewed 40 agricultural loans and 427 home mortgage loans originated between January 1, 2016 and December 31, 2018. Eighty-two percent by number and 74 percent by dollar volume of loans were originated inside the Iowa Non-MSA or Sioux Falls MSA AAs.

Table 4 details the bank's lending within its AAs by number and dollar amount of loans.

Loan Category	Number of Loans				Total #	Dollar Amount of Loans (In Thousands)				Total \$(000s)
	Inside AA		Outside AA			Inside AA		Outside AA		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	356	90	71	10	427	58,030	77	17,669	23	75,699
Agriculture	26	65	14	35	40	2,591	44	3,343	56	5,934
Total	382	82	85	18	467	60,621	74	21,012	26	81,633

Source: Bank Data, Evaluation Period: 1/1/2016 - 12/31/2018.

Responses to Complaints

Neither Frontier's management team nor the OCC received any complaints during the evaluation periods in either assessment area.

State Rating

State of Iowa

CRA rating for the State of Iowa: Satisfactory.

The Lending Test is rated: Satisfactory.

- The borrower distribution of loans to farms of different sizes and income levels during both evaluation periods reflects reasonable distribution of AA demographics.
- The borrower distribution of home mortgage loans to consumers of different income levels during both evaluation periods reflects reasonable distribution of AA demographics.

Description of Institution's Operations in Iowa

Frontier has one Iowa AA that is a non-MSA. It consists of one county and three CTs. In both evaluation periods, all three CTs were middle-income. The non-MSA AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. The Bank has a full service branch in each of the following three towns: Rock Rapids, Little Rock, and George, Iowa.

Current economic conditions in the non-MSA AA are satisfactory. Recent flooding has presented challenges; however, the effects are not anticipated to be long-term. Agriculture and manufacturing are the primary industry sectors in the AA. According to the Bureau of Labor Statistics, the 2018 Lyon County unemployment rate was 1.6 percent, which was lower than the unemployment rates of both the State of Iowa and the national average, which were 2.4 and 3.9 percent, respectively.

Six financial institutions serve the AA. Based on the Federal Deposit Insurance Corporation's (FDIC) June 30, 2018 market share report, Frontier ranks second with approximately 30 percent of deposit market share. Primary competitors include both regional and national financial institutions.

According to the 2015 ACS U.S. Census data, there were 11,723 people in the Iowa Non-MSA AA. The median family income was \$68,484. Twenty-nine percent of families have low- or moderate-income levels and 8 percent of households are below the poverty level. Loan origination volume in Frontier's Iowa branches is slightly higher compared to their South Dakota branches. Iowa branch loan volume accounted for 64 percent by number and 53 percent by dollar of total volume.

We did not identify any unmet credit needs in this AA. In conducting the assessment of the Bank's performance, we contacted one local economic development organization. The contact indicated the credit needs primarily relate to housing as the agriculture economy continues to be stressed. Financial institutions in the AA are active and work well with local organizations to promote community development.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN IOWA

LENDING TEST

Frontier’s performance under the lending test is satisfactory. Agriculture loans carried more weight in the borrower distribution analysis as they accounted for the majority of loans originated or purchased during both evaluation periods based on number and dollar volume in this AA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans to farms of different sizes reflects reasonable distribution of assessment area demographics during both evaluation periods.

Agriculture Loans 2016

The distribution of bank loan originations and purchases to farms of different sizes reflects reasonable distribution during the 2016 evaluation period. Ninety percent of loans by number and 53 percent by dollar were originated to farms with gross annual revenues of less than one million dollars. This reasonably compares to the 98 percent of AA farms that have gross revenues of less than one million dollars. It also reasonably compares to the aggregate data that shows 44 percent of all loans made within the AA during the evaluation period were to farms with revenues of less than one million dollars.

Table 5a below details the breakdown of loans originated to farms within the AA based on gross annual revenue.

Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans
Iowa non-MSA AA	20	2,783	53	196	98	90	44	2	10
Total	20	2,783	53	196	98	90	44	2	10

Source: 2016 D&B Data; 01/01/2016 - 12/31/2016 Bank Data; 2016 CRA Aggregate Data.

Agriculture Loans 2017-18

The distribution of bank loan originations and purchases to farms of different sizes reflects reasonable distribution during the 2017-18 evaluation period. Ninety percent of loans by number and 64 percent by dollar were originated to farms with gross annual revenues of less than one million dollars. This reasonably compares to AA demographics that show 98 percent of farms have revenues of less than one million dollars. It also reasonably compares to aggregate data that shows 40 percent of all loans made within the AA during the evaluation period were to farms with revenues of less than one million dollars.

Table 5b below details the breakdown of loans originated to farms within the AA based on gross annual revenue.

Table 5b: Borrower Distribution of Loans to Farms by Gross Annual Revenues in the Iowa Non-MSA AA 2017-18

Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM	
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans
Iowa non-MSA AA	20	2,240	64	233	98	90	40	2	10
Total	20	2,240	64	233	98	90	40	2	10

Source: 2017 D&B Data; 01/01/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data.

Home Mortgage Loans 2016

The distribution of home mortgage loans reflects reasonable distribution during the 2016 evaluation period. The Bank originated 42 loans inside the AA, with 19 percent of them by number to low- or moderate-income borrowers. This reasonably compares to aggregate data that shows 25 percent of the 219 total home mortgage loan originations within the AA were made to low- or moderate-income borrowers and 2010 U.S. Census data that shows 31 percent of families are low-or moderate-income families.

Table 6a below details the breakdown of residential real estate loans in the AA based on the borrower's income level.

Table 6a: Borrower Distribution of Residential Real Estate Loans in the Iowa Non-MSA AA 2016

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Iowa non-MSA AA	42	5,658	33	219	13	5	6	18	14	19	32	24	23	38	50	38	0	7	14
Total	42	5,658	33	219	13	5	6	18	14	19	32	24	23	38	50	38	0	7	14

Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.

Home Mortgage Loans 2017-18

The distribution of home mortgage loans reflects reasonable distribution during the 2017-18 evaluation period. The Bank originated 56 loans inside the AA, with 32 percent of them by number to low- or moderate-income borrowers. This reasonably compares to aggregate data that shows 31 percent of the 272 total home mortgage loan originations within the AA were made to low- or moderate-income borrowers and 2010 U.S. Census data that shows 29 percent of families are low-or moderate-income.

Table 6b below details the breakdown of residential real estate loans in the AA based on the borrower's income level.

Table 6b: Borrower Distribution of Residential Real Estate Loans in the Iowa Non-MSA AA 2017-18																			
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Iowa non-MSA AA	56	6,239	81	272	12	2	6	17	30	25	29	20	23	41	44	31	0	4	15
Total	56	6,239	81	272	12	2	6	17	30	25	29	20	23	41	45	31	0	4	15

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data.

Geographic Distribution of Loans

We did not analyze the geographic distribution of loans in the Iowa Non-MSA AA as there were no low- or moderate-income CTs during either evaluation period. Analysis would not provide meaningful information.

Responses to Complaints

Neither bank management nor the OCC received any CRA-related complaints during the evaluation periods in the Iowa Non-MSA AA.

State Rating

State of South Dakota

CRA rating for the South Dakota: Satisfactory.

The Lending Test is rated: Satisfactory.

- The borrower distribution of home mortgage loans to consumers of different income levels reflects poor distribution of AA demographics.
- The geographic distribution of home mortgage loans to CTs of different income levels reflects excellent distribution of AA demographics.

Description of Institution's Operations in South Dakota

Frontier has one South Dakota AA, which is the Sioux Falls MSA. It consists of two counties (Lincoln and Minnehaha) and 53 CTs. In both evaluation periods, the CTs consisted of 17 moderate-income, 24 middle-income, and 12 upper-income tracts. The Sioux Falls MSA AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs. The Bank has two full service branches in the AA and both are located in Sioux Falls, South Dakota.

Current economic conditions in the non-MSA AA are strong, with the housing market being the primary driver. According to the Bureau of Labor Statistics, the 2018 unemployment rates for Lincoln and Minnehaha counties were 2.5 and 2.6 percent, respectively. Both county rates were lower than the unemployment rates for the State of South Dakota and the national average, which were 2.9 and 3.9 percent, respectively.

Thirty-two financial institutions serve the MSA. Based on the FDIC's June 30, 2018 market share report, Frontier ranks twentieth with approximately 0.01 percent of deposit market share. Primary competitors include similarly sized community banks, regional banks, and several large national financial institutions.

According to the 2015 ACS U.S. Census data, there were 228,816 people in the Sioux Falls MSA AA. The median family income was \$75,067. Sixteen percent of families have low- or moderate-income levels and 10 percent of households are below the poverty level. Loan origination volume in Frontier's South Dakota branches is slightly lower compared to their Iowa branches. South Dakota loan volume accounted for 36 percent by number and 47 percent by dollar of total volume.

We did not identify any unmet credit needs in this AA. In conducting the assessment of the Bank's performance, we contacted one local economic development organization. The contact indicated credit needs continue to be in the housing market. They also indicated that local financial institutions are doing a good job of providing credit opportunities that facilitate growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SOUTH DAKOTA

LENDING TEST

Frontier’s performance under the lending test is Satisfactory.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of home mortgage loans to consumers of different income levels reflects poor distribution of AA demographics for both evaluation periods.

Home Mortgage Loans 2016

The distribution of home mortgage loans reflects poor distribution during the 2016 evaluation period. The Bank originated 84 loans inside the AA, with 11 percent of them by number to low- or moderate-income borrowers. That is significantly less than the aggregate data that shows 24 percent of the 12,377 total home mortgage loan originations in the AA were made to low- or moderate-income borrowers or the 2010 U.S. Census data that shows 36 percent of families in the MSA are low-or moderate-income families.

Table 7a below details the breakdown of residential real estate loans in the AA based on the borrower’s income level.

Table 7a: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2016																			
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Sioux Falls MSA AA	84	16,812	67	12,377	18	4	6	18	7	18	26	19	22	38	41	31	0	30	24
Total	84	16,812	67	12,377	18	4	6	18	7	18	26	19	22	38	41	31	0	30	24

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.

Home Mortgage Loans 2017-18

The distribution of home mortgage loans reflects poor distribution for the 2017-18 evaluation period. The Bank originated 174 loans inside the AA, with 15 percent of them by number to low- or moderate-income borrowers. That is significantly less than the aggregate data that shows 28 percent of the 10,504 total AA home mortgage loan originations were made to low- or moderate-income borrowers and 2010 U.S. Census data shows that 37 percent of families in the MSA are low-or moderate-income families.

Table 7b below details the breakdown of residential real estate loans in the AA based on the borrower's income level during the 2017-18 evaluation period.

Table 7b: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-18																			
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Sioux Falls MSA AA	174	29,320	76	10,504	19	6	8	18	9	20	24	21	22	39	29	28	0	35	22
Total	174	29,320	76	10,504	19	6	8	18	9	20	24	21	22	39	29	28	0	35	22

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data.

Geographic Distribution of Loans

The geographic distribution of bank loan originations and purchases across geographies of different income levels reflects excellent distribution of AA demographics in both evaluation periods.

Home Mortgage Loans 2016

The Bank's geographic distribution of home loans to consumers in the 2016 evaluation period reflects excellent distribution throughout CTs of varying income levels. Their lending performance exceeded their comparators. Twenty-three percent of bank loans were made to borrowers located in a low- or moderate-income tract, which favorably compares to the aggregate data of 12 percent. It also favorably compares to the demographic data that shows 19 percent of the AA's owner-occupied housing units were located in a low- or moderate-income CT in 2016.

Table 8a below details the breakdown of residential real estate loans in the AA based on the CT income level.

Table 8a: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2016																	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Sioux Falls MSA AA	84	16,812	67	12,377	0	0	0	19	23	12	55	44	56	26	33	33	
Total	84	16,812	67	12,377	0	0	0	19	23	12	55	44	56	26	33	33	

Source: 2010 U.S. Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.

Home Mortgage Loans 2017-18

The Bank's geographic distribution of home loans to consumers in the 2017-18 evaluation period reflects excellent distribution throughout CTs of varying income levels. Their performance significantly exceeds their comparators. Forty-four percent of bank loans were made to borrowers located in a low- or moderate-income tract, which favorably compares to the aggregate data of 17 percent. It also favorably compares to the demographic data that shows 22 percent of the AA's owner-occupied housing units were located in a low- or moderate-income CT in 2017 and 2018.

Table 8b below details the breakdown of residential real estate loans in the AA based on the CT income level.

Table 8b: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography 2017-18																
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Sioux Falls MSA AA	174	29,320	76	10,504	0	0	0	22	44	17	52	36	51	27	20	32
Total	174	29,320	76	10,504	0	0	0	22	44	17	52	36	51	27	20	32

Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data.

Responses to Complaints

Neither bank management nor the OCC received any CRA-related complaints during the evaluation periods in the Sioux Falls MSA AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Tests: 01/01/2016 to 12/31/2018	
Financial Institution	Products Reviewed	
Frontier Bank Rock Rapids, Iowa	Agriculture and Home Mortgage 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 Exam	Other Information
Iowa Non-MSA AA	Full-Scope	Agriculture and Home Mortgage Loans
South Dakota Sioux Falls MSA #43620	Full-Scope	Home Mortgage Loans

Appendix B: Summary of State Ratings

Overall Bank:	Lending Test Rating
Frontier Bank	Satisfactory
Ratings By State:	
Iowa	Satisfactory
South Dakota	Satisfactory

Appendix C: Community Profiles for Full-Scope Areas

State of Iowa

Iowa Non-MSA AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	100	0	0
Population by Geography	11,581	0	0	100	0	0
Owner-Occupied Housing by Geography	3,576	0	0	100	0	0
Businesses by Geography	955	0	0	100	0	0
Farms by Geography	410	0	0	100	0	0
Family Distribution by Income Level	3,192	12	18	32	38	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	968	0	0	100	0	0
Median Family Income = \$57,981 FFIEC Adjusted Median Family Income for 2016 = \$63,300 Households Below the Poverty Level = 3.7%	Median Housing Value = \$98,714 Unemployment Rate = %1.95					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	3	0	0	100	0	0
Population by Geography	11,723	0	0	100	0	0
Owner-Occupied Housing by Geography	4,924	0	0	100	0	0
Businesses by Geography	967	0	0	100	0	0
Farms by Geography	410	0	0	100	0	0
Family Distribution by Income Level	3,237	12	17	29	42	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	952	0	0	100	0	0
Median Family Income = \$68,484 FFIEC Adjusted Median Family Income for 2017 = \$63,900 Households Below the Poverty Level = 5.5%	Median Housing Value = \$117,461 Unemployment Rate = %1.67					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 U.S. Census, and 2017 FFIEC updated MFI.

State of South Dakota

Sioux Falls MSA AA

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	53	0	26	51	23	0
Population by Geography	214,296	0	26	51	23	0
Owner-Occupied Housing by Geography	55,160	0	19	55	26	0
Businesses by Geography	15,630	0	37	43	20	0
Farms by Geography	1,008	0	9	70	21	0
Family Distribution by Income Level	54,233	18	18	26	38	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	19,288	0	39	48	13	0
Median Family Income = \$68,893 FFIEC Adjusted Median Family Income for 2016 = \$72,000 Households Below the Poverty Level = 6.0%	Median Housing Value = \$150,614 Unemployment Rate = %2.76					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 FFIEC updated MFI.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	53	0	32	45	23	0
Population by Geography	228,816	0	29	48	23	0
Owner-Occupied Housing by Geography	58,782	0	21	52	27	0
Businesses by Geography	16,629	0	39	37	24	0
Farms by Geography	936	0	8	66	26	0
Family Distribution by Income Level	88,177	22	18	19	41	0
Distribution of Low- and Moderate-Income Families throughout AA Geographies	21,207	0	42	44	14	0
Median Family Income = \$75,067 FFIEC Adjusted Median Family Income for 2017 = \$78,700 Households Below the Poverty Level = 7.2%	Median Housing Value = \$160,629 Unemployment Rate = %2.90					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2017 U.S. Census, and 2016 FFIEC updated MFI.