

VISIT US AT OUR STAUNTON BRANCH

 540.213.1200 | 1013 Richmond Avenue, Staunton, VA | Fax: 540.213.0479



www.frontiercommunitybank.com

400 Lew Dewitt Boulevard
Waynesboro, Virginia 22980



NEWSLETTER

FEBRUARY 2017

LYNCHBURG LOAN PRODUCTION OFFICE OPENING IN 2017



WARM WINTER RATES

1.50%
APY* CD
30 Month
Relationship
CD Rate

*APY is Annual Percentage Yield. Above rates are as of 02/02/17. Minimum deposit of \$1,000 required. 180 day penalty for early withdrawal. You must open or have a qualifying demand deposit or NOW account to receive this rate. Offer subject to change.

Contact Us: 540.932.9100 (Waynesboro) 540.213.1200 (Staunton)



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1013 Richmond Avenue | Staunton, Virginia 24401 | custserv@frontiercommunitybank.com

FROM YOUR PRESIDENT

Dear Shareholders:

The past year was an exciting one at Frontier. Earnings improved, our first branch office opened, and the Board of Directors approved plans for a loan production office in the Lynchburg market. The new Staunton branch is running smoothly and more importantly, making significant market strides. Deposits and customer traffic counts at the new branch are currently ahead of expectations. These are exciting times indeed!

Year-end net income of \$521,018 marked a substantive improvement when compared to the previous year. The primary driver of the earnings enhancement was an absence of credit losses; however, two additional key metrics improved. The bank's net interest margin improved significantly and non-interest income increased by more than twenty-five percent. On a per share basis, book value increased from \$9.13 to \$9.57. Finally, asset quality remains strong; Frontier did not report any loans past due at year-end.

The primary objective for the coming year is to increase earning assets, primarily through funding quality loans, to offset the additional costs of the Staunton branch. Accomplishing this goal as quickly as prudent banking permits is important, since it creates the necessary



environment for the Bank to consider additional full service branch locations. Over the long term, we remain committed to the vision of amplifying Frontier's economy of scale. We will accomplish this through the combination of careful market expansion and expense control, as the optimal method for creating additional shareholder value. Frontier is ready to grow in unison with the communities it serves.

Please think of your Bank whenever a financial need arises. We appreciate every opportunity to learn more about you and earn your business. As always, feel free to contact me directly at 540.932.9100 if you have further questions about Frontier.

Alan J. Sweet,
President and Chief Executive Officer



PROTECT YOURSELF AGAINST CYBER ATTACKS

Never click on links in emails. If you do think the email is legitimate, whether from a third party retailer or primary retailer, go to the site and log on directly. Whatever notification or service offering was referenced in the email, if valid, will be available via regular log on.

Never open the attachments. Typically, retailers will not send emails with attachments. If there is any doubt, contact the retailer directly and ask whether the email with the attachment was sent from them.

Do not give out personal information over the phone or in an email unless completely sure. Social engineering is a process of deceiving individuals into providing personal information to seemingly trusted agents who turn out to be malicious actors. If contacted over the phone by someone claiming to be

a retailer or collection agency, do not give out your personal information. Ask them to provide you their name and a call-back number. Just because they may have some of your information does not mean they are legitimate!

Set secure passwords & don't share them with anyone. Avoid using common words, phrases, or personal information and update regularly.

Keep your operating system, browser, anti-virus and other critical software up to date. Security updates and patches are available for free from major companies.

Verify the authenticity of requests from companies or individuals by contacting them directly. If you are asked to provide personal information via email, you can independently

contact the company directly to verify this request.

Pay close attention to website URLs. Pay attention to the URLs of websites you visit. Malicious websites sometimes use a variation in common spelling or a different domain (for example, .com instead of .net) to deceive unsuspecting computer users.

For e-Mail, turn off the option to automatically download attachments.

Be suspicious of unknown links or requests sent through email or text message. Do not click on unknown links or answer strange questions sent to your mobile device, regardless of who the sender appears to be.

Source: <https://www.dhs.gov/how-do-i-protect-myself-cyber-attacks>

COMMUNITY INVOLVEMENT

BUILD A MEAL PROJECT WITH LINEAGE ARCHITECTS & LANTZ CONSTRUCTION



Frontier Community Bank teamed up with Lineage Architects and Lantz Construction for the "Build a Meal" project. This project benefits the Verona Community Food Pantry, which provides food to those who live under the poverty level in our area.

Broadway-based, Lantz Construction Company and Lineage Architects in Verona, creatively put their skills to use by building a holiday scene. Using only pasta, cereal, and spaghetti sauce, they were able to build a Christmas tree complete with lights and a fireplace to match.

The project was on display in our Staunton branch.



FINANCIAL HIGHLIGHTS UNAUDITED

	2016	2015
Results of Operations:		
Interest income	\$ 4,146,994	\$ 3,964,311
Interest expense	834,024	927,140
Net interest income	3,312,970	3,037,171
Provision for loan losses	(37,400)	93,276
Noninterest income	216,790	172,328
Noninterest expense	2,755,429	2,682,568
Net income before tax	811,731	433,655
Federal tax provision	290,713	172,439
Net income	\$ 521,018	\$ 261,216
Period-end Balances:		
Loans, net of unearned income & allowance	\$ 82,814,914	\$ 82,652,406
Deposits	87,482,018	88,176,018
Assets	104,253,777	102,065,164
Shareholder's equity	11,639,115	10,662,709
Per Share Information:		
Earnings – basic	0.43	0.22
Earnings – diluted	0.43	0.22
Book value	9.57	9.13
Ratios:		
Return on average assets	0.5 %	0.3 %
Return on average equity	4.6 %	2.5 %
Net interest margin	3.30 %	3.16 %

MAC MINI® CONTEST

Congratulations to Bonnie Simmons, our Mac Mini® Sweepstakes Winner.

