FRB Order No. 2014-2
April 1, 2014

FEDERAL RESERVE SYSTEM

Umpqua Holdings Corporation
Portland, Oregon

Order Approving the Acquisition of a Bank Holding Company

Umpqua Holdings Corporation ("Umpqua"), Portland, Oregon, has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act")[1] to merge with Sterling Financial Corporation ("Sterling") and thereby acquire its subsidiary bank, Sterling Savings Bank ("Sterling Bank"), both of Spokane, Washington. Immediately following the proposed acquisition, Sterling Bank would be merged into Umpqua's subsidiary bank, Umpqua Bank, Roseburg, Oregon, a state nonmember bank.[2]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in the Federal Register (78 Federal Register 63476 (2013)).[3] The time for submitting comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Umpqua, with consolidated assets of approximately $11.6 billion, is the 96th largest insured depository organization in the United States, controlling

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[1] 12 U.S.C. § 1842.

[2] The merger of Sterling Bank into Umpqua Bank is subject to approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act. 12 U.S.C. § 1828(c). The FDIC approved the bank merger on March 28, 2014 (Letter from Kathy L. Moe, Deputy Regional Director of FDIC San Francisco Regional Office, to Patricia A. Robinson, Wachtell, Lipton, Rosen & Katz LLP (Mar. 28, 2014)).

[3] 12 CFR 262.3(b).

approximately $9.1 billion in consolidated deposits.[4] Umpqua Bank operates in California, Nevada, Oregon, and Washington. Umpqua Bank is the fifth largest depository institution in Oregon, controlling deposits of approximately $4.4 billion, which represent 7.5 percent of the total deposits of insured depository institutions in that state.[5] Umpqua Bank is the 24th largest depository institution in California with approximately $3.3 billion in deposits, the 19th largest depository institution in Washington with approximately $1.1 billion in deposits, and the 16th largest depository institution in Nevada with approximately $279.1 million in deposits, which represent less than 1 percent of the total deposits of insured depository institutions in each of those states.

Sterling, with consolidated assets of $10.3 billion, controls Sterling Bank, which operates in California, Idaho, Oregon, and Washington. Sterling Bank is the eighth largest depository institution in Washington, controlling deposits of approximately $3.4 billion, which represent 2.9 percent of the total deposits of insured depository institutions in that state. Sterling Bank is the ninth largest depository institution in Oregon, controlling deposits of approximately $1.8 billion, which represent 3.1 percent of the total deposits of insured depository institutions in that state. Sterling Bank is the 63rd largest depository institution in California, controlling deposits of approximately $872.9 million, which represent less than 1 percent of the total deposits of insured depository institutions in that state. In addition, Sterling Bank is the 11th largest depository institution in Idaho, controlling deposits of approximately $492.6 million, which represent 2.4 percent of the total deposits of insured depository institutions in that state.

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[4] Asset and nationwide deposit-ranking data are as of December 31, 2013, unless otherwise noted.

[5] State deposit data are as of June 30, 2013. In this context, insured depository institutions include commercial banks, savings associations, and savings banks.

On consummation of this proposal, Umpqua would become the 63rd largest insured depository organization in the United States, with consolidated assets of approximately $22.0 billion.[6] Umpqua would have consolidated deposits of approximately $16.2 billion. Umpqua would become the fourth largest depository organization in Oregon, controlling deposits of approximately $6.2 billion, which represent 10.6 percent of the total amount of deposits of insured depository institutions in that state. Umpqua would become the sixth largest depository organization in Washington, controlling deposits of approximately $4.5 billion, which represent 3.8 percent of the total amount of deposits of insured depository institutions in that state. Umpqua would become the 21st largest depository organization in California, controlling deposits of approximately $4.1 billion, which represent less than 1 percent of the total amount of deposits of insured depository institutions in that state.

<u>Interstate and Deposit Cap Analysis</u>

Section 3(d) of the BHC Act imposes certain requirements on interstate transactions. Section 3(d) generally provides that the Board may approve an application by a bank holding company that is well capitalized and well managed to acquire control of a bank in a state other than the home state of the bank holding company without regard to whether the transaction is prohibited under state law.[7] However, this section further provides that the Board may not approve an application that would permit an out-of-state bank holding company to acquire a bank in a host state that has not been in existence for the lesser of the

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[6] The pro forma asset and deposit data for the combined organization after consummation of the proposal include the assets and deposits of the six branches that Umpqua has committed to divest, which is discussed below.

[7] 12 U.S.C. § 1842(d)(1)(A).

state statutory minimum period of time or five years.[8] The Board must also take into account the record of performance of the acquiring banks under the Community Reinvestment Act ("CRA")[9] and applicable state community reinvestment laws.[10] In addition, the Board may not approve an application by a bank holding company to acquire an insured depository institution if the home state of such insured depository institution is a state other than the home state of the bank holding company and the bank holding company controls or would control more than 10 percent of the total deposits of insured depository institutions in the United States.[11] The Board also may not approve an application if the combined organization would control 30 percent or more of the total deposits of insured depository institutions in the target's home state or in any state in which the acquirer and target have overlapping banking operations.[12]

For purposes of the BHC Act, the home state of Umpqua is Oregon, and Sterling Bank's home state is Washington.[13] Sterling Bank is also located in

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[8] 12 U.S.C. § 1842(d)(1)(B).

[9] 12 U.S.C. § 2901 et seq.

[10] 12 U.S.C. § 1842(d)(3).

[11] 12 U.S.C. § 1842(d)(2)(A).

[12] 12 U.S.C. § 1842(d)(2)(B). The acquiring and target institutions have overlapping banking operations in any state in which any bank to be acquired is located and the acquiring bank holding company controls any insured depository institution or a branch. For purposes of section 3(d) of the BHC Act, the Board considers a bank to be located in the states in which the bank is chartered or headquartered or operates a branch. See 12 U.S.C. § 1841(o)(4)-(7).

[13] See 12 U.S.C. § 1841 (o)(4). A bank holding company's home state is the state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. A state bank's home state is the state in which the bank is chartered.

California, Idaho, and Oregon. Umpqua is well capitalized and well managed under applicable law. Washington has a five-year minimum age requirement,[14] and Sterling Bank has been in existence for more than five years.

Based on the latest available data reported by all insured depository institutions, the total amount of consolidated deposits of insured depository institutions in the United States is $11.0 trillion. On consummation of the proposed transaction, Umpqua would control less than 1 percent of the total amount of consolidated deposits in insured depository institutions in the United States. In addition, the combined organization would control less than 30 percent of the total amount of deposits of insured depository institutions in the states in which Umpqua and Sterling have overlapping banking operations; these states are California, Oregon, and Washington. Also, the Board has taken into account Umpqua Bank's record of performance under the CRA and determined that it does not prohibit the Board from approving the proposal. Accordingly, in light of all the facts of record, the Board is not prohibited from approving the proposal under section 3(d) of the BHC Act.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking in any relevant market. The BHC Act also prohibits the Board from approving a proposal that would substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be

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[14] Wash. Rev. Code §§ 30.04.230, 30.04.232 (2012).

served.[15] The Board has considered the competitive effects of this proposal in light of all the facts of record. Umpqua Bank and Sterling Bank compete directly in 12 banking markets in California, Oregon, and Washington.

A. Competitive Effects in Banking Markets

The Board has reviewed the competitive effects of the proposal in the banking markets in which Umpqua Bank and Sterling Bank compete. In particular, the Board has considered the number of competitors that would remain in the banking markets; the relative shares of total deposits in insured depository institutions in the markets ("market deposits") controlled by Umpqua and Sterling;[16] the concentration levels of market deposits and the increase in these levels, as measured by the Herfindahl-Hirschman Index ("HHI") under the Department of Justice Bank Merger Competitive Review guidelines ("DOJ Bank Merger Guidelines");[17] other characteristics of the markets; and, as discussed below, commitments made by Umpqua to divest six branches.

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[15] 12 U.S.C. § 1842(c)(1).

[16] Deposit and market share data are based on data reported by insured depository institutions in the summary of deposits data as of June 30, 2013, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors to commercial banks. See, e.g., Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984). Thus, the Board regularly has included thrift deposits in the market share calculation on a 50 percent weighted basis. See, e.g., First Hawaiian, Inc., 77 Federal Reserve Bulletin 52 (1991).

[17] Under the DOJ Bank Merger Guidelines, a market is considered unconcentrated if the post-merger HHI is under 1000, moderately concentrated if the post-merger HHI is between 1000 and 1800, and highly concentrated if the post-merger HHI exceeds 1800. The Department of Justice ("DOJ") has informed the Board that a bank merger or acquisition generally would not be challenged (in the absence of

Consummation of the proposal would be consistent with Board precedent and within the thresholds in the DOJ Bank Merger Guidelines in ten of the twelve banking markets in which Umpqua's and Sterling's subsidiary banks compete directly. On consummation, nine markets would remain moderately concentrated, and one market would remain highly concentrated, as measured by the HHI. The change in the HHI in the highly concentrated banking market would be small and consistent with Board precedent and the thresholds in the DOJ Bank Merger Guidelines. The change in the HHI in the nine moderately concentrated markets also would be consistent with Board precedent and the thresholds in the DOJ Bank Merger Guidelines. In addition, a number of competitors would remain in all ten banking markets.[18]

In the Coos Bay, Oregon, banking market (the "Coos Bay banking market"),[19] Umpqua Bank is the largest depository institution, controlling approximately $334.6 million in deposits, which represent approximately 39.9 percent of deposits in that market. Sterling Bank is the second largest depository institution in that market, controlling $207.6 million in deposits, which represent approximately 24.7 percent of deposits in that market. In the Roseburg,

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other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. Although the DOJ and the Federal Trade Commission issued revised Horizontal Merger Guidelines in 2010, the DOJ has confirmed that its Bank Merger Guidelines, which were issued in 1995, were not modified. Press Release, Department of Justice (August 19, 2010), available at www.justice.gov/opa/pr/2010/August/10-at-938.html.

[18] The competitive effects of the proposal in these ten markets are described in the appendix.

[19] The Coos Bay banking market is defined as Coos County and Reedsport in Douglas County, all in Oregon.

Oregon, banking market (the "Roseburg banking market"),[20] Umpqua Bank is the largest depository institution, controlling approximately $885.9 million in deposits, which represent approximately 63.1 percent of deposits in that market. Sterling Bank is the seventh largest depository institution in the Roseburg banking market, controlling $21.4 million in deposits, which represent approximately 1.5 percent of deposits in that market. To mitigate the potentially adverse competitive effects of the proposal in the Coos Bay and Roseburg banking markets, Umpqua has committed to divest six branches, which account for nearly all of Sterling Bank's approximately $229.0 million in deposits in these two markets.[21]

After the divestiture, the proposal would be consistent with Board precedent and the DOJ Bank Merger Guidelines in the Coos Bay and Roseburg banking markets. Umpqua Bank would remain the largest depository institution in the Coos Bay banking market, controlling approximately $334.6 million in deposits, which represent approximately 39.9 percent of deposits in that market. The HHI would remain unchanged at 4516. At least five other commercial banking organizations would remain in that market. Umpqua Bank would remain

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[20] The Roseburg banking market is defined as central Douglas County, Oregon.

[21] As a condition to consummation of the proposed merger, Umpqua has committed that it will execute an agreement to sell within 180 days of consummating the proposed merger the six Sterling Bank branches located in the Coos Bay and Roseburg banking markets to one or two purchasers determined by the Board to be competitively suitable. In addition, Umpqua has provided a similar commitment to the DOJ. If the proposed divestiture is not completed within the 180-day period, Umpqua commits to transfer the unsold branches to an independent trustee who will be instructed to sell them to an alternate purchaser or purchasers in accordance with the terms of this order and without regard to price. Both the trustee and any alternate purchaser must be deemed acceptable to the Board. See BankAmerica Corporation, 78 Federal Reserve Bulletin 338 (1992); United New Mexico Financial Corporation, 77 Federal Reserve Bulletin 484 (1991).

the largest depository institution in the Roseburg banking market, controlling approximately $885.9 million in deposits, which represent approximately 63.1 percent of deposits in that market. The HHI would remain unchanged at 4461. At least six other commercial banking organizations would remain in that market.

B. Views of Other Agencies and Conclusion on Competitive Considerations

The DOJ also has conducted a detailed review of the potential competitive effects of the proposal and has advised the Board that consummation of the proposal with the proposed divestiture of branches as discussed above would not likely have a significantly adverse effect on competition in any relevant banking market. In addition, the appropriate banking agencies have been afforded an opportunity to comment and have not objected to the proposal.

Based on all of the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of resources in the 12 banking markets in which Umpqua and Sterling compete directly or in any other relevant banking market. Accordingly, the Board has determined that competitive considerations are consistent with approval.

Other Section 3(c) Considerations

Section 3 of the BHC Act requires the Board to take into consideration a number of other factors in acting on bank acquisition applications. These factors include the financial and managerial resources (including the competence, experience, and integrity of the officers, directors, and principal shareholders) and future prospects of the company and banks concerned; the effectiveness of the company in combatting money laundering; the convenience and needs of the community to be served; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the U.S. banking or financial system.

The Board has considered all of these factors and, as described below, has determined that they are all consistent with approval of the application. The review was conducted in light of all the facts of record, including confidential supervisory and examination information from various U.S. banking supervisors of the institutions involved, publicly reported and other financial information, information provided by Umpqua, and public comments received on the proposal.

A. Financial, Managerial, and Other Supervisory Considerations

In evaluating financial factors in expansionary proposals by banking organizations, the Board reviews the financial condition of the organizations involved on both a parent-only and consolidated basis, as well as the financial condition of the subsidiary depository institutions and the organizations' significant nonbanking operations. In this evaluation, the Board considers a variety of information, including capital adequacy, asset quality, and earnings performance. The Board evaluates the financial condition of the combined organization, including its capital position, asset quality, liquidity, and earnings prospects, and the impact of the proposed funding of the transaction. The Board also considers the ability of the organization to absorb the costs of the proposal and the proposed integration of the operations of the institutions. In assessing financial factors, the Board consistently has considered capital adequacy to be especially important.

The Board has considered the financial factors of the proposal. Umpqua and Umpqua Bank are well capitalized and would remain so on consummation of the proposed acquisition, which is a bank holding company merger, structured as an exchange of shares.[22] Umpqua is in satisfactory financial

[22] As part of the proposed transaction, each share of Sterling common stock would be canceled and converted into a right to receive cash and Umpqua common stock based on an exchange ratio.

condition, and the asset quality, earnings, and liquidity of both Umpqua Bank and Sterling Bank are consistent with approval. Based on its review of the record, the Board finds that the organization has sufficient financial resources to effect the proposal.

The Board also has considered the managerial resources of the organizations involved and of the proposed combined organization. The Board has reviewed the examination records of Umpqua, Sterling, and their subsidiary depository institutions, including assessments of their management, risk-management systems, and operations. In addition, the Board has considered its supervisory experiences and those of other relevant bank supervisory agencies with the organizations and their records of compliance with applicable banking and anti–money laundering laws.

Umpqua, Sterling, and their subsidiary depository institutions are each considered to be well managed. Umpqua's existing risk-management program and its directorate and senior management are considered to be satisfactory. The directors and senior executive officers of Umpqua have demonstrated knowledge and experience in the banking and financial services sectors.

The Board has also considered Umpqua's plans for implementing the proposal. Umpqua is devoting significant financial and other resources to address all aspects of the post-acquisition integration process for this proposal. Umpqua would implement its risk-management policies, procedures, and controls at the combined organization, and these are considered acceptable from a supervisory perspective. In addition, Umpqua's management has the experience and resources that should allow the combined organization to operate in a safe and sound manner, and Umpqua plans to integrate Sterling Bank's existing management and personnel in a manner that augments Umpqua's management.

Umpqua's supervisory record, managerial and operational resources, and plans for operating the combined institutions after consummation provide a reasonable basis to conclude that managerial factors are consistent with approval.

Based on all the facts of record, the Board has concluded that considerations relating to the financial and managerial resources and future prospects of the organizations involved in the proposal and Umpqua's anti–money laundering policies are consistent with approval.

B. Convenience and Needs Considerations

In acting on a proposal under section 3 of the BHC Act, the Board must consider the effects of the proposal on the convenience and needs of the communities to be served and take into account the records of the relevant depository institutions under the CRA.[23] The CRA requires the federal financial supervisory agencies to encourage insured depository institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation,[24] and requires the appropriate federal financial supervisory agency to take into account a relevant depository institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank expansionary proposals.[25]

The Board has considered all the facts of record, including reports of examination of the CRA performance of Umpqua Bank and Sterling Bank, data reported by Umpqua Bank and Sterling Bank under the Home Mortgage Disclosure Act ("HMDA"),[26] other information provided by Umpqua, confidential

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[23] 12 U.S.C. § 1842(c)(2); 12 U.S.C. § 2901 et seq.

[24] 12 U.S.C. § 2901(b).

[25] 12 U.S.C. § 2903.

[26] 12 U.S.C. § 2801 et seq.

supervisory information, and the public comments received on the proposal. The commenters objected to the proposal on the basis of Umpqua Bank's and Sterling Bank's CRA performance and fair lending records, as reflected in 2012 HMDA data.

1. Records of Performance Under the CRA

As provided in the CRA, the Board evaluates the record of performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance records of the relevant institutions.[27] The CRA requires that the appropriate federal financial supervisor for a depository institution prepare a written evaluation of the institution's record of meeting the credit needs of its entire community, including LMI neighborhoods.[28] An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.

CRA Performance of Umpqua Bank.

Umpqua Bank was assigned an overall "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of July 15, 2013 ("Umpqua Bank Evaluation").[29] Examiners noted that Umpqua Bank had a good record of

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[27] See Interagency Questions and Answers Regarding Community Reinvestment, 75 Federal Register 11642 at 11665 (2010).

[28] 12 U.S.C. § 2906.

[29] The Umpqua Bank Evaluation reviewed home mortgage, small business, and community development lending data from January 1, 2010, through December 31, 2012. The evaluation also covered qualified community investments and services during the same period. All lending activities that occurred in 2010 and 2011 were compared to the 2000 U.S. Census, while lending activities that occurred in

meeting the credit needs of its assessment areas and a relatively high level of community development loans. Examiners identified no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs. Umpqua Bank received a "high satisfactory" rating on both the Lending and Service Tests and a "low satisfactory" rating on the Investment Test.[30]

As described in the Umpqua Bank Evaluation, FDIC examiners found that the bank's overall lending reflected good responsiveness to the credit needs of the communities it serves.[31] The bank had a good record of lending to businesses of different sizes, especially smaller-sized businesses,[32] and an adequate record of

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2012 were compared to the 2010 U.S. Census. The Umpqua Bank Evaluation was conducted using the Large Institution CRA Examination Procedures.

[30] The Umpqua Bank Evaluation included a full-scope review of five assessment areas: Oregon Non–Metropolitan Statistical Area ("MSA") Assessment Area; Portland-Vancouver-Hillsboro Multi-State MSA ("Portland MSA"); Sacramento-Arden-Arcade-Roseville, California MSA; Seattle-Bellevue-Everett, Washington Metropolitan Division; and Reno-Sparks, Nevada MSA. A limited-scope review was performed in the Bend, Corvallis, Eugene-Springfield, Medford, and Salem MSAs in Oregon; the Chico, Modesto, Napa, Redding, Santa Rosa-Petaluma, Stockton, Vallejo-Fairfield MSAs in California; the Oakland-Fremont-Hayward, California Metropolitan Division; the California Non-MSA Assessment Area; and the Tacoma, Washington Metropolitan Division. Examiners placed greater weight on the bank's performance in Oregon, the Portland-Vancouver-Hillsboro Multi-State MSA, and California due to the concentration of loan production and branch infrastructure in these areas.

[31] A substantial majority of the bank's loans were made within its assessment areas.

[32] FDIC examiners' conclusions with respect to small businesses were based primarily on Umpqua Bank's rate of lending to businesses with gross annual revenues ("GARs") of $1 million or less compared to other small businesses, as well as on the business demographics of the bank's assessment areas.

lending to retail customers, including residential mortgage borrowers, of different income levels. Examiners noted that, consistent with safe and sound banking practices, the bank was adequately serving the credit needs of low-income individuals, very small businesses, and the most economically disadvantaged portions of its combined assessment areas. Examiners also noted that Umpqua Bank used flexible lending programs in serving the credit needs of the communities it serves[33] and made 49 community development loans totaling $153.9 million during the evaluation period, which represented an approximately $37 million increase in community development lending from the previous evaluation.

With respect to the Investment Test, FDIC examiners found that Umpqua Bank had an adequate level of qualified community development investments and grants and occasionally used innovative and complex investments to support community development initiatives given current economic conditions. In particular, FDIC examiners noted that, although Umpqua Bank's current level of community development investments and grants had doubled in size as a percentage of the bank's total assets and total investments since the previous evaluation, the level of investments remained low at 0.7 percent of total assets and

[33] For example, the bank provided 3,644 loans totaling $761.8 million under the Home Affordable Refinance Program; 1,598 loans totaling $308.1 million under Federal Housing Administration ("FHA") loan programs; and 937 loans totaling $211.8 million under Department of Veterans Affairs ("VA") loan programs. These programs incorporate flexible features that assist with credit needs identified by community contacts (e.g., the FHA and VA programs offer flexible underwriting terms such as low– or no–down payment requirements, and many borrowers under those programs are LMI individuals and families).

3.4 percent of total investments as of March 31, 2013.[34] The dollar volume of investments, viewed in light of Umpqua Bank's capacity, the opportunity for making qualified investments in its assessment areas, and the activities of peer institutions, was a key driver in the "low satisfactory" rating assigned to the bank on the Investment Test.

In evaluating the Service Test, FDIC examiners noted that the weakest aspects of Umpqua Bank's performance were the reasonableness of services and business hours and that Umpqua Bank's branch distribution lagged the market in penetration in LMI geographies, especially penetration of moderate-income geographies. Nonetheless, examiners assigned Umpqua Bank a rating of "high satisfactory," noting that the bank's community development services carried the most weight in determining the overall rating under the Service Test. In this respect, examiners noted that Umpqua Bank is a leader in providing community development services. For example, the bank provided a total of 21,543 hours of qualified community development services during the assessment period; this represented a substantial increase from the previous evaluation in which 260 employees provided 2,477 hours of qualified community development services. Examiners also concluded that in most states in which the bank operates accessibility to the bank's delivery systems was quite good and was accessible to

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[34] In connection with the proposed transaction, Umpqua has informed the Board that the company will establish a charitable foundation, to which Umpqua will make an initial contribution of at least $10 million, for the benefit of the communities served by the combined organization. The foundation will primarily focus on youth development and education, the arts, and community development, including affordable housing and financial literacy.

essentially all portions of the bank's assessment areas.[35] Moreover, examiners noted that access to the delivery systems, especially in LMI geographies and by LMI individuals, has not been adversely affected by the bank's closure and opening of branches.

CRA Performance of Sterling Bank.

Sterling Bank was assigned a "satisfactory" rating at its most recent CRA performance evaluation by the FDIC, as of October 11, 2011 ("Sterling Bank Evaluation"), with ratings of "high satisfactory" on the Lending Test and "low satisfactory" on the Investment and Service Tests.[36] Examiners noted that Sterling Bank's lending reflected good responsiveness to community credit needs and that there was excellent distribution of loans among customers of different income levels and businesses of different sizes. Examiners also noted, however, that the bank had only adequate levels of qualified community development investments and services.

For the Lending Test, examiners found that the bank's distribution of mortgage loans reflected excellent penetration among borrowers of differing income levels. Examiners noted that in 2010, the bank exceeded the aggregate of all lenders in the percentage of loans to low-income borrowers (7.2 percent compared to the aggregate's 5.6 percent) and to moderate-income borrowers (21.8 percent compared to the aggregate's 16.3 percent). In 2011, Sterling Bank's lending to moderate-income borrowers increased to 23.1 percent of its total lending, which exceeded the percentage of total families represented by moderate-income

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[35] Although Umpqua Bank's performance under the Service Test was weakest in Nevada, examiners noted that the bank only began operating in that state following an acquisition in 2010.

[36] The evaluation reflects Sterling Bank's performance in 2010 and the first half of 2011.

borrowers. Examiners also found that the bank's small business lending reflected good penetration among businesses of different revenue sizes. In 2010, 55.0 percent of the bank's small business lending was to businesses with GARs of $1 million or less, significantly exceeding the aggregate's percentage of 41.3 percent. Overall, examiners found that the bank exhibited a good record of serving the credit needs of the most economically disadvantaged geographies of its assessment areas, low-income individuals, and very small businesses.

For the Investment and Service Tests, examiners found the bank's levels of qualified investments, donations, and services provided were adequate. The bank reported 117 qualified investments and donations totaling $57.9 million, an increase of $17.9 million when compared to Sterling Bank's previous examination. Examiners found that the bank occasionally utilizes innovative and complex investments to support community development initiatives. Examiners also found that the bank exhibited adequate responsiveness to credit and community economic development needs. In addition, examiners found that delivery systems were accessible to essentially all portions of the bank's assessment areas.

2. Fair Lending Record, HMDA and Small Business Lending Analysis, and Public Comments on the Application

The Board has considered the records of Umpqua Bank and Sterling Bank in complying with fair-lending and other consumer-protection laws. As part of this consideration, the Board reviewed the Umpqua Bank and Sterling Bank Evaluations and Umpqua Bank's fair lending policies and procedures. The Board also considered other agencies' views on Umpqua Bank's record of performance under fair lending laws. In addition, the Board has taken into account the comments on the application.

Several commenters expressed concerns that Umpqua Bank and Sterling Bank are not meeting the credit needs of minority and LMI individuals in the communities served by the banks based on 2012 HMDA data. In particular, the commenters alleged that Umpqua Bank and Sterling Bank made disproportionately fewer conventional residential mortgage loans and refinance loans to African American and Hispanic borrowers than to white borrowers, and denied more applications for conventional home purchase loans by African American and Hispanic borrowers compared to white borrowers, in the Spokane, Washington MSA ("Spokane MSA") and Portland MSA.[37] Similarly, commenters asserted that both institutions made fewer home loans to Asians compared to the aggregate of all lenders in the Seattle-Tacoma-Bellevue, Washington MSA ("Seattle MSA") and Portland MSA.[38] Commenters also alleged that Umpqua Bank and Sterling Bank made a smaller percentage of home loans to LMI borrowers compared to the aggregate in the Portland, Seattle, and Eugene-Springfield, Oregon ("Eugene") MSAs.[39] One commenter contended that, while it

[37] For example, commenters alleged that, in the Spokane MSA, Umpqua Bank made two conventional mortgage loans to African Americans and one to Hispanics, compared to 101 mortgage loans to whites, and that the bank denied one in four applications for mortgage loans from Hispanics, compared to only one in every six applications by whites. They further alleged that, in the Portland MSA, Umpqua Bank made eight refinance loans to African Americans and nine to Hispanics, compared to 1,052 refinance loans to whites.

[38] Commenters alleged that, in the Seattle MSA, Umpqua Bank and Sterling Bank made 7.7 and 8.3 percent of their respective home loans to Asians compared to 13.3 percent for the aggregate. They also pointed out that Umpqua Bank made 4.1 percent, and Sterling Bank made 4.3 percent, of their mortgage loans to Asians, compared to 6.7 percent for the aggregate in the Portland MSA.

[39] For example, commenters alleged that Umpqua Bank extended fewer residential mortgage loans to LMI borrowers compared to the aggregate in the Portland MSA

did not believe that Umpqua Bank is consciously discriminating, the bank's business lending to African American and Hispanic borrowers and mortgage lending to minority and LMI borrowers in certain California markets showed a need for improvement.[40] Commenters also expressed concerns with respect to Umpqua Bank's lower percentage of deposits from, and branches in, LMI areas of Portland compared to the aggregate.

The Board has reviewed HMDA data for 2010 through 2012 for both Umpqua Bank and Sterling Bank, the most recent publicly available data. The Board analyzed data related to all HMDA-reportable loans to develop a view of overall lending patterns by Umpqua Bank and Sterling Bank. The Board generally analyzed each bank's statewide assessment areas, combined statewide assessment areas, and the specific market areas addressed in the public comments (the Portland, Eugene, Seattle, and Spokane MSAs, and Umpqua Bank's California Non-MSA Assessment Area).[41] In response to a comment regarding a decline in Umpqua

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(22.5 percent to LMI borrowers compared to 25.9 percent for the aggregate), in the Seattle MSA (18.3 percent to LMI borrowers compared to 25.6 percent for the aggregate), and in the Eugene MSA (21 percent to LMI borrowers compared to 26.1 percent for the aggregate).

[40] For example, the commenter claimed that, in the nonmetropolitan areas of the bank's California operations, Umpqua Bank had an overall low number of mortgage applications from minority and LMI borrowers, with a denial rate for Hispanics that is roughly double other demographics, and that the bank did not make any loans to African American businesses and only one loan to Hispanic businesses in 2011 and 2012.

[41] Umpqua Bank designates only portions of the Portland and Seattle MSAs in the bank's assessment areas. The Board's review focused on those portions of these MSAs for which the bank has CRA responsibility. In this respect, the data reviewed by the Board differ somewhat from that relied on by the commenters, which cited Umpqua Bank's lending record compared with the entire Portland and Seattle MSAs.

Bank's Small Business Administration lending in its nonmetropolitan California markets, the Board also reviewed Umpqua Bank's small business lending record from 2010 through 2012 for the bank's California Non-MSA Assessment Area and its statewide assessment areas.

Analysis of Lending to LMI Borrowers and Minorities.

The Board's review confirmed the commenters' assertions that Umpqua Bank's volume of loans to LMI individuals in the Portland, Eugene, and Seattle MSAs lagged the average for all lenders in those markets. For example, 2012 data showed that Umpqua Bank's percentage of applications from and loans to LMI borrowers in the Portland MSA lagged the aggregate by 4.8 percent (21.6 percent compared to 26.4 percent) and 3.4 percent (21.0 percent compared to 24.4 percent), respectively.

However, the Interagency CRA Examination Procedures for large institutions require examiners to consider several factors, including the percentage of loans to both LMI individuals and LMI census tracts, when reviewing an institution's performance under the Lending Test.[42] The Board's review of 2012 data showed that the bank's percentage of applications from and loans to LMI tracts approximated or slightly exceeded those of the aggregate in the Portland MSA. The Board found a similar pattern in the Eugene and Seattle MSAs.

[42] Examiners also consider the number and amount of loans made in the institution's assessment area, its record of community development lending, and its use of innovative or flexible lending practices. For example, the Umpqua Bank Evaluation noted that the bank has promoted the use of down-payment assistance programs and has worked with a number of agencies such as the Federal Home Loan Bank to assist low-income borrowers obtain grants and low-interest loans to meet their down-payment needs to purchase homes. See 12 CFR 345.22 (discussing the scope of the FDIC's evaluation of the Lending Test for nonmember banks such as Umpqua Bank).

Moreover, the data reviewed by the Board showed that a significant majority of both banks' mortgage applications in 2012 were for refinancing loans, most of which were from white applicants. Although refinancings increased the volume of applications and originations to LMI tracts and borrowers, it also substantially increased the volume of applications and originations to middle- and upper-income tracts and borrowers, which drove down the banks' percentages for LMI borrowers and tracts. This trend is consistent with 2012 data for the aggregate in all markets reviewed by the Board.

The data reviewed by the Board also indicated that Umpqua Bank lagged the aggregate in the percentage of loans to Asian borrowers in the Portland (2.8 percent compared to 5.6 percent) and Seattle (7.5 percent compared to 12.9 percent) MSAs, and in the percentage of applications from and loans to African American and Hispanic borrowers in the bank's Oregon statewide assessment area.[43] However, the data also revealed that Umpqua Bank's denial rates for such borrowers are relatively low as compared with the aggregate (for example, the bank's 2012 denial rate for Asian mortgage applicants was 13.4 percent in Portland and 12.3 percent in Seattle, compared to 17.2 percent and 15.9 percent for the aggregate, respectively). This indicates that the low volume of applications the bank receives from African Americans, Asians, and Hispanics is a key factor in the bank's low volume of lending to such borrowers.[44]

In response to the commenters' concerns with respect to the low volume of mortgage loans to African American, Asian, and Hispanic individuals,

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[43] Similarly, Sterling Bank's lending to African American and Hispanic borrowers, except for the Spokane MSA, lagged the aggregate in all markets under review in 2012.

[44] Umpqua's analysis indicated that Umpqua Bank's 2012 overall minority denial disparity ratio was 1.4:1 compared to the aggregate's ratio of 1.33:1.

Umpqua urges that consideration should be given to the overall low percentage these demographics represent in its markets.[45] Umpqua also asserts that its lending patterns to African American and Hispanic borrowers correlate closely to the lower credit scores and higher loan-to-value and debt-to-income ratios of minority applicants to Umpqua. Moreover, Umpqua argued that its denial rates for Asian borrowers are equal to or lower than those of the aggregate and that differences in lending patterns for these borrowers reflect a competitive mortgage lending market rather than discriminatory lending practices.[46] In addition, Umpqua argued that applications from African American and Hispanic borrowers in the Portland MSA, as well as from Asian borrowers in the Corvallis, Eugene, Portland, Sacramento, Seattle, and Tacoma MSAs generally increased from 2011 to 2012, in part due to the bank's increased community engagement efforts.

Analysis of Small Business Lending.

The Board also reviewed Umpqua Bank's small business lending. In the California Non-MSA Assessment Area, the Board's review showed that the bank's percentage of small business loans to LMI tracts exceeded the aggregate in both 2010 and 2011. In 2012, the bank's percentage of loans to LMI tracts was 12.3 percent, which slightly lagged the aggregate's 14.0 percent. However, Umpqua Bank's percentage of loans in the California Non-MSA Assessment Area to predominantly minority census tracts generally exceeded the aggregate in 2010, 2011, and 2012.

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[45] For example, 2010 census data show that, in Umpqua Bank's Oregon statewide assessment area, Asian, African American, and Hispanic borrowers accounted for 4.98 percent, 2.51 percent, and 11.45 percent of the population, respectively.

[46] In particular, Umpqua noted, and FDIC staff confirmed, that Asian-owned banks and other lenders attract a significant portion of the applications from Asian borrowers in Washington, Oregon, and California.

The Board also reviewed Umpqua Bank's small business lending record in the bank's Oregon, California, and Washington statewide assessment areas. Although the bank's percentage of loans in predominantly minority tracts lagged the aggregate in its Oregon and California assessment areas, it generally approximated the aggregate in its Washington assessment area. The bank's percentage of small business loans to LMI tracts generally exceeded the aggregate for each of the three statewide assessment areas. In addition, the Board notes that in the Umpqua Bank Evaluation, examiners found Umpqua Bank's overall distribution of loans to small businesses to be good, compared to the business demographics of the markets reviewed.

Other Fair Lending Considerations.

The Board is concerned when HMDA data for an institution indicate lending disparities and believes that all lending institutions are obligated to ensure that their lending practices are based on criteria that are consistent with safe and sound lending but also provide equal access to credit by creditworthy applicants regardless of their race or ethnicity. Although HMDA data might reflect certain disparities in the rates of loan applications, originations, and denials among members of different racial or ethnic groups in certain local areas, HMDA data alone do not provide a sufficient basis on which to conclude whether Umpqua Bank or Sterling Bank have excluded or denied credit to any group on a prohibited basis.[47] In evaluating Umpqua Bank's compliance with fair lending laws and

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[47] The data, for example, do not account for the possibility that an institution's outreach efforts may attract a larger proportion of marginally qualified applicants than other institutions attract and do not provide a basis for an independent assessment of whether an applicant who was denied credit was, in fact, creditworthy. In addition, credit history problems, excessive debt levels relative to income, and high loan amounts relative to the value of the real estate collateral (the

regulations overall, the Board has considered other information, including the bank's loan application and underwriting policies and procedures and examination reports that provide on-site evaluations of compliance by the bank with fair lending laws and regulations.

The Board has consulted with Umpqua Bank's primary federal regulators, the FDIC and the Consumer Financial Protection Bureau, regarding their evaluations of the bank's compliance with fair lending laws and regulations overall. Based on its recent review, the FDIC reported that it did not find evidence that Umpqua Bank engaged in discriminatory conduct in making its credit decisions and expressed no concern regarding the adequacy of Umpqua Bank's fair lending policies and procedures.

In response to the commenters' concerns about the racial and income disparities in the bank's lending practices, the FDIC conducted a review to determine whether Umpqua Bank has been making credit decisions fairly, based on the creditworthiness of the borrower.[48] The FDIC's review confirmed gaps in the bank's lending, some of which were noted by the commenters.[49] The analysis, however, did not reveal any indications of disparate treatment based on racial characteristics of the applicants. The FDIC's review also identified some gaps in distribution in predominantly minority census tracts, but after further investigation, including mapping, policy review, interviews with management, and marketing review, no evidence of redlining was apparent. Following its review of the issues

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reasons most frequently cited for a credit denial or higher credit cost) are not available from HMDA data.

[48] The review was conducted as part of the FDIC's evaluation of the application by Umpqua Bank to merge with Sterling Bank.

[49] The commenters noted numerous gaps in the bank's lending record that the FDIC could not substantiate.

raised by the public comments, the FDIC concluded that there was no basis for denying the merger of Sterling Bank into Umpqua Bank and has approved the merger under the Bank Merger Act.[50]

As noted above, the Board's review indicates that low volume of loan applications is a key factor in Umpqua Bank's relatively low volume of lending to LMI individuals, to African American, Asian, and Hispanic individuals, and to small businesses in predominantly minority census tracts, in certain of its assessment areas, as compared with the aggregate. To that end, Umpqua has committed that, within 60 days following consummation of the merger with Sterling, Umpqua will develop a plan consistent with the combined organization's size and complexity, to assist the combined organization in continuing to help meet the credit needs of its communities, in accordance with the CRA. The plan will establish specific performance goals and measures to assist the combined organization in helping to meet community credit needs, including through outreach and marketing of its products and services to LMI and underserved individuals and communities and by identifying opportunities for community development–related investments in its communities.

Umpqua Bank's Fair Lending Program.

The Board has reviewed the policies and procedures that Umpqua has instituted to help ensure compliance with all fair-lending and other consumer-protection laws and regulations. The company's legal- and compliance-risk-management program includes an annual review of fair lending policies to ensure effective controls and compliance with laws and regulations, a system for

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[50] The Board notes that the State of Oregon has approved the merger of Umpqua Bank and Sterling Bank. Letter from Jacob P. Mundaden, Program Manager – Banks & Trust Companies, Oregon Department of Consumer and Business Services, to Patricia A. Robinson, Wachtell, Lipton, Rosen & Katz (Jan. 24, 2014).

determining risk and investigation of fair lending violations, annual training to keep applicable employees informed of fair lending risk and related regulatory requirements, an automated underwriting system to limit the risk of individual decision making on loan approvals, and a secondary review of all proposed loan denials and counteroffers to ensure compliance. In addition, Umpqua Bank has established a system for tracking and reviewing canceled, withdrawn, and denied applications by individual business units, which report findings from these reviews to management on a weekly basis. Umpqua plans to leverage the strengths of its and Sterling's compliance programs to develop an enhanced compliance management system, and to increase the number of dedicated compliance and CRA staff, for the combined organization on consummation of the transaction. Umpqua has stated that Sterling Bank has a robust compliance testing program embedded in key production units of the bank that includes systematic reporting of testing results to management each month. Umpqua plans to integrate Sterling Bank's testing program into Umpqua Bank's Compliance Monitoring Program to address the expected increased volume in transactions and potentially new risks associated with offering different or new products and services.

3. Additional Information on Convenience and Needs to be Served by the Combined Organization

In assessing the effects of a proposal on the convenience and needs of the communities to be served, the Board also considers the extent to which the proposal would result in public benefits.[51] Umpqua represents that the proposal

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[51] Two commenters alleged that the proposal would not provide a clear or significant public benefit. The commenters specifically urged that, to demonstrate satisfactorily the public benefits of the proposal, Umpqua should, among other things, commit to a plan to open branches in underserved areas, partner with local community groups, and increase lending to LMI and minority borrowers to the industry aggregate levels. In addition, a commenter alleged that the proposal

would create a regional institution of size, with almost 375 branches across five states, that will increase the competitiveness of, and result in cost savings for, the combined organization. The combined organization will use Umpqua's branch and operating strategy and combine the business-line strengths of both companies. Umpqua notes that the combined organization would be able to provide customers with benefits through more efficient and cost-effective provision of banking services and would allow for enhanced levels of products and services.

Umpqua also states that the proposal would offer customers convenience through an expanded branch network and a broader range of financial products. Umpqua Bank customers will benefit from Sterling Bank's strong multifamily lending program, and Sterling Bank's business customers will have access to Umpqua Bank's commercial-lending and equipment-leasing platforms. In addition, current customers of Sterling Bank would benefit from the international trade finance products and interest rate swap products offered by Umpqua Bank. Umpqua also asserted that the proposal would strengthen the operations of the combined organization because of the complementary aspects of the organizations' businesses, including geographic coverage and compatibility of their management and operating styles, and the combined experience and expertise of the management and employees of the two organizations.

Contrary to the commenter's assertion, Umpqua represents that it has not made any decisions with respect to the closure or consolidation of branches,

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would lead to branch closures by the combined organization that would further restrict access to banking services in LMI communities.

A commenter also suggested that a conflict of interest exists because a former Secretary of the Treasury will be affiliated with a shareholder of the combined organization. No evidence of a conflict was presented, and the Board expects that the parties involved will abide by all laws governing conflicts of interest.

with the exception of the six branches to be divested, as discussed above. Umpqua Bank further represents that it maintains a branch-closing policy and completes a full CRA and fair lending impact analysis prior to closing or consolidating any branches. The FDIC determined that Umpqua Bank's branch closing policy is in compliance with regulatory requirements.

4. Conclusion on Convenience and Needs Considerations

The Board has considered all the facts of record, including reports of examination of the CRA records of the institutions involved, information provided by Umpqua, confidential supervisory information, and public comments on the proposal. Based on the Board's analysis of the HMDA data, evaluation of Umpqua Bank's and Sterling Bank's lending operations and compliance programs, review of examination reports, and consultations with other agencies, the Board believes that the convenience and needs factor, including the CRA record of the insured depository institutions involved in this transaction, is consistent with approval of the application.

C. Financial Stability

The Dodd-Frank Act amended section 3 of the BHC Act to require the Board to consider "the extent to which a proposed acquisition, merger, or consolidation would result in greater or more concentrated risk to the stability of the United States banking or financial system."[52]

To assess the likely effect of a proposed transaction on the stability of the U.S. banking or financial system, the Board considers a variety of metrics that capture the systemic "footprint" of the resulting firm and the incremental effect of the transaction on the systemic footprint of the acquiring firm. These metrics

[52] Section 604(d) of the Dodd-Frank Act, Pub. L. No. 111-203, 123 Stat. 1376, 1601, codified at 12 U.S.C. § 1842(c)(7).

include measures of the size of the resulting firm, the availability of substitute providers for any critical products and services offered by the resulting firm, the interconnectedness of the resulting firm with the banking or financial system, the extent to which the resulting firm contributes to the complexity of the financial system, and the extent of the cross-border activities of the resulting firm.[53] These categories are not exhaustive, and additional categories could inform the Board's decision. In addition to these quantitative measures, the Board considers qualitative factors, such as the opaqueness and complexity of an institution's internal organization, that are indicative of the relative degree of difficulty of resolving the resulting firm. A financial institution that can be resolved in an orderly manner is less likely to inflict material damage to the broader economy.[54]

The Board has considered information relevant to risks to the stability of the U.S. banking or financial system. After consummation of the proposed transaction, Umpqua would have approximately $21.3 billion in consolidated assets and by any of a number of alternative measures of firm size, Umpqua would be between the 50th and 75th largest U.S. insured depository organization. The Board generally presumes that a merger resulting in a firm with less than $25 billion in total consolidated assets would not pose significant risks to the financial stability of the United States absent evidence that the transaction would result in a significant increase in interconnectedness, complexity, cross-border activities, or other risk factors. Such additional risk factors are not present in this transaction. The companies engage and would continue to engage in traditional commercial banking activities. The resulting organization would experience small

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[53] Many of the metrics considered by the Board measure an institution's activities relative to the U.S. financial system.

[54] For further discussion of the financial stability standard, see Capital One Financial Corporation, FRB Order 2012-2 (February 14, 2012).

increases in the metrics that the Board considers to measure an institution's complexity and interconnectedness, with the resulting firm generally ranking outside of the top 50 U.S. financial institutions in terms of those metrics. For example, Umpqua's intrafinancial assets and liabilities would constitute a negligible share of the system-wide total, both before and after the transaction. The resulting organization would not engage in complex activities, nor would it provide critical services in such volume that disruption in those services would have a significant impact on the macroeconomic condition of the United States by disrupting trade or resulting in increased resolution difficulties.

In light of all the facts and circumstances, the Board concludes that this transaction would not appear to result in meaningfully greater or more concentrated risks to the stability of the U.S. banking or financial system. Based on these and all other facts of record, the Board has determined that considerations relating to financial stability are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved.[55] In reaching

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[55] The commenters requested that the Board hold public hearings on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authorities for the bank to be acquired make a timely written recommendation of denial of the application. 12 CFR 225.16(e). The Board has not received such a recommendation from the appropriate supervisory authorities. Under its rules, the Board also may, in its discretion, hold a public hearing if appropriate to allow interested persons an opportunity to provide relevant testimony when written comments would not adequately represent their views. The Board has considered the commenters' requests in light of all the facts of record. In the Board's view, commenters have had ample opportunity to submit comments on the proposal and, in fact, submitted written comments that the Board has considered in acting on the proposal. The commenters' requests do not identify disputed issues of fact that are material to the

its conclusion, the Board has considered all the facts of record in light of the factors that it is required to consider under the BHC Act and other applicable statutes. The Board's approval is specifically conditioned on compliance by Umpqua with all the conditions imposed in this order, including receipt of all required regulatory approvals, and on the commitments made to the Board in connection with the application. For purposes of this action, the conditions and commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision herein and, as such, may be enforced in proceedings under applicable law.

The proposal may not be consummated before the 15th calendar day after the effective date of this Order, or later than three months thereafter, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, acting under delegated authority.

By order of the Board of Governors,[56] effective April 1, 2014.

Margaret McCloskey Shanks (signed)

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Margaret McCloskey Shanks
Deputy Secretary of the Board

Board's decision that would be clarified by a public hearing. In addition, the requests do not demonstrate why the written comments do not present the commenters' views adequately or why a hearing would otherwise would be necessary or appropriate. For these reasons, and based on all the facts of record, the Board has determined that a public hearing is not required or warranted in this case. Accordingly, the requests for a public hearing on the proposal are denied.

[56] Voting for this action: Chair Yellen, and Governors Tarullo, Stein, and Powell.

Appendix

Umpqua/Sterling Banking Markets in California, Oregon, and Washington
Consistent with Board Precedent and DOJ Bank Merger Guidelines

Data are as of June 30, 2013. All amounts of deposits are unweighted. All rankings, market deposit shares, and HHIs are based on thrift deposits weighted at 50 percent.

Crescent City, California-Oregon – includes Central Del Norte County, California, and southern Curry County, Oregon.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
Umpqua Pre-Consummation	3	$57.5M	14.8	1792	204	6
Sterling	7	$26.7M	6.9			
Umpqua Post-Consummation	2	$84.1M	21.7			

Santa Rosa, California – includes the Santa Rosa metropolitan area in Sonoma County.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
Umpqua Pre-Consummation	16	$21.2M	0.3	1319	4	17
Sterling	6	$479.4M	6.4			
Umpqua Post-Consummation	6	$500.6M	6.7			

San Francisco-Oakland-San Jose, California – includes the San Francisco-Oakland-San Jose metropolitan area in Alameda, Contra Costa, Marin, San Francisco, San Mateo, and Santa Clara counties; the southern portions of Sonoma and Solano Counties; the northern portion of San Benito County; and the southern edge of Napa County.

	Rank	Amount of Deposits	Market Deposit Shares (%)	Resulting HHI	Change in HHI	Remaining Number of Competitors
Umpqua Pre-Consummation	32	$362.5M	0.1	1873	0	85
Sterling	39	$246.5M	0.1			
Umpqua Post-Consummation	26	$609.0M	0.2			

Deschutes County, Oregon – includes Deschutes County.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	8	$110.5M	4.5	1455	24	11
Sterling	10	$62.5M	2.6			
Umpqua Post-Consummation	6	$173.0M	7.1			

Eugene, Oregon – includes the Eugene metropolitan area in Lane and Linn counties.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	2	$646.9M	16.7	1276	17	12
Sterling	14	$19.3M	0.5			
Umpqua Post-Consummation	2	$666.2M	17.2			

Grants Pass, Oregon – includes eastern Josephine County, western Jackson County, and Glendale in Douglas County.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	1	$246.3M	21.3	1281	141	10
Sterling	11	$38.3M	3.3			
Umpqua Post-Consummation	1	$284.5M	24.6			

Medford, Oregon – includes the Medford metropolitan area in Jackson County.						
	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	3	$370.6M	13.4	1292	131	12
Sterling	10	$134.1M	4.9			
Umpqua Post-Consummation	2	$504.7M	18.3			

Portland, Oregon-Washington – includes the Portland metropolitan area in Clackamas, Columbia, Marion, Multnomah, Washington, and Yamhill counties, Oregon, and Clark County, Washington.

	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	6	$1.6B	4.3	1500	22	37
Sterling	8	$957.4M	2.6			
Umpqua Post-Consummation	5	$2.5B	6.8			

Salem, Oregon – includes the Salem metropolitan area in Marion and Polk counties.

	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	6	$270.5M	6.9	1213	26	14
Sterling	13	$74.2M	1.9			
Umpqua Post-Consummation	5	$344.7M	8.8			

Seattle, Washington – includes the Seattle metropolitan area in King, Pierce, and Snohomish counties; the southeastern portion of Island County; and Bainbridge Island in Kitsap County.

	Rank	**Amount of Deposits**	**Market Deposit Shares (%)**	**Resulting HHI**	**Change in HHI**	**Remaining Number of Competitors**
Umpqua Pre-Consummation	15	$775.2M	1.0	1297	2	57
Sterling	11	$867.6M	1.1			
Umpqua Post-Consummation	9	$1.6B	2.1			