

# **PUBLIC DISCLOSURE**

November 8, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Sterling Bank  
Certificate Number: 6195

234 E. La Salle Avenue,  
Barron, WI 54812

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Chicago Regional Office

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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, nor should it 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.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Sterling Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's CRA performance:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its small business and home mortgage loans, by number and dollar amount, in the assessment area.
- The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including the moderate-income geography.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

Sterling Bank is a full-service community bank headquartered in Barron, Wisconsin, operating in the northwestern part of the state. Sterling Bank is wholly owned by Sterling Bancorp, Incorporated, which is in turn wholly owned by Northwest Wisconsin Bancorp, Inc., both one-bank holding companies located in Eau Claire, Wisconsin. Additionally, Sterling Bank has two subsidiaries including Sterling Data Center, Inc. in Chetek, Wisconsin, and Sterling Portfolio, Inc., in Jackson, Wyoming. There have been no acquisition activities since the previous evaluation. Sterling Bank received a "Satisfactory" rating at its previous FDIC Performance Evaluation, dated September 9, 2019, based on Interagency Small Institution Examination Procedures.

Sterling Bank operates four full-service locations, including its main office in Barron County. Sterling Bank operates two additional offices in Barron County, in the cities of Chetek and Rice Lake, Wisconsin. The fourth branch is in Luck, Wisconsin, located in Polk County. The bank also operates four deposit-taking, automated teller machines (ATMs) located in each of the bank's branches. Three of the offices and their corresponding ATMs are located in middle-income census tracts as designated by the 2015 American Community Survey (ACS). The branch located in Rice

Lake and its corresponding ATM is located in a moderate-income tract. The bank did not open or close any branches since the previous evaluation.

Sterling Bank offers traditional consumer and commercial deposit and credit products. Its primary business strategy continues to focus on commercial and 1-4 family residential lending. The bank offers various types of lending products including commercial, agriculture, home mortgage, and consumer loans. In 2020 and 2021, to aid small businesses impacted by the COVID-19 pandemic, the bank participated in the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP), which was part of the Coronavirus Aid, Relief, and Economic Security Act. These loans assisted businesses negatively impacted by the pandemic to retain their workforce. Also in response to the COVID-19 crisis, Sterling Bank offered assistance for both commercial and consumer loan customers in the form of deferments and modifications.

Sterling Bank provides a variety of deposit services including checking, savings, money market deposit accounts, individual retirement accounts, certificates of deposit, and health savings accounts. Alternative banking services include internet and mobile banking, electronic bill pay, mobile check deposit, external account loan payments, account-to-account transfer abilities, and four bank-owned ATMs.

Sterling Bank's assets totaled \$334.0 million as of September 30, 2022. As of the same financial date, the bank had total loans of \$194.2 million, securities totaling \$117.3 million, and deposits totaling \$307.2 million. Assets increased by \$92.5 million from the June 30, 2019, financial date at the previous evaluation. Part of the increase in total assets is due to a \$28.9 million increase in total loans during the same timeframe. By offering PPP loans, Sterling Bank created a larger presence in its community, attracting additional customers. The increase in assets also results from organic growth, as management stated they did not open any branch locations or purchase additional assets. There has not been a notable change in business strategy between evaluations.

Deposits increased \$88.4 million from the June 30, 2019, financial date at the previous evaluation. Bank management attributes the increase in deposits to economic impact stimulus payments, which increased liquidity along with several banks having closed branches in the area, resulting in an increased deposit customer base.

The following table illustrates Sterling Bank's loan portfolio:

<b>Loan Portfolio Distribution as of 9/30/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	24,785	13.7
Secured by Farmland	11,666	6.5
Secured by 1-4 Family Residential Properties	41,417	22.9
Secured by Multifamily (5 or more) Residential Properties	10,968	6.1
Secured by Nonfarm Nonresidential Properties	71,561	39.6
<b>Total Real Estate Loans</b>	<b>160,397</b>	<b>88.8</b>
Commercial and Industrial Loans	10,598	5.9
Agricultural Production and Other Loans to Farmers	3,530	2.0
Consumer Loans	908	0.5
Obligations of State and Political Subdivisions in the U.S.	5,081	2.8
Other Loans	9	0.0
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
<b>Total Loans</b>	<b>180,523</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income. Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate the bank’s performance. Following the last evaluation, Sterling Bank’s Board of Directors approved extension of the assessment area to include all of Polk County on October 15, 2019. Sterling Bank’s assessment area now consists of the entire Barron County (10 census tracts), the entire Polk County (10 census tracts), and one census tract in Burnett County. This includes all census tracts in the assessment area from the previous evaluation plus eight additional tracts in Polk County. All of the assessment area census tracts are contiguous. This single assessment area is in a Wisconsin Non-Metropolitan Statistical Area (Non-MSA). The bank’s assessment area does not arbitrarily exclude any low- or moderate-income census tracts, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulation.

### **Economic and Demographic Data**

Of the 21 census tracts in Sterling Bank’s assessment area, 20 are designated middle-income, and one census tract is moderate-income. The following table illustrates additional, select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	4.8	95.2	0.0	0.0
Population by Geography	91,136	0.0	6.3	93.7	0.0	0.0
Housing Units by Geography	49,456	0.0	6.4	93.6	0.0	0.0
Owner-Occupied Units by Geography	28,534	0.0	6.2	93.8	0.0	0.0
Occupied Rental Units by Geography	9,390	0.0	10.7	89.3	0.0	0.0
Vacant Units by Geography	11,532	0.0	3.6	96.4	0.0	0.0
Businesses by Geography	6,037	0.0	10.1	89.9	0.0	0.0
Farms by Geography	741	0.0	1.8	98.2	0.0	0.0
Family Distribution by Income Level	25,528	19.4	20.4	23.7	36.5	0.0
Household Distribution by Income Level	37,924	22.0	18.3	19.6	40.1	0.0
Median Family Income Non-MSAs - WI		\$60,742	Median Housing Value			\$144,224
			Median Gross Rent			\$672
			Families Below Poverty Level			7.8%
<i>Source: 2015 ACS and 2021 D&amp;B Data. Due to rounding, totals may not equal 100.0%</i> (*) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) levels. According to 2021 D&B data, there were 6,037 reporting businesses in the assessment area. GARs for these businesses are below.

- 81.5 percent have \$1 million or less
- 5.3 percent have more than \$1 million
- 13.2 percent have unknown revenues

Service industries represent the largest portion of assessment area businesses at 35.9 percent, with retail trade at 13.4 percent, and agriculture, forestry, and fishing at 10.9 percent. In addition, based on D&B data, 68.9 percent of area businesses have four or fewer employees, and 87.8 percent of businesses operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the unemployment rates in Barron, Burnett, and Polk Counties were generally improving throughout most of the evaluation period. However, a sharp increase occurred in the second quarter of 2020. Specifically, the unemployment rates in Barron, Burnett, and Polk Counties peaked in April 2020 at 15.0 percent, 22.3 percent, and 16.7 percent, respectively, due to COVID-19 impacts. The rates returned to pre-COVID 19 levels by year-end of 2021, and were even lower in August of 2022. The following table shows the unemployment rates in Barron, Burnett, and Polk Counties since the previous evaluation.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>August 2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Barron County	3.8	6.1	3.9	3.2
Burnett County	5.1	9.1	5.3	4.1
Polk County	3.8	7.2	4.2	3.2
Statewide	3.2	6.3	3.8	3.3
Nationwide	3.7	8.1	5.4	3.7

*Source: Year End Bureau of Labor Statistics.*

According to the Wisconsin Department of Workforce Development, major employers in the assessment area include St. Croix Casino – Turtle Lake, Turkey Store Co., Matson Spray Equipment, St. Croix Regional Medical Center, and Osceola Medical Center. Other large employers include area hospitals, school districts, and county governments.

The current assessment population, based on 2015 ACS data, remains generally unchanged from the 2010 U.S. Census figure, with only an approximate 1.0 percent decline. Of the 49,456 housing units in the assessment area, 57.7 percent are owner-occupied, 19.0 percent are occupied rental units, and 23.3 percent are vacant. This data gives some insight as to assessment area housing credit opportunities.

Information from the Wisconsin Realtors Association (WRA) indicates that housing sales prices have steadily increased in this assessment area since the previous evaluation. However, they remain equivalent or below the statewide median housing costs. The median housing costs provide insight into the potential affordability of housing for low- and moderate-income people. Median housing costs are detailed below for the analyses years presented in this report.

<b>Area</b>	<b>Median Housing Cost 2019 (\$)</b>	<b>Median Housing Cost 2020 (\$)</b>	<b>Median Housing Cost 2021 (\$)</b>
Barron County	160,000	182,000	197,700
Burnett County	170,000	205,000	240,000
Polk County	190,550	205,000	235,000
State of Wisconsin	198,000	220,000	240,000

*Source: WRA*

Housing sales volume gives insight into the home mortgage lending needs and opportunities within the AA. Housing sales data is detailed below for the analyses years presented in this report.

<b>Area</b>	<b>Housing Sales 2019</b>	<b>Housing Sales 2020</b>	<b>Housing Sales 2021</b>
Barron County	875	1,010	1,045
Burnett County	688	680	585
Polk County	850	871	873

*Source: WRA*

Examiners use the 2021 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>WI NA Median Family Income (99999)</b>				
2021 (\$69,600)	<\$34,800	\$34,800 to <\$55,680	\$55,680 to <\$83,520	≥\$83,520
<i>Source: FFIEC</i>				

### **Competition**

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2022, 18 financial institutions operated 38 full-service branches within the assessment area. Of these institutions, Sterling Bank ranked fourth with 11.2 percent of the deposit market share.

The bank is not required to collect or report small business data, and it has elected not to do so. Therefore, the analysis of loans under the Lending Test does not include direct comparisons against aggregate data. However, the aggregate data provides insight as to the level of demand and competition business lending. The most recent aggregate data available for small business lending is from 2020, which shows 74 lenders reported 1,641 small business loans in Barron, Burnett, and Polk Counties. The aforementioned aggregate data indicates a moderate degree of competition in small business lending. Like Sterling Bank, many institutions are not required to report small business lending data; therefore, competition for this loan type is greater than the aggregate data reflects.

The bank is not required to collect and report home mortgage data subject to the Home Mortgage Disclosure Act, and has elected not to do so. Therefore, the analysis of these loans under the Lending Test does not include direct comparisons against aggregate data. However, this data is an indicator of the level of demand, opportunities and competition for this type of credit product. The most recent aggregate data available for home mortgage lending is from 2021, which reflects that 267 lenders reported 5,227 home mortgage loans in the assessment area. This level indicates a high degree of credit opportunities and competition for home mortgage lending. Again, many institutions are not required to report lending data; therefore, competition and opportunities for this loan type would be greater than the aggregate data indicates.

### **Community Contact(s)**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps determine whether local financial institutions are responsive to these needs.



Examiners reviewed a recently completed community contact interview with a director from a local economic development corporation that serves Polk County and the surrounding area. According to the contact, the assessment area's economy is doing well, but may be starting to slow due to current market conditions following the pandemic. However, multiple manufacturers are still expanding with additional employers moving into the area. Additionally, the contact noted there are options to invest in small businesses through SBA loans or through the Regional Business Fund.

The contact also noted the increasing trend of home values has resulted in a significant decline in affordable housing options, and that the price of the home does not necessarily reflect its actual value. As a result, the contact feels the housing focus is shifting to meet workforce needs, but that the availability is not matching the demand. The contact stated that additional affordable housing options are necessary to attract additional workers to the area.

### **Credit Needs**

Considering information from the community contact, demographic and economic data, and comments from management, examiners determined that small business loans represent a primary credit need for the assessment area. The significant percentage of businesses with GARs of \$1 million or less and the percentage of businesses with four or fewer employees support this conclusion. Additionally, there is a significant community development need for affordable housing in the assessment area. Comments from the community contact, as well as the median housing values for the area and the low availability of housing stock support this conclusion.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the previous evaluation dated September 9, 2019, to the current evaluation date of November 8, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate the bank's CRA performance. The procedures consist of evaluating the bank's performance under the Lending Test. The Appendix details the performance criteria for this test, while the Glossary provides for pertinent definitions. This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy, Call Report data, and the number and dollar volume of loans originated during the evaluation period. Bank records and discussions with management indicate that the lending focus and product mix remained consistent throughout the evaluation period.

Given the number and dollar volume, the bank's record of originating small business loans is greater. Therefore, examiners gave heavier consideration to the small business lending performances. No other loan types, such as agriculture or consumer loans, represent a major product line. Therefore, these products provided no material support for conclusions or ratings, and

they were not included in the analysis.

Examiners reviewed a sample of small business loans originated during the period of January 1, 2020, through December 31, 2021. Sterling Bank originated 354 small business loans totaling \$32.7 million in 2020, and 1,099 loans totaling \$36.4 million in 2021. Of these small business loans, Sterling Bank made 223 PPP loans totaling \$15.5 million in 2020, and 945 PPP loans totaling \$18.6 in 2021. For 2020 activity, examiners reviewed a random sample of 162 small business loans totaling \$16.3 million. For 2021 activity, examiners randomly sampled 257 small business loans totaling \$7.8 million. The sampling procedures included all small business loans, including the PPP loans.

Examiners also reviewed a sample of home mortgage loans originated during the period of January 1, 2020, through December 31, 2021. According to bank records, Sterling Bank originated 464 home mortgage loans totaling \$87.0 million in 2020, and 329 loans totaling \$64.4 million in 2021. For 2020, examiners reviewed a random sample of 175 home mortgage loans totaling \$33.6 million. For 2021, 162 home mortgage loans were randomly selected, totaling \$33.4 million.

This evaluation presents small business and home mortgage information for 2020 and 2021 as bank management noted this performance is representative of the entire evaluation period. The 2015 ACS demographic data provides a standard of comparison for the home mortgage loans. D&B data for 2020 and 2021 provides a standard of comparison for the small business loans.

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## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Sterling Bank demonstrated reasonable performance under the Lending Test. The institution's LTD ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance supports this conclusion.

#### **Loan-to-Deposit Ratio**

Sterling Bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area needs. The ratio, calculated from Call Report data, averaged 63.5 percent over the past 12 calendar quarters from September 30, 2019, to June 30, 2022. The ratio ranged from a low of 56.1 percent as of September 30, 2021, to a high of 73.8 percent as of September 30, 2019. The LTD ratio has generally declined during the evaluation period, which is mainly due to increased liquidity from economic impact payment deposits and several banks closing local branches resulting in an increased deposit customer base for Sterling Bank.

The bank maintained a ratio that aligns with similarly situated institutions (SSIs) as shown in the following table. Examiners selected SSIs based on their asset size, banking structure, geographic location, and lending focus.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2022 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Sterling Bank</b>	<b>329,785</b>	<b>63.5</b>
Similarly-Situated Institution #1	168,635	73.2
Similarly-Situated Institution #2	260,840	75.2
Similarly-Situated Institution #3	295,074	65.6
Similarly-Situated Institution #4	325,650	55.0
<i>Source: Reports of Condition and Income 9/30/2019 – 6/30/2022</i>		

### **Assessment Area Concentration**

The bank made the majority of both small business and home mortgage loans, by number and dollar volume, within its assessment area. See the following table, which reflects the bank’s performance of lending activity inside and outside of the assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Small Business</b>										
2020	105	64.8	57	35.2	162	11,611	71.3	4,670	28.7	16,281
2021	168	65.4	89	34.6	257	4,841	62.4	2,914	37.6	7,755
<b>Subtotal</b>	<b>273</b>	<b>65.2</b>	<b>146</b>	<b>34.8</b>	<b>419</b>	<b>16,452</b>	<b>68.5</b>	<b>7,584</b>	<b>31.6</b>	<b>24,036</b>
<b>Home Mortgage</b>										
2020	106	60.6	69	39.4	175	19,836	59.0	13,760	41.0	33,596
2021	94	58.0	68	42.0	162	19,281	57.8	14,085	42.2	33,366
<b>Subtotal</b>	<b>200</b>	<b>59.3</b>	<b>137</b>	<b>40.7</b>	<b>337</b>	<b>39,117</b>	<b>58.4</b>	<b>27,845</b>	<b>41.6</b>	<b>66,962</b>
<b>Total</b>	<b>473</b>	<b>62.6</b>	<b>283</b>	<b>37.4</b>	<b>756</b>	<b>55,569</b>	<b>61.1</b>	<b>35,429</b>	<b>38.9</b>	<b>90,997</b>
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

### **Geographic Distribution**

The geographic distribution of loans throughout the assessment area reflects reasonable dispersion among the census tracts of various income levels, including the moderate-income geography. The bank’s excellent home mortgage performance supports this conclusion. The geographic distribution of small business loans is poor. Examiners compared the bank’s small business lending performance to the available D&B data and home mortgage lending performance to demographic data.

***Small Business Loans***

The bank’s geographic distribution of small business loans throughout the assessment area reflects poor dispersion among census of various income levels. See below for details.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2020	10.1	7	6.7	450	3.9
2021	10.1	5	3.0	141	2.9
Middle					
2020	89.9	98	93.3	11,161	96.1
2021	89.9	163	97.0	4,700	97.1
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>11,611</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>4,841</b>	<b>100.0</b>

*Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%*

The assessment area does not contain any low- or upper-income census tracts. For the one moderate-income census tract, the bank’s performance trailed demographics in 2020, and significantly trailed demographics in 2021. These large disparities from the presented demographic data represent poor geographic distribution of small business loans.

As noted previously, Sterling Bank has a branch located in the moderate-income tract, which allows for easy accessibility in serving small businesses located in that area. Additionally, Sterling Bank’s performance compared unfavorably to that of two similarly situated institutions that also serve the Rice Lake area. Furthermore, although there were no identified unmet credit needs within the assessment area, community contact information, aggregate data, and other available information reflect a good level of small business opportunities and credit needs for this area. Given all of these factors, Sterling Bank’s geographic distribution of small business loans throughout the assessment area is poor.

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows the bank originated 7.5 percent by number of loans in the single moderate-income census tract in 2020, which is greater than the presented demographic for moderate-income borrowers. Further, home mortgage lending increased in 2021 to 9.6 percent by number of loans, reflecting a level well above the presented demographic. Given the bank’s level of home mortgage lending above the demographics for both presented years, and considering its ability to have such a strong performance level despite the high competition for such loans, the geographic distribution of home mortgage loans is excellent.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate					
2020	6.2	8	7.5	1,169	5.9
2021	6.2	9	9.6	2,034	10.5
Middle					
2020	93.8	98	92.5	18,667	94.1
2021	93.8	85	90.4	17,247	89.5
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>19,836</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>19,281</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's reasonable performance in small business lending and in home mortgage lending supports this conclusion. Details for each reviewed loan product follows.

#### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the reviewed loans to businesses with GARs of \$1 million or less significantly trailed the presented demographics in 2020 and 2021. However, the bank originated a notable number of loans without reported revenues, all of which were PPP loans. Of the 105 randomly sampled small business loans from 2020, 70 (66.7 percent) were PPP loans. Of the 168 small business loans sampled from 2021, 153 (91.1 percent) were PPP loans. See below for details.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2020	81.4	16	15.2	3,130	27.0
2021	81.5	11	6.5	1,180	24.4
>\$1,000,000					
2020	5.4	19	18.1	3,901	33.6
2021	5.3	4	2.4	896	18.5
Revenue Not Available					
2020	13.1	70	66.7	4,580	39.4
2021	13.2	153	91.1	2,765	57.1
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>11,611</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>4,841</b>	<b>100.0</b>
<i>Source: 2020 &amp; 2021 D&amp;B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

The above data reflects the distribution of all sampled loans, including PPP. As a substantial portion of the reviewed loans did not have revenues available, examiners conducted analyses that both included and excluded the PPP loans. Excluding the PPP loans, from the above 35 sampled loans with revenue information available in 2020, the bank originated 45.7 percent by number to businesses with revenues of \$1 million or less. This reflects an improved performance level to small businesses, but still remains well below demographics. Of the 15 sampled loans with revenue information available in 2021, the bank originated 73.3 percent to businesses with revenue of \$1 million or less. This adjusted performance is significantly higher than the performance noted above, and is more in line with the presented demographic.

As a notable portion of the 2020 and 2021 small business loans were PPP loans, examiners also conducted a supplemental analysis to understand the composition of loans without revenue information available, and to consider the impact of this lending product on the overall small business lending performance. Examiners evaluated the sampled PPP loans originated within the assessment area in 2020 and 2021 using loan size as a proxy for business size.

The following table shows that of the 70 PPP loans sampled from 2020, 85.7 percent had a loan size of \$100,000 or less. Similarly, in 2021, of the 153 PPP loans included in the sample, 98.7 had a loan size of \$100,000 or less. The level of lending via smaller loan sizes demonstrates the bank's willingness to serve the needs of smaller businesses in the assessment area. Based on the demographics, competition, and PPP considerations, the bank has a reasonable record of lending to businesses with GARs of \$1 million or less.

<b>Distribution of SBA PPP Loans by Loan Size</b>				
<b>Loan Size</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
< \$100,000				
2020	60	85.7	1,277	76.0
2021	151	98.7	2,521	100.0
\$100,000 - \$249,999				
2020	4	5.7	688	24.0
2021	2	1.3	244	0.0
\$250,000 - \$1,000,000				
2020	6	8.6	2,614	0.0
2021	0	0.0	0	0.0
<b>Totals</b>				
<b>2020</b>	<b>70</b>	<b>100.0</b>	<b>4,580</b>	<b>100.0</b>
<b>2021</b>	<b>153</b>	<b>100.0</b>	<b>2,765</b>	<b>100.0</b>
<i>Source: 1/1/2020 – 12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0</i>				

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The following table shows that Sterling Bank’s percentage of loans originated to low-income borrowers trails the demographic for both years presented. However, a low-income family, particularly those below poverty level, would not likely qualify for a home mortgage under conventional underwriting standards, especially considering the assessment area housing costs as noted previously. Therefore, the demand and opportunity for lending to low-income families are relatively limited. When adjusting the bank’s performance for the assessment area poverty level of 7.8 percent, performance is more in line with the demographics for both years. Furthermore, although not a direct comparator, aggregate data for 2020 shows that reporting banks had 4.8 percent of their home mortgage loans originated to low-income individuals within the assessment area. Considering all of these factors, and given the area competition, the bank’s level of lending to low-income borrowers is reasonable.

Sterling Bank’s home mortgage lending performance to moderate-income borrowers in 2020 was slightly below, but in line with the presented demographic. In 2021, the bank’s lending to moderate-income borrowers decreased and was 5.5 percent below the corresponding demographic. Although not a direct comparator, aggregate data for 2020 and 2021 shows 17.5 percent and 19.1 percent of home mortgage loans made in the assessment area were to moderate-income individuals, respectively. The number of aggregate reporters, as noted previously, is an indicator of strong competition within the assessment area. Considering presented demographic information in the table, area housing costs (as noted previously), and competition as reflected by market share and aggregate data considerations, the geographic distribution of home mortgage loans to moderate-income individuals is also reasonable.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2020	19.4	9	8.5	892	4.5
2021	19.4	7	7.4	484	2.5
Moderate					
2020	20.4	20	18.9	2,335	11.8
2021	20.4	14	14.9	2,182	11.3
Middle					
2020	23.7	13	12.3	2,118	10.7
2021	23.7	14	14.9	2,211	11.5
Upper					
2020	36.5	63	59.4	14,446	72.8
2021	36.5	59	62.8	14,404	74.7
Not Available					
2020	0.0	1	0.9	45	0.2
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>19,836</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>19,281</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.



## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**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 metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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 metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**Rated Area:** A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

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

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.