

MARKETING 2010

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Oregon Summit on Entrepreneurship
October 16, 2009

Roadmap:

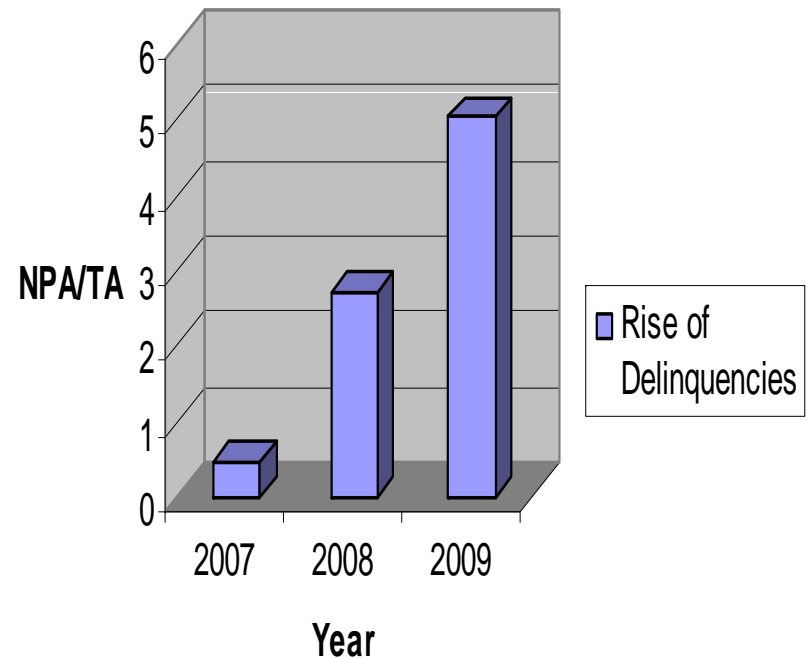
- **Turmoil in the Industry**
State of banking industry nationally and locally, impact on rates and credit requirements.
- **Safety & Soundness**
Increased FDIC coverage & TAG (Transaction Account Guarantee)
- **Branchless Banking**
High tech solutions such as Internet Banking and Remote Deposit Capture are now more widely available to small businesses.
- **Fraud Prevention**
ACH & check fraud are impacting more businesses all the time.

According to the FDIC's 2nd Quarter Report:

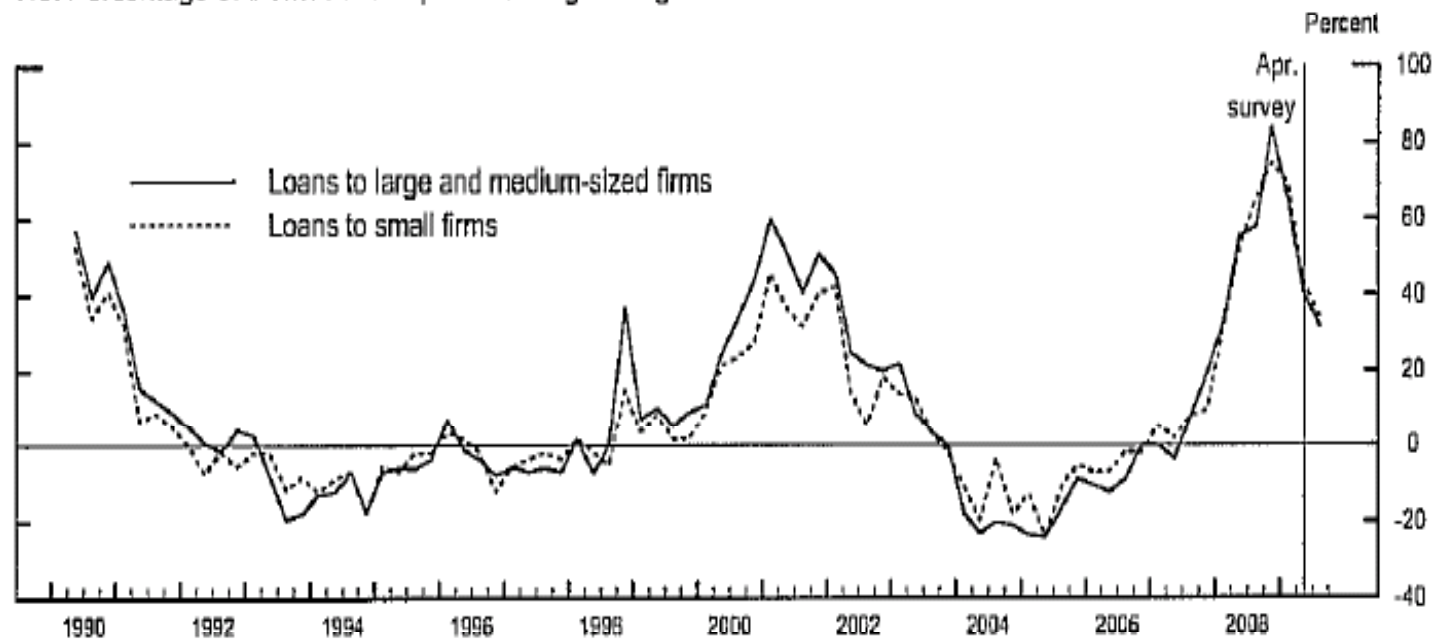
- Industry-wide losses for the 4 quarters ending 6/30/09 = \$26.5B.
- More than one in four financial institutions remain unprofitable.
- Loans more than 90 days past-due increased \$40B in the 2nd quarter for the 13th consecutive increase.
- Charge-offs continue to rise with \$48.9B charged off in the 4th quarter.
- FDIC's Problem Institutions reached a 15-year high of 416 banks on 6/30/09 vs. 116 (6/30/08) and 61 (6/30/07).
- 95 bank closures YTD 2009 vs. 98 total over the prior 14 years
- Pace of closures accelerating with 40 banks closed within the past 3 months.
- Closures this year included 3 within Oregon, 7 within the region.

- State chartered banks lose \$280M combined in the 1st half.
- 5.11% of all loans at Oregon chartered banks are delinquent, a 78% increase from the prior year.
- Non-performing assets were 5.04% vs. 2.73% nationally.
- “Oregon Banks are worse off than US banks as a whole” (Courtney Sherwood- Portland Business Journal).
- 4 Oregon Banks currently on Cease & Desist orders for Safety & Soundness.

Rise of Delinquencies at Oregon Banks

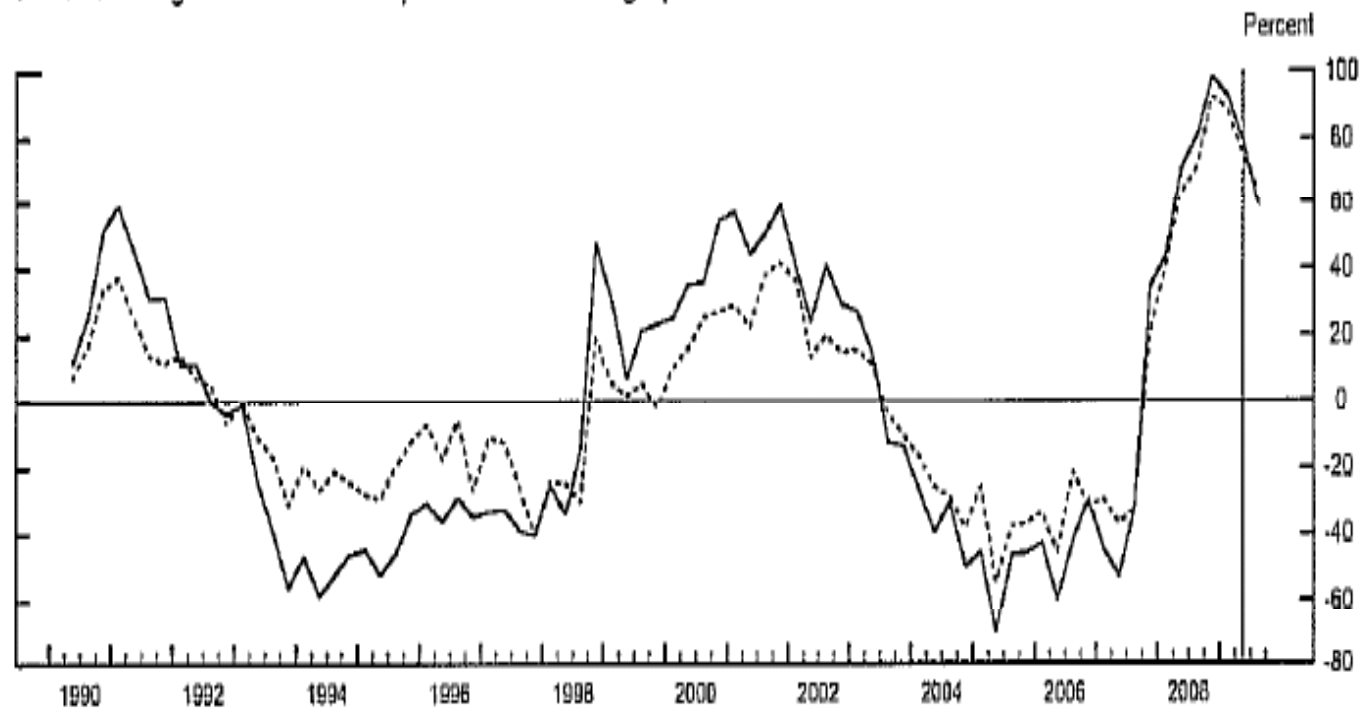


Net Percentage of Domestic Respondents Tightening Standards for Commercial and Industrial Loans



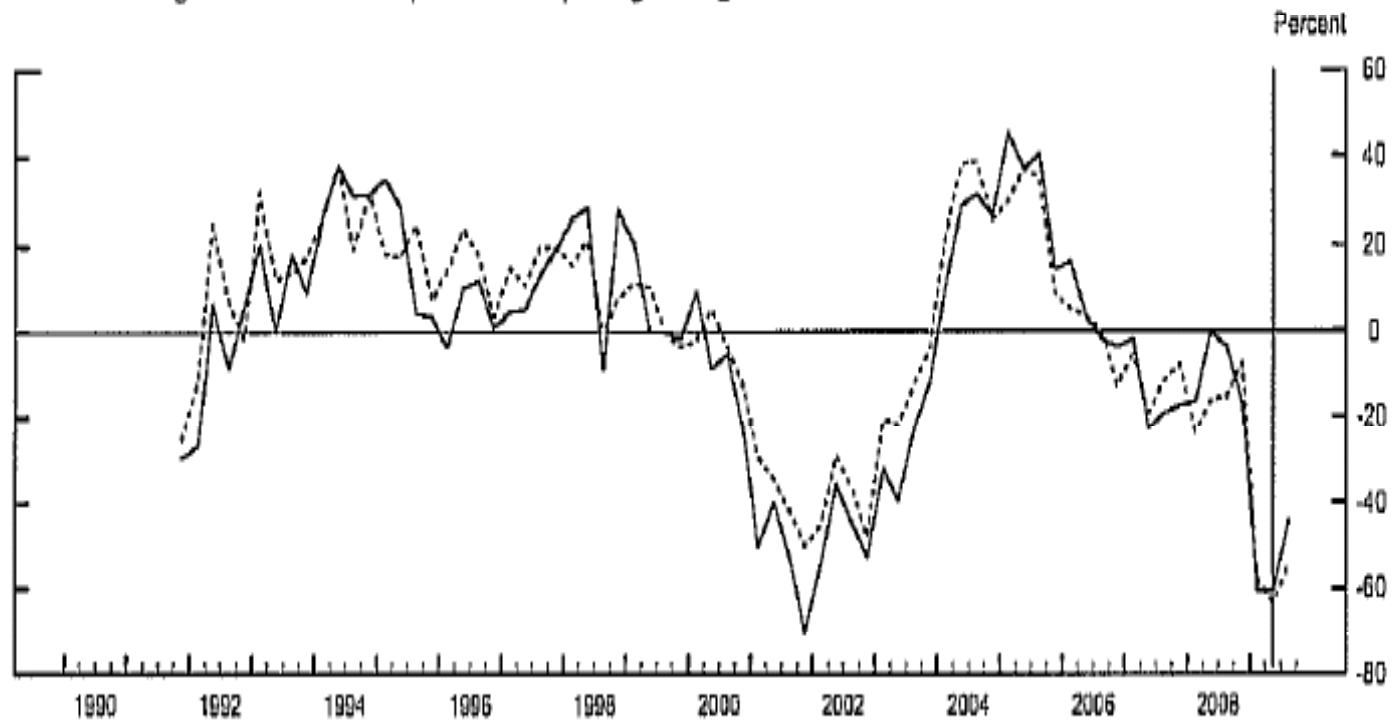
Source: Feds Survey of Senior Loan Officers

Net Percentage of Domestic Respondents Increasing Spreads of Loan Rates over Banks' Costs of Funds



Source: Feds Survey of Senior Loan Officers

Net Percentage of Domestic Respondents Reporting Stronger Demand for Commercial and Industrial Loans



Source: Feds Survey of Senior Loan Officers

- ◎ Bank deposits are well protected

- > **FDIC Insurance**

- ◎ Regulation and supervision of bank risk continues to improve

- ◎ Federal programs enacted to protect banks and their depositors

- > **FDIC coverage up to \$250K**

- > **TAG**



FDIC Deposit Insurance

Think “interest-bearing accounts”

- Single Accounts (owned by one person/sole proprietor) \$250,000 per owner
- \$250,000 per corporation, partnership or unincorporated association
- Employee Benefit Plan Accounts \$250,000 for the non-contingent, ascertainable interest of each plan participant
- FDIC protection has been increased from \$100,000 to \$250,000 through EOY 2013

TAG



Transaction Account Guarantee

Think “noninterest-bearing accounts”

- The TAG program provides depositors with unlimited coverage for noninterest-bearing transaction accounts, the one exception is the recent addition of qualified NOW Accounts (int. bearing checking accounts earning less than .50%) at *participating* FDIC-insured institutions.
- The TAG program became effective on 10/14/08 and has recently extended through 6/30/10.

Visit the branch or work from your desk



Internet Banking

- Allows you to manage your business banking 24 hours a day, 7 days a week from your computer.
- Check account balances
- Monitor transaction activity
- Transfer funds between accounts
- Pay your bills.
- Provide electronic deposit of employees' payroll.
- Many compatible with Quicken®, Quickbooks® and Microsoft Money.

Remote Deposit Capture

- Allows you to deposit your checks from your desk top.
- Web based (program resides on bank server, no PC software)
- Virtual deposit tickets / endorsements replace paper supplies
- Same-day deposits can be made securely in just minutes.
- Deposit cut-off time is typically later than traditional branch hours

Internet Banking-

- 40 million American families banking online in 2007.
- 93% of Gen Y and 81% of Gen X respondents report using online banking (source: Radon Financial Group).
- 58% of micro / small businesses projected to bank online by 2010 (source: Online Banking Report).
- 99% of banks with assets over \$250 Million offer online banking. 74% of smaller banks offer online banking (source: Independent Community Bankers of America Survey).

Benefits of Internet Banking:

- Save time by easily viewing and storing account activity or reports via secure Web access
- Make better and more timely decisions with 24/7 online availability of current information
- Eliminate trips to the bank for initiating many types of transactions
- Integrate information into internal applications
- Utilize alert options to stay apprised of key changes in cash position
- **Risk management, risk management, risk management**

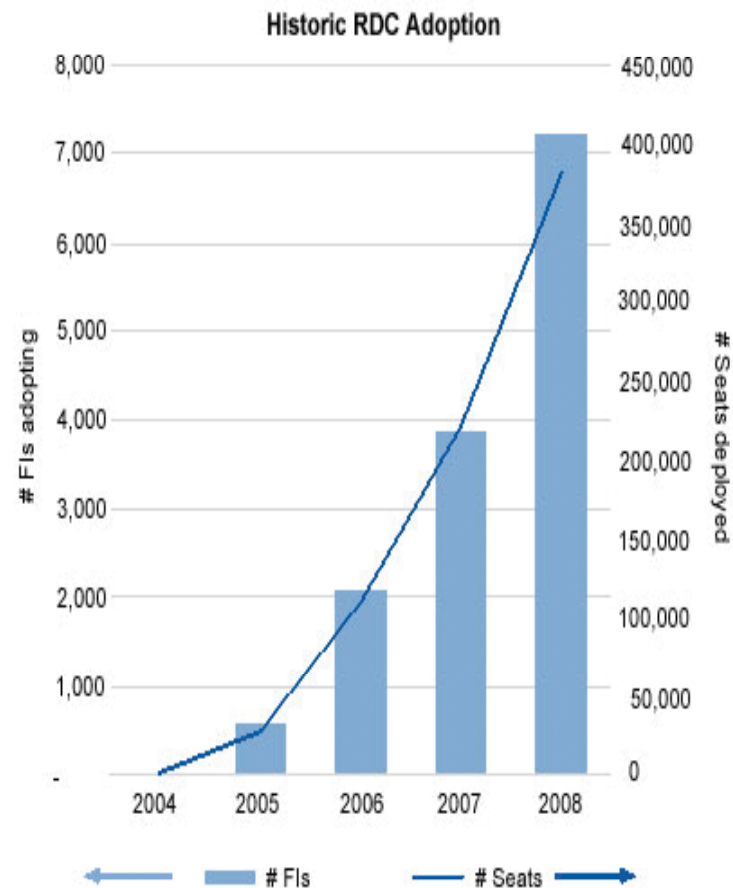
Benefits of RDC:

- Increases productivity by eliminating daily trips to the bank
- Saves time by expediting check processing
- Speeds up cash flow and provides faster access to funds
- Improves information flow; receive earlier notification of returned checks
- Provides image storage of deposited items for research

- Introduced in 2004
- Initially called “Corporate Deposit Capture”, indicating limited scope and usage
- Now cheap enough for micro-businesses
- Usage expanding rapidly with 382,000 users in 2008.*
- 62% of community banks offer RDC. This figure is projected to grow to 78% by 2011.**

* Source: Celent State of Remote Deposit Capture 2008: Sprint Becomes a Marathon 2008

** Source: ICBA



Alert to startup companies:

- Federal Financial Institutions Examination Council (FFIEC) guidelines (Jan 2009) require banks to identify, assess and mitigate risk
- Banks are looking more closely at customer qualification standards
 - > Minimum years-in-business requirement (avg. of 2 yrs.)
 - > Customer underwriting/pulling credit bureaus (principals)
 - > Annual NSF/OD threshold (avg. of 10/yr.)
 - > If new customer to bank, may need to furnish banking statements as evidence of proper account management
 - > On-site inspections (secure check archival/destruction)

- According to a study by US News and World Report, approximately *\$24 billion is lost annually as a result of check fraud** in the United States
- Electronic payments require diligence. Fraud is on the rise with the increased usage of ACH collections/payments
- Implementing fraud prevention services such as *Positive Pay* for check fraud and *ACH Blocks/Filters* for electronic fraud actively manages and reduces risk on your accounts

**2005 US News and World Report Survey*

Benefits of Positive Pay:

- The most effective check fraud prevention service available
- Provides added security by enabling your organization to reduce the risk of check fraud
- Delivers efficiency and cost savings through timely identification of fraudulent activity

Benefits of ACH Blocks/Filters:

- Guards your accounts against unauthorized electronic transactions
- Honors only those ACH transactions that fit your specifications

◎ Thank you for having us.



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