



February 14, 2014

Ms. Peggy Naulty
Division of Consumer and Community Affairs
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Dear Ms. Naulty:

Thank you for the opportunity to respond to the Board of Governors of the Federal Reserve System's ("Board") questions regarding Umpqua Bank's Community Reinvestment Act ("CRA") plan. As noted in our application to the Board requesting approval for Umpqua Holdings Corporation ("Umpqua") to acquire Sterling Financial Corporation and its subsidiary bank, Sterling Bank, pursuant to section 3 of the Bank Holding Company Act ("BHC Act Application"), Umpqua Bank and Sterling Bank recognize the importance of helping to meet the credit needs of the communities in which they operate. We are hopeful that this response will provide the Board with definitive information regarding Umpqua Bank's commitment to CRA.

Umpqua Bank's CRA plan is managed through its CRA Program, which has been designed to monitor lending, investment and service performance on a regular basis. The overall standards for Umpqua Bank's CRA performance are summarized in the CRA Policy. A copy of Umpqua Bank's CRA policy is enclosed. The responsibility for executing those standards rests with the CRA Officer, the CRA Committee and associates throughout the Bank. The CRA Committee, which includes executive managers from all key business units, meets on a monthly basis to review performance in order to assess the cumulative impact Umpqua Bank is having in its communities and to guide its banking initiatives. CRA self assessments are conducted by the CRA Officer on an annual basis to more deeply assess performance and consider performance context and community needs.

These CRA Program disciplines have facilitated improvements over the past several years, as evidenced by the results of Umpqua Bank's most recent CRA performance evaluation ("2013 CRA evaluation"). Many of these improvements, as well as the CRA performance evaluation are discussed in detail in the submission dated December 11, 2013, responding to the Board staff's request for additional information (the "December 11 Submission"). The CRA performance evaluation concluded that Umpqua Bank has maintained an overall Satisfactory rating while also noting significant improvements in lending, investment and service performance.

Assessment of Community Needs

The assessment of community needs is an important aspect of Umpqua Bank's CRA Program. Umpqua is engaged with organizations throughout our footprint which helps us think strategically about needs in our communities. These organizations include, for example, the Washington Community Reinvestment Association, California Reinvestment Coalition and Oregon Opportunity Network. Others are listed and discussed in the December 11 Submission as well as in BHC Act Application. In addition, Umpqua Bank participates in CRA

Roundtables coordinated by the Federal Reserve Bank of San Francisco which facilitates discussion on, and a better understanding of, various CRA needs and topics. These partnerships and forums allow for valuable discussion about community needs. Specifically, Umpqua Bank has seen many common needs throughout our communities related to affordable housing, financial literacy and the unique needs of small businesses. Umpqua Bank's outreach and performance in these areas are described in detail in its submissions of December 20, 2013 (the "December 20 Submission") and February 3, 2014 (the "February 3 Submission") responding to additional information requested by the Federal Reserve and the December 11 Submission, but they will also be summarized briefly here.

In response to affordable housing needs, Umpqua offers a wide variety of loan programs that are designed to meet the needs of low- and moderate-income ("LMI") homebuyers. These include down payment assistance programs ("DAP") and affordable lending partnerships, such as the Federal Home Loan Bank's Affordable Housing Program, various state and municipality DAP programs, the California Housing Finance Agency's loan programs, other state mortgage loan programs, federal guaranteed loan programs (e.g., Federal Housing Administration and Veterans Administration loan programs), and the affordable housing loan programs offered by Fannie Mae and Freddie Mac. Umpqua Bank also has partnered with various community groups servicing its communities to provide financing for affordable housing. For example, Umpqua Bank works with several land trusts on innovative lending solutions that provide LMI and first-time homebuyers with opportunities to purchase affordable homes in otherwise unaffordable neighborhoods. In connection with these actions, Umpqua Bank also has recognized the need for affordable rental housing in its communities and has provided loans and investments for low-income housing tax credit ("LIHTC") projects throughout its footprint. Specific examples of these loans and investments are described in the December 11 Submission.

In response to financial literacy needs in the community, Umpqua Bank developed the "Learn to Earn" program, a comprehensive financial literacy program available to parents, teachers and children throughout Oregon, Washington, California and Nevada. The program offers a full suite of financial literacy resources, including: easy to implement financial literacy tips for children in preschool to fifth grade, savings products to help parents and children save together, a kid-friendly savings calculator, and recommended reading lists that encourage responsible money management through storytelling.

Umpqua Bank also views its community giving program, which focuses grant monies on education, youth development and community development programs and initiative, as a vehicle to support and monitor the needs of communities served by the bank. Grant applications are reviewed by the Community Contributions Team which is comprised of 20 associates with geographic representation from all areas of our footprint. Through this process, the Community Contributions Team directly assesses community needs and ensures that charitable contributions are reflective of those specific needs. Most associates also serve on the boards of community development organizations or are engaged in volunteer activities in their community. The commitment of Umpqua associates to their communities ensures that that Umpqua Bank has a more direct connection with community needs.

In addition, Umpqua Bank has worked over the past several years to restructure its business lending division to have specific areas of focus to meet the unique needs of small and rural businesses in our communities. Upon identifying a gap in small business lending, Umpqua Bank executives convened a cross functional team in 2011 to reconsider the business lending infrastructure. Efforts to serve small businesses were improved by segmenting the small business market by loan size. The three segments are as follows: under \$250,000, \$250,000 to \$1 million, and over \$1 million. By defining the three segments, the Bank strengthened its ability to serve the needs of each customer segment by dedicating resources and specialization in each area. The Bank further refined the business lending structure in 2013 by creating distinct segments for metropolitan and non-metropolitan markets.

CRA Performance Goals

Umpqua Bank's outreach and assessment of community needs results in specific CRA performance goals. Although the specific goals vary from year to year and market to market, the core principles of those goals remain consistent. Umpqua Bank's community development goals are based primarily on the standards set in the CRA and in FDIC CRA examination procedures. These standards consider other banks' performance, market demographics, recent CRA performance evaluations and community input. Some numeric goals are set and monitored by our CRA Committee on a monthly basis, while other performance standards are evaluated annually in a CRA self assessment. The following sections provide more explicit information about Umpqua Bank's performance standards for lending, investments and services.

Lending

Umpqua Bank's mortgage lending performance standards for LMI borrowers and LMI census tracts considers other banks' lending, population demographics, and Umpqua Bank's prior lending record. Following FDIC examination standards, the annual performance goal is typically set as the percent of other banks' loans that are made to LMI borrowers. However, the goal can be increased if Umpqua Bank's lending record in the area is particularly strong or if demographic information indicates that community needs are not being met by all lenders. In the past, we have set a single goal for each state. Based on feedback from the FDIC and community partners, we will be establishing separate goals for every market in our footprint, including rural areas. This change will allow us to monitor performance in each market more closely. Umpqua Bank also tracks the level of lending to distressed and underserved areas of our footprint. Due to the methodology for setting census tract income levels, very few tracts in rural counties are actually categorized as LMI. As a result we find it especially important to consider the level of lending within distressed and underserved census tracts in rural counties. We apply the same measures to small business lending, with the only difference being that small business lending goals are set based on the revenue levels of businesses rather than individual income.

Another lending performance measure that is important to Umpqua Bank is the percentage of loans that are to individuals and businesses located within our CRA assessment areas. This performance measure ensures that the vast majority of our loans are directed toward to the same communities from which we accept deposits. This goal is set as a percentage of total loan assets and is based on past Umpqua performance and peer performance summarized in CRA performance evaluations. CRA performance evaluations for Umpqua Bank and its peers that have stated that strong performance is reflected by more than 90 percent of loans in the assessment areas. Accordingly, Umpqua Bank has consistently set and achieved a goal of over 90 percent.

In Umpqua Bank's community development lending, the bank seeks opportunities that support affordable housing, community services, economic development and revitalization/stabilization of distressed areas. In addition to measuring our performance against that goal, we strive for a reasonable geographic distribution of those loans and for all impact categories to be met. Like most other CRA goals, Umpqua Bank establishes community development goals based on standards that are set through CRA performance evaluations. Umpqua Bank was cited for having a relatively high level of community development loans and further improved that performance during the 2013 CRA evaluation, with over \$150 million of community development loans.

Investments

Similar to lending goals, Umpqua Bank establishes investment performance goals based on standards that are set through CRA performance evaluations. The goal for CRA-eligible investments is measured as a percentage of the bank's total assets. By using this common metric, we are able to review CRA performance evaluations in our region to see how other banks are performing and how each bank's level of investment is considered by the

FDIC. Umpqua Bank's 2010 CRA performance evaluation and evaluations from peer banks indicated that Umpqua Bank's level of investments was below expectation. In response, Umpqua Bank immediately set out to increase CRA-eligible investments. As reflected in the 2013 CRA evaluation, Umpqua Bank's level of investments more than doubled since the prior examination and the rating was increased. Similar to community development lending, we look for investment and donation opportunities that support affordable housing, community services, economic development and revitalization/stabilization of distressed areas. Umpqua Bank also monitors investments and donations to ensure that the geographic distribution is aligned with the geographic concentration of our deposits.

Services

One type of service performance goal used by Umpqua Bank relates to the level of volunteerism and Board service within our communities. Due in large part to Umpqua Bank's "Connect Volunteer Network" program, Umpqua Bank has been a leader in providing these services. Umpqua Bank's service goal is set at a level that ensures we maintain this strong performance and is focused on services provided to organizations and programs that directly impact LMI populations and small businesses.

Another important service measure is the distribution of branches throughout our markets, with particular attention paid to LMI communities. An effective analysis of branch distribution must consider the service area of a branch rather than looking only at the census tract in which the branch's address is located. For this reason, branch distribution is discussed in the annual CRA self assessment rather than through a numeric goal based on the address alone. Umpqua Bank also conducts CRA impact analyses for every proposed branch opening, closure, move or consolidation. A full analysis of branch distribution was provided the December 11 Submission.

I hope this letter has been helpful in responding to the Boards questions about Umpqua Bank's CRA plan.

Sincerely,



Scott Reich
Vice President
CRA and Fair Lending Manager

Enclosure

CC: Phyllis Hartwell, Assistant Director, Board of Governors of the Federal Reserve System
Melissa Vanouse, Manager, Board of Governors of the Federal Reserve System
Bao Nguyen, Senior Attorney, Board of Governors of the Federal Reserve System
Elisa Johnson, Manager, Federal Reserve Bank of San Francisco

John E. Taylor, President and CEO, National Community Reinvestment Coalition
Matthew R. Lee, Esq., Executive Director, Fair Finance Watch
Kevin Stein, Associate Director, California Reinvestment Coalition

UMPQUA BANK

COMMUNITY REINVESTMENT ACT POLICY

I. OVERVIEW

In 1977, Congress enacted the Community Reinvestment Act (CRA) because of alleged unfair treatment of prospective low- and moderate-income (LMI) borrowers by financial institutions. With the CRA, Congress established that each insured depository institution has a continuing and affirmative obligation, consistent with safe and sound banking practices, to help meet the credit needs of LMI populations that are within the institution's defined assessment area.

The Board of Directors and the Executive Management Team of Umpqua Bank (the "Bank") recognize and understand their responsibilities regarding CRA. It is the Policy of the Bank to implement a CRA program that demonstrates strong corporate citizenship and fosters the development of profitable business and a positive image in the communities served by the Bank. Maintaining a positive CRA rating is essential to the continuing growth of the Bank. In pursuing this commitment, the Bank will comply with the letter and spirit of the CRA. This will require the Bank to take an active approach to determining and meeting community needs of creditworthy individuals and businesses within LMI neighborhoods.

All associates are encouraged to actively participate in promoting and assisting organizations concerned with the civic, cultural, social, educational, and economic well being of the communities the Bank serves.

II. POLICY STATEMENT AND AUTHORITY

It is the policy of the Board of Directors to follow the letter and spirit of CRA. The Bank will make its best efforts, in consideration of both resources and safe and sound practices, to meet the credit and banking service needs of its entire community. Concerted effort and consideration should be made in order to meet the credit and banking needs of LMI people and neighborhoods, and small businesses and small farms.

A CRA Officer will be appointed by senior management. Under the general direction of the Chief Compliance Officer (CCO) and the CRA Committee, the CRA Officer will oversee the Bank's CRA program to ensure that the Bank remains in compliance with all CRA, Fair Lending and Home Mortgage Disclosure Act (HMDA) regulations. Bank management shall ensure that the CRA Officer has adequate support to achieve a "Satisfactory" or better CRA rating.

Enforcement

The Loan and Investment Committee of the Board of Directors has the authority to approve this policy and commits to reviewing and approving all substantive changes to the policy and to performing an annual review of the policy. The Chief Compliance Officer (CCO), CRA

Officer and Executive Management are responsible for reviewing and recommending changes to the policy and ensuring the directives are implemented and administered in compliance with the approved policy. Changes in operating procedures, standards, guidelines and technologies, provided they are consistent with this policy, may be authorized by Executive Management with notification to the CCO.

Exceptions to Policy

Requests for exceptions to this policy must be very specific and may only be granted on specific items, rather than to entire sections. Requests for a policy exception should be submitted via an internal memorandum to the CCO.

Effective Date

All associates of the Bank must comply with the terms of this policy upon publication.

III. OVERSIGHT AND RESPONSIBILITIES

Board of Directors and Executive Management

Umpqua Bank's Board of Directors and Executive Management will stay informed of the Bank's CRA performance through the periodic, at least annual, review and evaluation of reports prepared by the CRA Officer. The Board and Executive Management will also be apprised of new regulatory developments impacting CRA through special reports prepared by the CRA Officer and will take appropriate action as deemed to be necessary. Directors and executive management are also encouraged to serve on the boards of local community organizations to leverage their business expertise, and to help assess the credit needs of local communities.

CRA Committee

The CRA Committee shall be comprised of senior representatives from each of the Bank's business units that have responsibility for the Lending, Service and Investment portions of the CRA performance examination. Committee members shall be appointed by the executives of each business unit, and shall be responsible for communicating CRA goals and objectives to the business unit(s) represented.

The CRA Committee shall adopt annual CRA goals which shall be set to help ensure that the Bank meets its community reinvestment responsibilities through community development lending, investments and services. The Committee is responsible for monitoring Bank performance in relation to the established goals and taking appropriate action when necessary to improve performance. The Committee shall review all regulatory reports regarding the Bank's CRA performance. The Committee shall recommend changes to policies, procedures or practices to maintain or improve the Bank's CRA performance.

The Committee shall meet monthly and the chair of the Committee will be appointed by the Chief Executive Officer.

CRA Officer

The CRA Officer will be primarily responsible for advising the other business units as to the Bank's CRA compliance duties and responsibilities, and will assist each business unit in developing appropriate policies, procedures and strategies for complying with the spirit and intent of the governing regulation. The CRA Officer will assist in the generation of applicable reports to management and the CRA Committee regarding the Bank's CRA activities, and will conduct periodic self-assessments to measure the Bank's CRA performance.

In addition, the CRA Officer will ensure that the Bank complies with the technical requirements of CRA, including but not limited to: annual submission of the Bank's CRA (small business and small farm) and HMDA loan registers to the federal government, maintenance of the Bank's CRA Public File, review and timely response to all customer inquiries or complaints regarding the Bank's CRA performance, and facilitation of regulatory CRA performance examinations. The CRA Officer will also support Cultural Enhancement's development and implementation of associate training programs. The CRA Officer shall notify impacted business units of any required changes to the CRA and/or HMDA notices that are displayed in customer facing locations.

The CRA Officer will also respond to comments from customers or the general public regarding the Bank's CRA performance and for requests of the Bank's public HMDA register. All associates throughout the Bank shall refer such inquiries to the CRA Officer in order to facilitate timely responses and meet the public availability requirements of the CRA Sunshine Rule.

Credit Quality

Credit Quality will be responsible for ensuring that credit policies and procedures conform to the requirements of CRA. In particular, Credit Quality should consider CRA implications as it evaluates individual credits and broader lending programs.

Within Credit Quality, the Community Banking Underwriting Center shares responsibility with Community Banking for the Bank's small business and consumer lending operations. As such, these business units work in developing and promoting products and services to all portions of the Bank's assessment area. These groups should have a particular focus on meeting the credit needs of small business and small farm customers and promoting economic development in LMI and economically distressed areas. These business units share responsibility in ensuring that CRA (small business and small farm), Community Development, and HMDA data is accurately reflected in the Bank's loan system.

Creative Strategies

Creative Strategies is responsible for developing marketing programs. This includes activities aimed at promoting CRA related programs and services targeted for LMI neighborhoods and customers within the Bank's CRA assessment area.

Real Estate and Facilities

Real Estate and Facilities shall ensure that the Bank's stores and ATMs are accessible to all individuals within the Bank's CRA assessment area. Toward that end, this department shall facilitate CRA consideration of store/ATM closures, moves, and openings. Real Estate and Facilities shall involve the CRA officer early in the planning of store/ATM closures, moves, and openings to ensure that those strategies consider CRA impact.

Home Lending

Home Lending is responsible for fulfilling its annual CRA goals as established by the CRA Committee. Home Lending is responsible for developing and/or participating in innovative and flexible credit programs that reach all of the assessment areas in which the Bank conducts business, and which meet the needs of LMI neighborhoods and individuals.

Home Lending is also responsible for collecting and recording accurate HMDA information in the Bank's mortgage loan software program, implementing adequate quality control over the HMDA data, and ensuring the accuracy of data files submitted to the CRA Officer. Home Lending is also responsible for maintaining all required CRA and HMDA signage in customer facing locations.

Community Banking

This business unit is primarily responsible for the Bank's store and customer service activities. Community Banking has responsibility for servicing retail products, including those that are designed specifically to meet the needs of LMI neighborhoods and individuals. This business unit will also assist in developing alternative delivery systems for those customers who may have difficulty accessing the Bank's store locations. Additionally, Community Banking shall work with Real Estate and Facilities and the CRA Officer to consider the impact of store and ATM distribution on LMI neighborhoods within the Bank's assessment area.

Community Banking shares responsibility with Commercial Banking and the Community Banking Underwriting Center for the production of small business and small farm loans. Particular attention should be paid to meeting the small business and small farm credit needs of LMI neighborhoods. Community Banking also shares responsibility with the Community Banking Underwriting Center for collecting accurate CRA (small business and small farm), Community Development, and HMDA data.

Additionally, store associates shall participate in the identification of the credit and service needs of their local communities, and communicate these needs to their CRA Committee representative or the CRA Officer. Community Banking is also responsible for maintaining all required CRA and HMDA signage in customer facing locations and for making the CRA Public File available in all stores.

The Product Management unit within Commercial Banking is responsible for developing products that meet the needs of LMI neighborhoods and customers throughout the Bank's assessment area.

Commercial Banking

Commercial Banking shall be responsible for achieving its assigned annual CRA performance goals by maintaining a satisfactory record of serving the credit needs of LMI and economically distressed areas through community development lending. Commercial Banking shall also assist in meeting the credit needs of small business and small farm owners within the Bank's CRA assessment area, with emphasis on the needs of LMI neighborhoods and businesses that serve these neighborhoods. In so doing, this business unit must consider innovative or flexible lending practices to help address local market credit needs.

Commercial Banking is also responsible for recording accurate CRA (small business and small farm), Community Development and HMDA data in the Bank's loan system and implementing adequate quality control over the data.

Additionally, Commercial Banking associates shall participate in the identification of the credit and service needs of their local communities, and communicate these needs to their CRA Committee representative or the CRA Officer. Commercial Banking is also responsible for maintaining all required CRA and HMDA signage in customer facing locations.

Within Commercial Banking, the Government Guaranteed Lending Division is responsible for underwriting credit requests for loans guaranteed by the Small Business Administration, the United States Department of Agriculture, the Bureau of Indian Affairs and similar federal government agencies. This business unit is also responsible for ensuring that government guaranteed CRA small business and small farm data is accurately reflected in the Bank's loan system.

Business Banking Division

The Business Banking Division focuses on lending to small- and mid-sized companies throughout the Bank's footprint. As such, this business unit should have a particular focus on meeting the credit needs of small business and small farm customers and promoting economic development in LMI and economically distressed areas. This business unit is also responsible for ensuring that CRA (small business and small farm), Community Development, and HMDA data is accurately reflected in the Bank's loan system.

Loan Support Services

Loan Support Services is responsible for entering consumer and commercial loan CRA (small business and small farm) and HMDA data into the Bank's loan system, and providing accurate reports and data files to the CRA Officer.

Audit

The Audit Department has responsibility for conducting CRA audits. These audits include a review of Bank procedures and practices for compliance with CRA and an independent review of the CRA program with Central Compliance.

Financial Integrity Group

The Financial Integrity Group (FIG) is responsible for the Bank's financial management, and

shall participate in the identification, review and approval of qualified CRA investments designed to address the economic development needs of the Bank's assessment area, and to help meet annual CRA investment goals and objectives.

FIG is also responsible for the accuracy of Call Reports, as the annual CRA small business and small farm data register is derived from Call Reports.

Cultural Enhancement

Cultural Enhancement shall collaborate with the CRA Officer and CRA Committee to develop and implement training programs designed to develop and improve associate knowledge of the Bank's CRA responsibilities and related regulatory requirements. The Culture Development (Training) unit of Cultural Enhancement shall also maintain training records for all associates.

Corporate Communications

Within Corporate Communications, the Community Responsibility Manager shall administer the Bank's corporate community giving programs and the Bank's Connect volunteer program. The Community Responsibility Manager shall maintain detailed records of community giving, volunteerism, and board service activities and provide regular reports to the CRA Officer. Although it is the responsibility of the Community Responsibility Manager to administer and report on these activities, it is the responsibility of management throughout the entire Bank to ensure that the associates within their groups are helping to meet the Bank's CRA goals related to community giving and service.

Technology Advancement Group

The Technology Advancement Group is responsible for providing the requisite programming and operational support to the other business lines. In this capacity, this business unit will also be responsible for supporting the Bank's data collection responsibilities under the governing CRA and HMDA regulations.

Private Bank

Private Bank is responsible for meeting the CRA and HMDA requirements for collecting accurate CRA and HMDA information. Private Bank is also responsible for maintaining all required CRA and HMDA signage in customer facing locations.

IV. PENALTIES FOR NON-COMPLIANCE

The Bank's CRA performance rating is made public and will be taken into consideration when the Bank applies for:

- The establishment of a domestic branch;
- The relocation of the main office or a branch;
- The merger or consolidation with another institution; and,
- The conversion of a bank to a national bank charter.