

"A Great Community Bank"

STERLING BANK

1100 Sterling Drive
P. O. Box 460
Poplar Bluff, Missouri 63902

Phone 573-778-3333
Fax 573-686-2715

October 17, 2008

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am in receipt of the items for consideration as part of the Emergency Economic Stabilization Act of 2008 and am deeply concerned with the proposed changes to the FDIC Risk-Based Assessment Calculation.

Sterling Bank is a State Chartered Non-Member bank that opened October 19, 2004. While we are no longer officially a De Novo bank, much of our balance sheet structure is a result of a prudent and profitable Strategic Plan that included the use of FHLB Borrowings and CDARS to effectively and efficiently fund the asset side of the balance sheet.

Sterling Bank's strategy is proven, as the bank was profitable in only our third full month of operation and has consistently performed in the top 25th percentile of all banks chartered in 2004. Our success is a result, in part, from focusing on our core earning structure first. Once that was established we turned towards growth -- but only growth that added value.

With strong loan demand and relationships, we effectively used FHLB products to match fund the asset side of the balance sheet and prudently manage interest rate risk. Additionally, the FHLB provided an efficient source of funds that helped maximize our net interest margin. Funds available from the FHLB were and are consistently an optimal source of funds in terms of maturity allocation and rate.

Additionally, as a commercial bank, we have a number of large depositors seeking the additional security of FDIC insurance: That is where the CDARS product has also added value to the bank and afforded us the opportunity to compete with the money-center banks and the auspice of 'Too Big To Fail.' We all know now that this is no longer a concept but a harsh and damaging reality in the marketplace.

Necessity is the mother of invention and Bill Seidman, former chair of the FDIC, saw the community bank's need for this product several years ago to even the playing field for attracting large deposits at the community bank level.

Now, with products specifically offered to mitigate risk and maximize profitability, FHLB borrowings and CDARS deposits (because of their definition as a brokered deposit) are being tabbed as added risk with higher FDIC insurance premiums.


The sum of Sterling Bank's position and consequence to the proposal is this:

- We are Well Capitalized by every definition
- We have excellent asset quality
- Strong Management with proven success
- Excellent earnings not only as a De Novo but also as a Mature Bank
- Strong Liquidity Management Program
- Well managed and positioned Interest Rate Risk Management Program

Now, what is the result? Higher FDIC insurance premiums because of a narrow view of alternative funding sources.

In close, I sincerely hope the ABA recognizes the desperate treatment and competitive issues facing the community bank in competing for deposits in order to prudently and efficiently meet the funding needs of consumer and commercial credit in our local marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Poteet', written over a horizontal line.

Kenneth E. Poteet
Chairman and C.E.O.

cc: Sen. Claire McCaskill 717 Hart Senate Office Building, Washington, DC 20510
Sen. Kit Bond 274 Russell Senate Office Building, Washington, DC 20510
Rep. Jo Ann Emerson 2440 Rayburn House Office Building, Washington, DC 20515