



Sterling Bancorp Reports First Quarter 2020 Financial Highlights

June 1, 2020

SOUTHFIELD, Mich.--(BUSINESS WIRE)--Jun. 1, 2020-- Sterling Bancorp, Inc. (NASDAQ: SBT) (the "Company"), the holding company of Sterling Bank and Trust, F.S.B. (the "Bank"), today reported unaudited financial highlights for its first quarter ended March 31, 2020 reflecting the establishment of reserves relating to the Bank's Advantage Loan Program as well as a significant increase to the allowance for loan losses in light of economic conditions due to COVID-19.

Q1 2020 Financial Highlights

- **Net loss of \$27.8 million**
- **Net loss per share of \$(0.56)**
- **Non-interest expense of \$47.0 million, reflecting loan repurchase reserves of \$7.8 million related primarily to the sale of loans originated under the Bank's Advantage Loan Program and contingency reserves of \$25.0 million related to previously disclosed litigation and investigations stemming from the Advantage Loan Program; these reserves reflect additional information obtained during the course of the previously-disclosed internal review of this program**
- **Provision for loan losses of \$20.9 million, reflecting our evaluation of the current and expected impacts on our loan portfolios of the COVID-19 pandemic**
- **Net interest income before provision for loan losses of \$28.6 million**
- **Net interest margin of 3.57%**
- **Non-interest income of \$0.5 million; the decline in non-interest income reflects an increased valuation allowance against our mortgage servicing rights in the amount of \$1.2 million**
- **Shareholders' equity of \$332.6 million**
- **Bank capital ratios reflect a capital contribution of \$50.0 million from the Company to the Bank and continue to be in excess of minimum ratios required to be considered "well-capitalized" with a leverage ratio of 11.43%, a total risk-based capital ratio of 20.52% and a common equity tier one ratio of 19.26%**
- **The Company's consolidated leverage ratio of 10.08%, risk-based capital ratio of 21.55% and common equity tier one ratio of 16.96% continue to exceed regulatory capital requirements**
- **Total deposits of \$2.645 billion**
- **Total loan originations of \$185.4 million**
- **Total gross loans, including loans held for investment and loans held for sale, of \$2.846 billion**
- **Total loan delinquencies increased during the quarter to 1.10% from 0.70%; nonperforming loans were relatively stable at 0.40%**
- **Forbearances requested to date on approximately 470 loans, with an aggregate UPB of \$275 million**

As the Bank's internal review of the circumstances that led to the previously-reported discontinuation of the Advantage Loan Program has progressed, it has become apparent that the potential for liability related to the origination of residential mortgage loans under that program warrants the initial creation of reserves. Results from the internal review indicate that certain employees engaged in misconduct in connection with the origination of loans, including with respect to verification of income, the amount of income reported for borrowers, reliance on third parties, and related documentation. In addition, as previously disclosed, we are currently subject to various investigations and litigation stemming from the Bank's residential lending practices, which are in their early stages and could result in additional liability. However, the Board of Directors believes that the recent management and personnel changes, particularly the agreement to hire Thomas M. O'Brien as the new Chairman, President and Chief Executive Officer, subject to the receipt of necessary regulatory non-objection, will ultimately enable the Company and the Bank to move forward in a stronger position to address and resolve any past regulatory and compliance issues.

As previously disclosed, the Bank is currently under formal investigation by the Office of the Comptroller of the Currency (the "OCC") and continues to be subject to a publicly-available formal agreement with the OCC, dated June 18, 2019, relating to certain aspects of its Bank Secrecy Act/Anti-Money Laundering compliance program as well as the Bank's credit administration. The Bank also has received grand jury subpoenas from the United States Department of Justice (the "DOJ") requesting the production of documents and information in connection with an investigation that appears to be focused on the Bank's residential lending practices and related issues. The Bank is fully cooperating with these ongoing investigations.

In addition, as previously disclosed, the Company, certain of its current and former officers and directors, and other parties have been named as defendants in a shareholder class action captioned *Oklahoma Police Pension and Retirement System v. Sterling Bancorp, Inc., et al.*, Case No. 2:20-cv-10490-AJT-EAS, filed in the United States District Court for the Eastern District of Michigan. This action alleges violations of the federal securities laws, primarily with respect to disclosures concerning the Bank's residential lending practices that were made in the Company's registration statement and prospectus for its initial public offering, in subsequent periodic filings with the SEC, and during earnings calls. The Company intends to vigorously defend this action.

The outcome of the pending investigations and litigation is uncertain. There can be no assurance (i) that we will not incur material losses due to damages, penalties, costs and/or expenses as a result of such investigations and litigation, (ii) that the reserves we have established will be sufficient to cover such losses, or (iii) that such losses will not materially exceed such reserves and have a material impact on our financial condition or results of operations. In addition, in connection with the audit of the Company's December 31, 2019 financial statements the Company is evaluating whether any portion of the reserves should be applied to the fourth quarter of 2019 and/or prior periods. The Company has incurred significant legal expenses in defending the litigation and in cooperating with the investigations and expects to continue to do so during the pendency of these matters.

Conference Call and Webcast

Management will host a conference call today at 11:00 a.m. Eastern Time to discuss the Company's recent management changes and financial highlights. The conference call number for U.S. participants is (833) 535-2201 and the conference call number for participants outside the U.S. is (412) 902-6744. Additionally, interested parties can listen to a live webcast of the call in the "Investor Relations" section of the Company's website at www.sterlingbank.com. An archived version of the webcast will be available in the same location shortly after the live call has ended.

A replay of the conference call may be accessed through June 15, 2020 by dialing (877) 344-7529, using conference ID number 10144576.

About Sterling Bancorp, Inc.

Sterling Bancorp, Inc. is a unitary thrift holding company. Its wholly owned subsidiary, Sterling Bank and Trust, F.S.B., has primary branch operations in San Francisco and Los Angeles, California, New York City and Bellevue, Washington. Sterling offers a broad range of loan products to the residential and commercial markets, as well as retail and business banking services. Sterling also has an operations center and a branch in Southfield, Michigan. For additional information, please visit the Company's website at <http://www.sterlingbank.com>.

Forward-Looking Statements

This press release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements generally can be identified by the use of forward-looking terminology such as "will," "propose," "may," "plan," "seek," "expect," "intend," "estimate," "anticipate," "believe," "continue," "predict," "project," "potential," "could," "would," "should" or similar terminology, including references to assumptions. Forward-looking statements are based on various assumptions and analyses made by us in light of our management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors (many of which are beyond our control) that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. These factors include, without limitation, the following: the timing and occurrence or non-occurrence of events that may be subject to circumstances beyond our control; increases in competitive pressure among financial institutions or from non-financial institutions; changes in the interest rate environment; changes in deposit flows, loan demand or collateral values; changes in accounting principles, policies or guidelines; changes in general economic, business and political conditions, either nationally or locally in some or all areas in which we do business, or conditions in the real estate, securities or financial markets or the banking industry; legislative or regulatory changes; supervision and examination by the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System; our ability to successfully implement technological changes; our ability to successfully consummate new business initiatives; litigation or other matters before regulatory agencies, whether currently existing or commencing in the future, including shareholder litigation and governmental investigations relating to our residential lending practices and the Advantage Loan Program; repurchase requests related to the sale of loans originated under the Advantage Loan Program may be materially higher than expected and result in repurchase obligations that materially exceed our loan repurchase reserves; the ability of our auditors to complete the audit of the Company's December 31, 2019 financial statements; our ability to file our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 within the exception period granted by The Nasdaq Stock Market, LLC; our ability to comply with Nasdaq's continued listing requirements and the possibility that our shares will be delisted if such requirements are not satisfied; our ability to implement enhanced risk management policies, procedures and controls commensurate with shifts in our business strategies and regulatory expectations; and the occurrence of natural and other disasters, pandemics, terrorist activities, significant political events, cyberattacks, security breaches or system failures that affect us or our counterparties or service providers, including the COVID-19 pandemic and the regulatory and governmental actions implemented in response to COVID-19. Any forward-looking statements presented herein are made only as of the date of this press release, and we do not undertake any obligation to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

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