



# WHOLESALE or LIMITED PURPOSE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 02, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sterling National Bank  
Charter Number: 13295

650 Fifth Avenue  
New York, NY 10019-0000

Office of the Comptroller of the Currency

New York Metro Field Office  
340 Madison Avenue, Fourth Floor  
New York, NY 10173-0002

**NOTE:** 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.

## **INSTITUTION'S CRA RATING:**

**This institution is rated Satisfactory.**

The conclusions for the three rating criteria are:

- Sterling National Bank (“SNB”) has a high level of community development loans and community development services. The bank also has an adequate level of qualified investment activity;
- The bank does not use innovative or complex qualified investments, community development loans, or community development services; and
- The bank exhibits adequate responsiveness to credit and community economic development needs in its assessment area.

## Scope of the Examination

In evaluating the bank's performance under the Community Reinvestment Act ("CRA"), we reviewed community development activities from January 1, 2009 through December 31, 2011. We reviewed the level and nature of qualified investments, community development lending, and community development services submitted for consideration. At the prior examination dated April 20, 2009, the bank received an "Outstanding" rating.

We assessed loans originated or renewed by SNB, services completed and investments made during the evaluation period whose primary focus was community development. One hundred percent of the bank's activities were within or directly benefited the assessment area. The bank has adequately addressed its assessment area needs, and therefore, qualified investments made outside of its assessment area, and/or community development loans and services would be considered in evaluating its performance. Activities considered in this evaluation were conducted directly by SNB.

## Description of Institution

Sterling National Bank was organized in 1929 under the National Bank Act and commenced operations in New York City. The bank maintains twelve offices in New York: six branches in Manhattan, three branches in Queens, two branches in Nassau County (Great Neck and Woodbury), and one branch in Yonkers. The main office is located at 650 Fifth Avenue, New York, NY. There were no branch closings or openings during the evaluation period. SNB is the principal banking subsidiary of Sterling Bancorp, a NY-based banking and financial services company with assets of \$2.5 billion.

As of December 31, 2011, the wholly owned subsidiaries of the bank were Sterling National Mortgage Company, Sterling Factors Corporation, Sterling Trade Services, Sterling Resource Funding, and Sterling Real Estate Holding Company.

The bank is renowned for its focus on business customers and having an extensive and diverse product loan portfolio. The bank offers working capital lines, asset-based financing, factoring, accounts receivable financing and management, payroll funding and processing, equipment leasing and financing, commercial mortgages, import trade financing, a wide array of depository products and cash management services, trust and estate administration and custodial account services. Approximately 75 percent of the bank's loans are to borrowers located in the New York metropolitan area. The bank has no foreign loans. The bank also offers general depository and cash management services.

The bank's main competitors include financial service institutions such as savings and loan associations, finance companies, other national banks, and credit unions. The bank faces intense competition in both the New York assessment area (AA) and Nassau/Suffolk AA. SNB market share per dollar amount for the New York AA is 0.33 percent. SNB market share per dollar amount for the Nassau/Suffolk AA is 0.73 percent. The bank competes on the basis of providing high level of customer service, responsiveness to customer needs, and pricing of products.

On February 22, 2001, SNB received its designation as a wholesale bank for CRA purposes. An institution so designated is evaluated pursuant to the community development test, which assesses a bank's record of meeting assessment area credit needs through community development lending, qualified investments or community development services, as applicable.

As of December 31, 2011, SNB reported average assets of \$2.5 billion compared to \$2.1 billion as of December 31, 2008. Assets are centered in loans \$1.4 billion or 56 percent and investment securities (\$795 million or 39 percent). Commercial loans totaling \$785 million account for 53 percent of loans and leases real estate loans, mainly composed of commercial real estate and 1-4 family residential, and lease financing represent \$313 million or 21 percent and \$397 million or 27 percent, respectively. The investment portfolio consists primarily of \$301 million or 38 percent of U.S. Treasury and Agency securities, followed by municipal securities of \$160 million or 11 percent, and all other securities totaling \$208 million or 14 percent.

As of December 31, 2011, total deposits reported were approximately \$2 billion and comprised of \$285 million or 14 percent in demand deposit, \$663 million or 33 percent in other savings deposits, \$541 million or 27 percent in time deposits at or below insurance limit, \$371 million or 18 percent money market deposits, \$35 million or 2 percent in NOW accounts, \$116 million or 6 percent in time deposits above insurance limit. Tier 1 Capital was \$214 million.

SNB is not subject to any financial, legal, or regulatory restrictions that could obstruct its ability to help meet the credit needs of its assessment area.

The bank has two assessment areas: New York City and Nassau/Suffolk, which fall under the same New York Metropolitan Statistical Area (MSA). Therefore, one overall rating is provided for the MSA encompassing a review of both the assessment areas.

**Table 1: Financial Information (000s)**

	<b>Year-end 2009</b>	<b>Year-end 2010</b>	<b>Year-end 2011</b>	<b>Average for Evaluation Period</b>
<b>Tier 1 Capital</b>	150,529	193,192	214,159	185,960
<b>Total Adj. Operating Income</b>	127,927	129,046	131,168	129,380
<b>Net Income</b>	12,764	10,713	20,803	14,760
<b>Total Assets</b>	2,127,462	2,319,040	2,458,228	2,301,576

Source: Consolidated Report of Condition and Income and bank reported data.

## Description of Assessment Area – New York

New York AA is part of the New York MSA under the NY Metropolitan Division #35644. The bank's assessment area consists of the five boroughs of New York City: Manhattan, Staten Island, Brooklyn, Queens, and the Bronx. The five boroughs fall under the New York-White Plains-Wayne, NY-NJ Metropolitan Division. All five boroughs are contiguous in nature which complies with the regulatory AA delineation requirements of 12 CFR §25.41. The counties were aggregated into one assessment area in assessing the bank's community development performance in the State of New York.

The strongest industries in New York City are education and health care services; trade, transportation and utilities; and professional and business services. The economic growth in New York City is currently being driven by lower-paid sectors such as retail trade, education and health services, leisure, and hospitality. Nine of the twenty top employers in New York City are in the healthcare sector and account for over 120,000 jobs. The presence of large hospitals and healthcare systems provides some stability to the NY metropolitan area. The unemployment rate in New York City was 8.9 percent in November 2011 while the national average was 8.6 percent.

The New York AA consists of 2,217 census tracts (CTs) as per the 2000 Census data. Of this total number, 326 CTs are low-income, 613 CTs are moderate-income, 663 CTs are middle-income, 557 CTs are upper-income, and 58 CTs are not categorized. As of 2000 Census data, the number of people living in the AA was 8 million; 16 percent or 1.3 million live in low income tracts; 31 percent or 2.5 million live in moderate income tracts; 27 percent or 2.1 live in middle income tracts; 24 percent or 1.97 million live in upper income tracts. The median income for the assessment area in 2000 was \$48,514. As of 2011, the HUD median income for this AA increased to \$64,200.

According to the 2000 Census data, the assessment area had over 3.2 million housing units. The majority of the units, 30 percent, were located in the upper income tract, 29 percent were in moderate income tracts, while 15 percent were located in low-income tracts. Out of the 471,421 units in low-income tracts, 19 percent of units were occupied by renters; 3.3 percent were owner-occupied, while 16 percent were vacant. Approximately 34 percent of the units in moderate-income tract were rented; 17 percent were owner occupied while 28 percent were noted to be vacant. The total number of households paying more than 30 percent of their income in rent is 896,459, or 20 percent.

Based on 2011 Business Demographic Data, there are a total of 925,724 established businesses and farms in the New York AA. Of the total number of businesses operating in 2011, approximately 66 percent reported revenues of less than \$1 million. This revenue category, when further segregated into less than \$500,000 and \$500,000 to \$1 million, reflects that a significant portion of the revenues (62 percent) were earned by businesses in the less than \$500,000 category. Businesses exceeding \$1 million in revenues accounted for 4 percent of the businesses. Over 30 percent of the businesses did not report any revenues in 2011 as would be expected of new start-up businesses in the AA during the year.

Businesses in the New York AA tend to be very small in nature. Nearly 61 percent of the businesses have an employee base of one to four persons. Local businesses are primarily service-oriented in mission and are single location entities.

**Table 2: Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	2,715	12%	24%	32%	29%
<b>Families</b>	2,456,513	13%*	26%*	32%*	29%*
<b>Businesses</b>	881,800	7%**	18%**	29%**	46%**

Source: Demographic Data – 2000 U.S. Census. \*Represents families by income level. \*\*Represents businesses by income level of census tract.

Based on our conversation with the CRA community contact as well as our review of the assessments provided by other community contacts, the common theme among the concerns facing low-or moderate-income (LMI) individuals in New York City are related to affordable housing, affordable health care, after school programs as well as assistance with job placement.

### **Description of Assessment Area – Nassau & Suffolk**

Nassau-Suffolk is part of the New York MSA under the NY Metropolitan Division #35004. Nassau County is a suburban county in the New York Metropolitan Area east of New York City. Nassau and Suffolk counties together are generally referred to as “Long Island” by area residents – as distinct from the New York City boroughs of Queens and Brooklyn, which physically make up the island’s westernmost end.

Long Island’s economy remained relatively stable during the economic downturn but has yet to gain momentum while the national economy shows signs of improvement. The strongest industries on Long Island continue to be the education and health-care sectors. Long Island’s unemployment rate as of November 2011 was 6.7 percent, which is better than the national unemployment rate of 8.7 percent. The rental market in Long Island was adversely affected during the economic downturn of 2008 and 2009. Since that time, the rental market has recovered and rents continue to grow since June 2011.

The Nassau-Suffolk AA consists of 597 CTs of which 4 CTs are low-income, 84 CTs are moderate-income, 375 CTs are middle-income, 118 CTs are upper-income, and 16 CTs are not categorized. As of the 2000 Census, the population was 2,753,913 with approximately 16.77 percent of the population residing in low and moderate income tracts. As of 2011, the HUD median income for this AA was \$106,100.

**Table 3: Assessment Area Description**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	597	0.67%	14%	63%	20%
<b>Families*</b>	712,551	0.60%	14%	65%	20%

Source: Demographic Data – 2000 U.S. Census. \*Represents families by income level.

Based on 2011 Business Demographic Data, there are a total of 341,546 established businesses and farms in the Nassau-Suffolk AA. Of the total number of businesses operating in 2011, approximately 71 percent reported revenues of less than \$1 million.

Based on review of available community contact information and other resources, the primary community needs in this AA are affordable housing, small business development, and foreclosure assistance. Through community development activities, the bank demonstrates adequate responsiveness to community development needs in this AA. For example, bank employees have participated in several small business seminars to educate small business owners on available SBA programs. The bank has also purchased mortgage backed securities (MBS) collateralized by mortgages from LMI borrowers.

## Conclusions about Performance

### Summary

SNB’s performance for the evaluation period is “Satisfactory.” The level of community development activities is high and exceeds the level of such activities during the prior assessment period. All of the bank’s community development activities directly benefit the AA. All community development loans were granted to organizations that provide various types of community services to individuals and families. The majority of the revenues are derived from Medicaid programs. All qualifying investments assist in providing affordable mortgages to LMI individuals (i.e., mortgage-backed securities). SNB, through its officers and other personnel, have provided an adequate level of community development services during the evaluation period.

SNB has demonstrated adequate responsiveness to the needs of its New York AA and Nassau-Suffolk AA through a high level of loans to non-profit organizations that provide vital community services, such as assisted living facilities to LMI individuals. SNB has responded to the need for affordable mortgage loans for LMI individuals by purchasing an adequate level of mortgage-backed securities (MBS) comprised of mortgage loans to LMI individuals within both the bank’s AA. Further, SNB has responded to the need for economic development by sponsoring numerous seminars for small business owners and providing technical assistance to organizations that provide essential services to LMI individuals.

However, the bank does not utilize innovative or complex qualified investments, community development loans, or community development services.

## Qualified Investments

SNB provides an adequate level of qualified investments. During the evaluation period, qualified investments totaled \$7.6 million as compared to nearly \$21 million at the previous examination. Two certificates of deposits with community development financial institutions (CDFI) totaling \$200 thousand remain outstanding since the prior examination. All other qualified investments were sold since the prior examination and new investments were not purchased. All of the qualified investments directly benefit the bank's AA in varying degrees.

Approximately \$7.4 million of qualified investments were purchased during this evaluation period. None of the investments were considered innovative or complex. Below are examples of the bank's qualified investments:

- SNB purchased \$2.1 million in MBS that are supported by mortgages to LMI individuals and families within the Nassau-Suffolk AA.
- SNB invested \$5 million in a CRA Pool that were allocated within 7 investments. The CRA pool consisted of investments that funded development of affordable housing for LMI individuals. Occupancy in developed units would be limited to individuals earning no more than 60 percent of the area's median family income.
- SNB has two certificates of deposits from two CDFI totaling \$350 thousand of which \$200 thousand already existed. The CDFI organizations are certified organizations located within the New York AA and whose primary mission is to promote community development.

Other investments consist of qualifying contributions and donations to organizations engaged in affordable housing, economic development, or those serving the needs of LMI individuals. The total contributions and donations made by SNB during the evaluation period were \$240 thousand. Table 4 below summarizes the information:

**Table 4: Qualified Investment Activity (\$000s)**

	Benefits AA	Outside AA	Totals
<b>Originated Investments</b>	\$7,128	0	\$7,128
<b>Originated Grants</b>	\$240	0	\$240
<b>Prior-Period Investments that Remain Outstanding</b>	\$200	0	\$200
<b>Total Qualified Investments</b>	\$7,568	0	\$7,568

As depicted in Table 5 below, total qualified investments to average Tier 1 capital declined since the last evaluation period from 16.3 percent to 4.06 percent due to an increase in average Tier 1 capital of \$57.6 million and a decline in qualified investments of \$13.5 million. Total qualified investments to average net income decreased from 91.8 percent during the last evaluation period to 51.27 percent due to a decline in total investments of \$13.5 million.



**Table 5: Qualified Investment Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total Investments/Average Tier 1 Capital</b>	4.06	0	4.06
<b>Total Investments/Average Net Income</b>	51.27	0	51.27

## Community Development Lending

The bank renewed and originated a high level of community development loans during the evaluation period. The bank originated and renewed a total of 19 loans totaling \$70.9 million that qualified under the community development definition in the CRA regulation (12 CFR 25) compared to \$33.7 million during the prior evaluation period. Based on a sample of eight borrowers and sixteen obligations, all loans originated during this evaluation period benefit the bank's assessment area. All community development loans directly benefit the bank's assessment area. None of the loans sampled were considered innovative or complex in nature. Examples of the community development loans originated during the evaluation period include:

- \$8 million line of credit to a not-for-profit charitable membership association that manages and supports seven hospitals and nursing facilities within the bank's assessment area. In addition, SNB originated loans totaling more than \$36 million to members of the charitable association during the evaluation period.
- \$9 million line of credit to a not-for-profit organization that provides homes and families for abandoned, neglected, abused, and disabled children within the bank's assessment area.

**Table 6: Community Development Lending Percentages**

	<b>Benefits AA (%)</b>	<b>Outside AA (%)</b>	<b>Total (%)</b>
<b>Total CD Lending/Average Tier 1 Capital</b>	38.13%	0%	38.13%
<b>Total CD Lending/Average Net Income</b>	20.82%	0%	20.82%

As depicted in Table 6 above, total community development lending to average Tier 1 capital has increased from 26 percent during the prior evaluation period to 38.13 percent. In addition, total community development lending to average total income has decreased from 22.4 percent during the prior evaluation period to 20.82 percent. The decrease is attributed to the decline in average net income since the prior evaluation period.

## Community Development Services

SNB, through its officers and other bank employees, has provided a high level of community development services during the evaluation period. During the evaluation period, SNB provided 21 qualifying community services targeting LMI individuals and small business owners. Community services provided included sponsoring seminars to educate small business owners and providing technical assistance to organizations that serve LMI communities. The services provided address the community needs of the AA as indicated by our discussion with a community contact and our review of available community contact information.

Management involvement in community development services during the evaluation period included the following:

- Sponsoring multiple Small Business Administration (SBA) seminars to discuss the government funding programs and resources available to small business owners in the community benefitting the bank's AA. These events were held in both the Nassau-Suffolk AA and the New York AA.
- Serving as a Chairman on the Board of an organization whose mission is to provide support for children and families that need residential assistance. The organization has locations in both the Nassau-Suffolk AA and the New York AA.
- Providing technical assistance by acting as the Treasurer for an organization that is involved in various projects geared towards assisting LMI individuals.
- Providing technical assistance to the members of an organization providing after-school education and activities to LMI youth in the bank's AA. The individual speaks to members about banking and the importance of saving.
- Sponsoring an event for an organization whose mission is to educate city's at-risk women on the importance of early detection of Breast Cancer.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA):** A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area:** A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**CEBA:** Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.*]

**Census Tract (CT):** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD):** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Limited Purpose Institution:** An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

**Median Family Income (MFI):** The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the Central County or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Net Operating Income:** As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

**Pass-Through Receivables:** Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

**Total Assets:** Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

**Total Income:** From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

**Wholesale Institution:** An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.