

Small Bank Performance Evaluation

PUBLIC DISCLOSURE

April 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Sterling National Bank
Charter Number 15169**

**11206 E. 24 Highway
Sugar Creek, MO 64054-0508**

**Office of the Comptroller of the Currency
6700 Antioch Road, Suite 450
Merriam, Kansas 66204-1200**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Sterling National Bank prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of April 4, 1997. The OCC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory Record of Meeting Community Credit Needs."

Sterling National Bank's loans expressed as a percent of deposits continue to exceed peer levels. The bank's lending activity reflects a general level of responsiveness to the communities' primary credit needs. The assessment area includes the communities of Sugar Creek, Independence, Blue Springs and Raytown, Missouri. The geographic distribution of the bank's loans is reasonable. The bank's customer base represents a broad range of borrowers and businesses of different income and revenue levels.

The following table indicates the performance level of Sterling National Bank with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	STERLING NATIONAL BANK'S PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	×		
Lending in Assessment Areas		×	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		×	
Geographic Distribution of Loans		×	
Response to Complaints	Sterling National Bank has not received any complaints relating to its CRA performance.		

DESCRIPTION OF STERLING NATIONAL BANK

Sterling National Bank (Sterling NB) is a full service, \$117 million financial institution wholly-owned by Sterling Bancorp, Inc. The bank's main office is in Sugar Creek, Missouri. Branch offices are in Blue Springs and eastern Kansas City, Missouri. As of December 31, 1996, total loans represented 82% of total assets. Figure 1 shows the bank's loan portfolio mix:

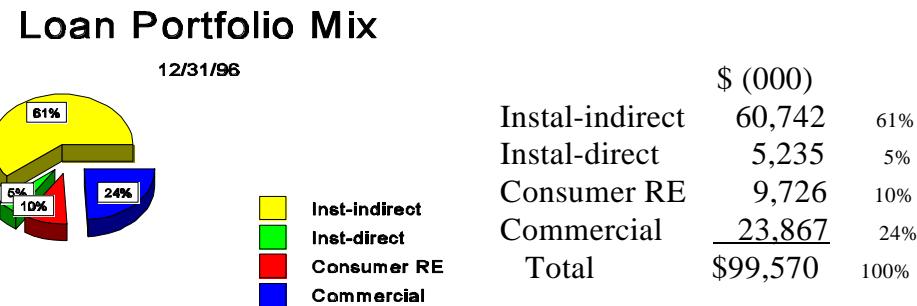


Figure 1

The financial condition of the bank is sound. Several area financial institutions provide strong competition. No legal impediments or other factors hinder the bank's ability to serve its community's credit needs. Our agency last evaluated Sterling NB's CRA performance November 30, 1993 and assigned a rating of "Satisfactory Record of Meeting Community Credit Needs."

DESCRIPTION OF STERLING NATIONAL BANK'S ASSESSMENT AREA

Sterling NB's assessment area (AA) consists of the following geographic boundaries: the east and south Jackson County lines, the Missouri river to the north, and I-435 to the west. The local economy is stable with a 4% unemployment rate. Principal industries include manufacturing, retail trades and services and government establishments. The population of the AA is about 333 thousand. Based on updated 1990 census data, the 1996 county median family income level is \$47,700. The income characteristics of the census tracts are as follows: 3% low-income, 11% moderate-income, 71% middle-income, and 15% upper income. About 7% of the households are below the poverty level with 4% receiving public assistance.

Community demographic information shows affordable housing, residential construction loans, and small business loans as the communities' primary credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

Sterling NB's loan-to-deposit ratio represents a significant portion of the bank's deposit base. See Figure 2. The bank's average loan-to-deposit ratio of 81% exceeds peers' average of 69% for the eight quarters between January 31, 1995 to December 31, 1996.

Loan to Deposit Trends

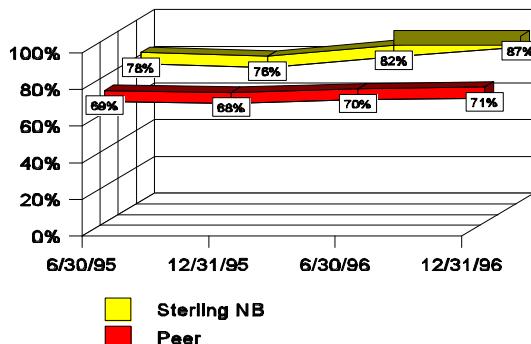


Figure 2

Comparison of Credit Extended Inside and Outside of the Assessment Area

Sterling NB's August 1996 geographic distribution analysis shows approximately 71% by dollar and 59% by number of the bank's direct loans within the assessment area. We agreed with the bank's analysis based upon our review of the 1995 and 1996 Home Mortgage Loan Application Registers (HMDA-LAR).

Distribution of Credit within the Assessment Area by Geography

Sterling NB's geographic distribution of loans originated within the assessment area is reasonable. Our review of the bank's 1995 and 1996 HMDA-LARs showed the following distribution.

Geographic Distribution of 1995 and 1996 Residential Real Estate Loans Originated within the Bank's AA

Income Characteristics of AA census Tracts	% of Census Tracts at each income level	# of Loans	% of Sample Loans at each income level
Low	3%	2	1%
Moderate	11%	31	20%
Middle	71%	101	67%
Upper	15%	18	12%
Total	100%	152	100%

Note: The HUD estimated 1996 median family income is \$47,700.

Distribution of Credit within the Assessment Area by Borrower Income

Sterling NB's customer base represents a broad range of borrowers and businesses of different income and revenue levels. Approximately, 44% of the commercial loans reviewed were to businesses with annual gross revenues of \$1 million or less and 39% of the consumer loans reviewed were to individuals within the low- and moderate-income range. The tables below show the income distribution of the loans included in our sample:

Income Distribution of Sample Business Loans

Annual Gross Revenue Levels	# of Sample Loans	% of Sample Loans at each Level
less than \$100,000	2	8%
\$100,000 - \$249,999	1	4%
\$250,000 - \$499,999	2	8%
\$500,000 - \$999,999	6	24%
\$1,000,000 and greater	14	56%
Total	25	100%

Note: Approximately 92% of the bank's business customer base by number represents 57% of the commercial loans outstanding. The average loan size for this group of borrowers is \$55 thousand. The remaining 8% represents 43% of the commercial loans outstanding. The average loan size for this group of borrowers is \$952 thousand.

Income Distribution of Sample Consumer Loans

Borrower Income Levels	% of Families in AA at each Income Level	# of Sample Loans	% of Sample Loans at each Income Level
Low	16%	30	18%
Moderate	19%	34	21%
Middle	28%	38	23%
Upper	37%	62	38%
Total	100%	164	100%

Note: The HUD estimated 1996 median family income is \$47,700.

Response to Complaints

Sterling NB has not received any complaints relating to its CRA performance.

Compliance with Antidiscrimination laws and regulations

Sterling NB's level of compliance with antidiscrimination laws and regulations is good. Our fair lending review found no evidence of disparate treatment.