

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 meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the financial 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 Community Reinvestment Act (CRA) performance of **Sterling Bank** prepared by the **Federal Reserve Bank of Philadelphia**, as of **July 21, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR part 228.

DISCUSSION OF INSTITUTION'S PERFORMANCE

SCOPE OF EXAMINATION:

The scope of the examination consisted of an assessment of Sterling Bank's (SB) lending performance since the previous examination conducted by the Federal Deposit Insurance Corporation (FDIC) as of June 29, 1994. An evaluation of the bank's lending activity is based upon analyses of SB's 1996 and 1995 Home Mortgage Disclosure Act Loan Application Registers (HMDA LAR's) and consumer and commercial loan activity during the six months ended June 30, 1997. The examination also included an evaluation of the institution's compliance with anti-discrimination laws and regulations. In addition, interviews were conducted with representatives of the Burlington County Department of Economic Development in an effort to better understand the credit needs of the bank's assessment area (AA) as delineated for purposes of CRA. The evaluation was based solely on those activities and initiatives which occurred during the period between examinations.

INSTITUTION'S RATING:

SATISFACTORY

SB maintains a reasonable level of loans relative to the nature of its deposit base and a majority of its loans were made in the AA. The distribution of the loans reflects a reasonable penetration to borrowers of different income levels and to businesses of different sizes in context of AA demographics. However, notwithstanding the bank's participation in existing community development initiatives, its geographic distribution of loans reflected less than a reasonable dispersion within the one low- and two moderate- income geographies of the AA.

DESCRIPTION OF INSTITUTION:

SB, which commenced operations in December of 1990, maintains two full service banking offices. The bank's main office is located in Mount Laurel, New Jersey, and a branch office, which opened in September 1996, is located in Cherry Hill, New Jersey. SB is also a member of the Money Access Card System (MAC) and operates two automated teller machines (ATM's); one at each of its offices. The bank reported total assets of \$75.3 million at March 31, 1997.

Substantial competition exists among financial institutions within SB's AA, which is part of the Philadelphia Metropolitan Statistical Area (MSA). SB's competitors include local community institutions and large super-regional banks as well. SB's management views the bank as a locally controlled community bank offering prompt and customized financial services to individuals and small- and medium-size businesses. Loan and deposit products offered by the bank to consumers and businesses include the following:

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF INSTITUTION (continued):

<u>Sterling Bank</u>	
<u>Loan Products</u>	<u>Deposit Products</u>
Installment Loans	Checking Accounts
Automobile Loans	Savings Accounts
Home Equity Loans	Business Accounts
Home Equity Lines of Credit	Certificates of Deposit
Credit Cards (through agent bank)	Money Market Deposit Accounts
Residential Mortgages	Club Accounts
Small Business Loans	Individual Retirement Accounts
Commercial Loans	

SB's loan mix at March 31, 1997 is indicative of a commercial lending orientation. Combined, commercial & industrial loans and nonfarm/nonresidential mortgage loans represented 54% of total loans outstanding.

In reality, commercial purpose loans account for an even greater percentage of the bank's loan portfolio in that a considerable portion of loans secured by residential real estate have been extended for commercial purposes. Overall, loans secured by residential real estate accounted for 34% of total loans outstanding, while the balance of the portfolio consisted essentially of non-mortgage consumer purpose loans. Notwithstanding SB's commercial lending orientation, the bank received 127 applications for home mortgage credit during 1996, which resulted in 85 loan originations in an aggregate amount of \$8.6 million. Correspondingly, the bank received 58 mortgage applications in 1995, thereby originating 44 loans in an aggregate amount of \$4.9 million. Additional details of SB's loan mix over the past three years is presented under **Loan- To- Deposit Ratio**.

DESCRIPTION OF ASSESSMENT AREA /STERLING BANK

[Note: Median family incomes and all other demographic indices and statistics, presented throughout this evaluation are based on 1990 U.S. census data, unless otherwise noted.]

Census Tracts

SB has designated its AA as 71 census tracts, the majority of which are located in Burlington County, New Jersey and are contained within Mount Laurel, Medford, Mount Holly, Westhampton, Willingboro, Hainesport, Lumberton, Evesham, and parts of Delran and Cinnaminson Townships. Additionally, the AA includes a portion of Cherry Hill Township in Camden County.

The majority of tracts within the AA are designated as upper-income, based on 1990 Census data, while only one tract, located in Mount Holly, is designated as low-income. The following table details the AA by census tract and the population of the AA by census tract designation.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA /STERLING BANK (continued)

Census Tracts (continued)

Sterling Bank Assessment Area Census Tracts and Population				
Census Tract Type	Number	Percent of Total	Population	Percent of Total
Low	1	1	2,360	1
Moderate	2	3	3,944	1
Middle	25	35	86,129	28
Upper	43	61	218,061	70
AA Totals	71	100%	310,494	100%

Source: Federal Reserve System Board of Governors' Community Lending Analysis System, (CLAS). The CLAS system reflects 1990 census data. Other tables and charts presented throughout this evaluation have been derived from the CLAS system unless other wise noted.

Income and Housing

The table below presents respective median incomes, housing values, and home ownership rates for the AA, MSA, and state.

Sterling Bank Assessment Area Demographic Comparison			
	Assessment Area:	MSA:	New Jersey
Median Family Income:	\$ 55,106	\$41,908	\$ 47,589
Median Housing Value:	\$137,915	\$99,212	\$161,219
%Owner-Occupied Housing Units	75%	65%	59%

The next table categorizes households and families within the AA by both census tract (geography) type and income type.

Assessment Area- Distribution of Households and Families by Geography and Income								
	NUMBER OF HOUSEHOLDS BY GEOGRAPHY TYPE	%	NUMBER OF HOUSEHOLDS BY INCOME TYPE	%	NUMBER OF FAMILIES BY GEOGRAPHY TYPE	%	NUMBER OF FAMILIES BY INCOME TYPE	%
LOW	839	1	12,209	11	618	1	7,161	8
MOD	1,395	1	12,572	11	943	1	10,134	12
MIDDLE	31,704	29	20,928	19	22,986	27	19,055	23

Assessment Area- Distribution of Households and Families by Geography and Income

UPPER	76,521	69	64,750	59	60,169	71	48,366	57
TOTAL:	110,459	100%	110,459	100%	84,716	100%	84,716	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

DESCRIPTION OF ASSESSMENT AREA /STERLING BANK (continued)

Income and Housing (continued)

Of the AA's 110,459 households, 77% are comprised of families. As shown in the first table, the AA's median family income is well above the MSA and state medians. Moreover, the second table indicates that only 2% of the households and 2% of the families within the AA reside within its three geographies that are designated as either low- or moderate-income. Notwithstanding the overall affluence reflected by such measures, 22% of the AA's households and 20% of its families are designated as low- and moderate-income, with 95% of all low- and moderate-income families residing in either middle- or upper-income geographies.

Local Economy

Overall economic growth within the nine-county MSA during 1996 was less than that of the tri-state region as a whole. Nevertheless, growth within the MSA was more evenly distributed between the city of Philadelphia and the suburbs than it has been in the recent past. The city experienced its first net gain in jobs in nearly ten years, with strong gains in hotel and lodging activities and business support services, including computer support, temporary help, and advertising. Ongoing job growth in the MSA during 1997 depends significantly upon whether or not the current number of city jobs can be maintained or possibly increased.

The economy of the AA, which is part of the MSA economy, is relatively diverse and includes numerous service, wholesale trade, and manufacturing entities. Nearly 80% of the AA's total population is aged 16 years or older, while the AA's labor force is comprised of 71% of this population segment. This percentage is somewhat higher than comparable measures for the MSA and state, which are 65% and 67%, respectively. Applicable labor summary statistics for the AA, MSA, and state from the 1990 census are presented as follows.

LABOR SUMMARY STATISTICS COMPARISON OF THE AA/MSA/STATE OF PENNSYLVANIA							
	Population			Labor Force		Unemployed	
	Number	Number Persons 16 or Older	Percent of Total	Number	Percent of Persons 16 or older	Number	Percent
ASSESSMENT AREA	310,494	244,193	79%	173,482	71%	6,363	3.7%
MSA	4,922,175	3,848,368	78%	2,502,642	65%	143,214	5.7%
STATE	7,730,188	6,129,923	79%	4,128,789	67%	235,795	5.7%

LOAN-TO-DEPOSIT RATIO:

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. Essentially, the ratio is a measure of an institution's lending volume relative to its capacity to lend.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LOAN-TO-DEPOSIT RATIO (continued):

Although SB's quarterly loan-to-deposit ratios during 1996 and the first half of 1997 are considerably below quarterly ratios exhibited during 1994 and the first half of 1995, the bank's overall level of lending is deemed reasonable for purposes of CRA. Such assessment has been assigned in context of the bank's size and limited period of existence and the substantial degree of competition among financial institutions within the MSA and AA.

The following table depicts the institution's quarterly loan-to-deposit ratios subsequent to the previous CRA examination, which was conducted by the FDIC as of June 29, 1994. An average quarterly loan-to-deposit ratio is also presented, which is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters shown.

Sterling Bank's Historical Loan-to-Deposit Ratio				
As of	Net Loans (thousands)	Total Deposits (thousands)	Ratio%	Peer Ratio%¹
6/30/94	29,420	43,966	66.9	63.1
9/30/94	28,504	43,503	65.5	64.6
12/30/94	31,146	44,713	69.7	64.9
3/31/95	31,303	43,162	72.5	64.4
6/30/95	32,188	51,557	62.4	66.4
9/30/95	33,353	55,391	60.2	66.1
12/31/95	33,432	58,421	57.2	65.7
3/31/96	35,693	57,797	61.8	66.4
6/30/96	36,579	62,629	58.4	67.9
9/30/96	37,461	63,033	59.4	68.3
12/31/96	38,497	70,132	54.9	68.6
3/31/97	38,118	69,037	55.2	67.3
Loan to Deposit Ratio Average For The Past Twelve Quarters			62.0%	66.3%

Source: The Uniform Bank Performance Reports prepared by the Federal Deposit Insurance Corporation (FDIC) for use by federal regulators.

The next table depicts the bank's yearly loan-to-deposit ratios and growth rates in assets, loans, and deposits since year-end 1994 and a comparison of same to national peer averages.

¹SB's national peer group consists of all commercial banks having assets between \$50 and \$100 million with two or less banking offices, and located in a metropolitan area.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LOAN-TO-DEPOSIT RATIO (continued):

	12/31/96	Peer	12/31/95	Peer	12/31/94	Peer
Loan to Deposit	54.9%	68.5%	57.2%	65.6%	69.7%	64.9%
Asset Growth	18.7%	9.4%	26.7%	10.2%	7.2%	4.5%
Net Loan Growth	15.2%	14.8%	7.3%	10.6%	8.3%	9.8%
Deposit Growth	20.0%	N/A	30.1%	N/A	11.4%	N/A

Source: Uniform Bank performance Report prepared by the FDIC for use by federal regulators.

Quarterly loan to deposit ratios have been consistently below corresponding national peer averages since June 30, 1995. Moreover, quarterly ratios have been consistently less than 60% since mid-year 1996. Comparatively lower loan-to-deposit ratios are primarily reflective of total deposits increasing more rapidly than total loans during both 1995 and 1996. Additionally, SB substantially increased its holdings of investment securities during these years, most notably, U.S. Treasury and Agency obligations.

SB's expanded deposit base is primarily attributed to its improved market visibility. Such visibility has been facilitated through the completion of a permanent banking facility (i.e., main office), which opened September, 1995. Prior to this time, since its inception in 1990, the bank had conducted operations from a temporary office located in a trailer. The deposit base was also augmented through the opening of the bank's branch office in Cherry Hill, New Jersey during the fourth quarter of 1996. Total deposits grew by 20% throughout 1996, with the Cherry Hill office generating \$2.8 million in new deposits during the fourth quarter of 1996 alone.

Although loan growth has not kept pace with the accelerated deposit surge, this is not deemed unreasonable in view of the keenly competitive financial services market in which SB operates. Approximately 127 bank's and thrifts, with 1,586 branches are present within the MSA. Ongoing, SB's management anticipates increased market share via community oriented lending activities and a diversified product line. The following table presents the bank's loan mix since year-end 1994, reflecting a profile oriented towards commercial and real estate lending.

Loan Type	03/31/97	%	12/31/96	%	12/31/95	%	12/31/94	%
Real Estate	25,835	67	25,548	65	21,725	64	19,572	61
Commercial	8,229	21	8,846	23	6,684	20	6,771	21
Consumer Loans	4,737	12	4,810	12	5,318	16	4,711	15
Agricultural	0	0	0	0	0	0	350	1
Other	56	1	36	1	438	1	758	2
Total	38,857	100%	39,240	100%	34,165	100%	32,162	100%

Source: Uniform Bank Performance Report data prepared by the FDIC for use by federal regulators.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING IN ASSESSMENT AREA:

The criterion of this performance category evaluates an institution's lending in and out of its AA. In terms of number, a majority of loans, originated by SB, are extended to borrowers within its AA. Thus, the bank's level of lending within its AA meets the standards of satisfactory performance under CRA.

This assessment is based primarily on an analysis of all commercial and consumer loans originated by the bank during the six months ended June 30, 1997. Additionally, all of SB's home mortgage loan originations, as reported in its 1996 HMD ALAR, were reviewed and analyzed to determine the bank's lending presence within its AA.

Presented below, is a summary of the bank's loans (in terms of number) originated inside and outside of its AA during the first half of 1997.

Commercial Loans - January - June 1997		
	NUMBER OF LOANS	PERCENTAGE
INSIDE ASSESSMENT AREA	49	56
OUTSIDE ASSESSMENT AREA	21	24
UNKNOWN	17	20
TOTAL	87	100%

Consumer Loans - January - June 1997		
	Number of Loans	Percentage
INSIDE ASSESSMENT AREA	52	70
OUTSIDE ASSESSMENT AREA	19	26
UNKNOWN	3	4
TOTAL	74	100%

Additionally, a summary of 1996 home mortgage lending within and outside of its AA is presented as follows:

	NUMBER	%	DOLLARS	%
TOTAL LOANS ORIGINATED	85	100	\$8,584	100
WITHIN AA (i.e., Loans originated to finance residential dwellings located inside the AA)	54	64	\$5,633	66
OUTSIDE AA	31	36%	\$2,951	34%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

This assessment category examines a bank's distribution of loans extended within its AA to borrowers of differing incomes and businesses of different sizes, with a focus on low- and moderate-income borrowers and small businesses. For purposes of assessing performance under this category, a greater weight has been placed on business size, rather than borrower income, in view of SB's commercial lending orientation.

Business size has been measured via an evaluation of lending penetration among small businesses. For purposes of this evaluation, a loan to a small business is defined pursuant to the instructions for preparation of the Consolidated Reports of Condition and Income as filed for regulatory and supervisory purposes. Borrowers of differing incomes have been defined by their income relative to the MSA median family income for 1996.

Businesses of Different Sizes:

Based on the Consolidated Reports of Condition and Income prepared and filed by SB as of June 30, 1995, and June 30, 1996, small business loans (inclusive of loans secured by non-farm/non-residential real estate and commercial and industrial loans) are detailed as follows:

<u>Loans to Small Businesses</u>								
Loans Secured by Nonfarm Nonresidential Properties								
	<u>Number</u>		<u>Percent</u>		<u>Amount</u>		<u>Percent</u>	
	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	<u>1996</u>
With original amounts of \$100,000 or less	13	18	27%	37%	\$635	\$1,041	6%	10%
With original amounts of more than \$100,000 through \$250,000	16	12	33%	24%	\$2,390	\$2,126	21%	20%
With original amounts of more than \$250,000 through \$1,000,000	19	19	40%	39%	\$8,146	\$7,571	73%	70%
Total	48	49	100%	100%	\$11,171	\$10,738	100%	100%

Source: Uniform Bank Performance Report prepared by the FDIC for use by federal regulators.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Businesses of Different Sizes (continued):

Loans to Small Business Commercial and Industrial Loans								
	Number		Percent		Amount		Percent	
	1995	1996	1995	1996	1995	1996	1995	1996
With original amounts of \$100,000 or less	86	85	82%	80%	\$2,105	\$2,200	33%	31%
With original amounts of more than \$100,000 through \$250,000	11	12	10%	11%	\$1,234	\$1,411	19%	20%
With original amounts of more than \$250,000 through \$1,000,000	8	9	8%	9%	\$3,112	\$3,441	48%	49%
Total	105	106	100%	100%	\$6,451	\$7,052	100%	100%

Source: Uniform Bank Performance Report prepared by the FDIC for use by federal regulators.

In terms of dollar outstandings, the bulk of commercial and industrial loans and loans secured by nonfarm/nonresidential properties, outstanding at both June 30, 1996 and June 30, 1995 were categorized as small business loans (i.e. originated in an amount of \$1,000,000 or less). In terms of number, loans originated in an amount of \$100,000 or less represent the largest component of loans extended to small businesses (i.e. combined commercial and industrial loans and loans secured by nonfarm/nonresidential real estate originated in amounts of \$1,000,000 or less) outstanding at mid-year 1995 and 1996. Such lending profile evidences an affirmative response to small business credit needs.

Borrowers of Different Incomes

SB received 127 applications for home mortgages during 1996 and originated 54 loans to finance residential dwellings located in its AA in an aggregate amount of \$5.6 million. Home mortgage origination volume for 1995 was somewhat lower. The bank received 58 mortgage applications during 1995, originating 24 mortgage loans to finance dwellings in the present AA in an aggregate amount of \$2.2 million. Total home mortgage credit originated within the AA for 1996 and 1995 is summarized by loan type as follows.

	1996 HMDA DATA Total Loan Originations			
	Number	%	Amount	%
PURCHASES	19	35	\$2,916	52
REFINANCES	21	39	\$2,256	40
HOME IMPROVEMENT	14	26	\$461	8
TOTAL LOANS	54	100%	\$5,633	100%

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Borrowers of Different Incomes (continued)

	1995 HMDA DATA Total Loan Originations			
	Number	%	Amount	%
PURCHASES	19	35	\$2,916	52
REFINANCES	21	39	\$2,256	40
HOME IMPROVEMENT	14	26	\$461	8
TOTAL LOANS	54	100%	\$ 5,633	100%

As noted under **Description of Assessment Area/Sterling Bank**, median family incomes of the AA and MSA, based on 1990 U.S. Census data, are \$55,106 and \$41,908 respectively. The 1996 and 1995 adjusted median family incomes for the MSA, as estimated by the U.S. Department of Housing and Urban Development (HUD), are \$49,300 and \$47,100, respectively, which result in the following income categories:

Year	Median Family Income	Low Income (<50%)	Moderate Income (50%-79%)	Middle Income (80%-119%)	Upper Income (120% or Greater)
1996	\$49,300	Less than \$24,650	\$24,650-\$39,439	\$ 39,440-59,159	\$59,160 or more
1995	\$47,100	Less than \$23,550	\$ 23,550-37,671	\$ 37,680-\$56,519	\$56,520 or more

Accordingly, SB's profile of borrowers within the AA, based upon a distribution analysis of home mortgage loans originated during 1996 and 1995 and a comparison of same with applicable demographics, is presented as follows.

Borrower Income Distribution						
Borrower Income Category	*Families Within Income Categories		Loans Originated 1996 (Based on 1996 adjusted median income)		Loans Originated 1995 (Based on 1995 adjusted median income)	
	Number	Percent	Number	Percent	Number	Percent
Low- and Moderate	17,295	20	6	11	3	13
Middle	19,055	23	16	30	8	33
Upper	48,366	57	32	59	13	54
Total Families	84,716	100%	54	100%	24	100%

*Number of families based on 1990 census data.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES (continued)

Borrowers of Different Incomes (continued)

The foregoing profile indicates that SB has originated home mortgage credit to each demographic segment of its AA, with a substantial majority of credit originated among middle- and upper-income borrowers. Such concentration of credit is not deemed unreasonable for purposes of CRA in context of the AA's generally affluent nature. Although SB's lending penetration among its AA's low- and moderate-income segment during both 1996 and 1995 appears somewhat limited in comparison to the corresponding demographic measure, the limited penetration is tempered by the relatively higher cost of housing within the AA. As noted under **Description of Assessment Area/Sterling Bank**, the AA's median housing value is \$137,915, nearly 40% above the MSA median of \$99,212. Thus, it is likely that a substantial number of low- and moderate-income families, currently living within the AA, cannot meet home mortgage underwriting requirements, including those for mortgages offered via affordable housing programs specifically targeted at low- and moderate-income individuals and families.

Higher housing costs within the AA and their limiting impact upon overall lending penetration among low- and moderate-income families warrants even greater consideration in view of the fact that 95% of all low- and moderate-income families within the AA reside in middle- and upper-income geographies. In that low- and moderate-income families account for 20% of all families, while low- and moderate-income households represent 23% of the AA's total households, and 25% of the AA's total housing units are non-owner occupied; it seems reasonable to conclude that most of the AA's low- and moderate-income segment are renters. Moreover, the relatively high cost of renting encountered by a substantial percentage of the AA's renters suggests that many are unable to accumulate the down payment necessary to purchase a home. Nearly 40% of the AA's 23,106 rental households pay rents that exceed more than 30% of their gross annual income.

Finally, in assessing SB's performance under this category, consideration has been given to its \$500,000 loan participation in a \$3.3 million extension of credit to the Moorestown Ecumenical Neighborhood Development (MEND) organization. MEND, a local housing organization formed in 1969, facilitates the availability of housing for low- and moderate-income individuals and families. SB funded its participation earlier this year. The purpose of the \$3.3 million credit extension is to provide for 96 affordable housing units throughout Moorestown, New Jersey.

GEOGRAPHIC DISTRIBUTION OF LOANS:

The geographic distribution of loans measures an institution's lending presence in low-, moderate-, middle-, and upper-income geographies within its AA. For purposes of this evaluation, the geographic distribution of SB's commercial and consumer lending activities during the six months ended June 30, 1997 was primarily utilized to make an assessment. Additionally, the assessment is supported by a distribution analysis of all home mortgage loans originated during 1996, as reflected in the bank's 1996 HMDA LAR.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued):

Accordingly, the geographic distribution of commercial and consumer lending activities during the first half of 1997 and home mortgage lending activities during 1996 is reflective of a poor dispersion throughout the AA with no lending presence at all in low- and moderate-income geographies.

The following table details, by geography type, all commercial and consumer loans originated during the six months ended June 30, 1997.

LENDING PROFILE BY CENSUS TRACT						
Geography Type	January - June 1997 Consumer Loans		January - June 1997 Commercial Loans		TOTAL	
	Number	Percent	Number	Percent	Number	Percent
LOW/MODERATE	0	0	0	0	0	0
MIDDLE	17	33	3	6	20	20
UPPER	35	67	46	94	81	80
TOTAL	52	100%	49	100%	101	100%

The next table details, by geography type, all home mortgage loans originated during 1996, comparing same to applicable demographics.

Geographic Distribution of /1996 (Real Estate Loans)						
AA By Geography Type			1996		AA Population distribution by Geography Type	
(# of tracts in SB's AA, % of AA)			Number of Loans	Percent	Number	Percent
Low/Moderate Income	3	4	0	0	6,304	2
Middle Income	25	35	9	16	86,129	28
Upper Income	43	61	45	84	218,061	70
Total s	71	100%	54	100%	310,494	100%

As noted under **Description of Assessment Area/Sterling Bank**, the AA is relatively affluent with only one low-income geography and two moderate-income geographies. Moreover, only 2% of the total AA population reside in such geographies. Although a lending distribution significantly skewed to upper-income geographies is not unreasonable in context of AA demographics, SB has not penetrated any of the three low- and moderate-income geographies with respect to mortgage lending throughout 1996, and consumer and commercial lending activities during the first half of 1997.

DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

GEOGRAPHIC DISTRIBUTION OF LOANS (continued):

In arriving at a less than satisfactory assessment under this performance category, consideration has been given to the bank's smaller size, its somewhat limited volume of home mortgage credit originations, the limited period of existence of its two offices and the overall accessibility to such facilities by residents of the AA's low- and moderate-income geographies. Nevertheless, the absence of a lending presence in the AA's low- and moderate-income geographies not only presents a clear void, for purposes of CRA; but also suggests the existence of additional lending opportunities in such geographies.

RESPONSE TO COMPLAINTS:

During the period between examinations, SB has not received any complaints regarding its CRA performance. According to the bank's Consumer Complaints Policy, SB's compliance officer is designated to receive and handle all consumer complaints. In addition, SB has assigned another individual to act as a contact person to address any related complaints received by the bank in the event the compliance officer is out of the bank. SB's written procedures to handle consumer complaints, and the priority assigned to same by its management, are deemed adequate to satisfy the requirements of CRA.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS:

SB generally solicits credit applications from all segments of its assessment area, including low- and moderate-income communities. Management has established adequate consumer and commercial loan policies and lending practices that enunciates a commitment by the bank to evaluate and approve loans without regard to any prohibited basis. A review of credit policies did not indicate any evidence of prohibited discriminatory practices, including pre-screening or the discouragement of applicants for the types of credit described in the most recent CRA statement. Additionally, a fair lending assessment was performed as part of the examination and it was determined that there was no evidence of any discriminatory lending practices by the bank on any prohibited basis.