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IN THE MARKETS

edited by Erik Ipsen

In a downright gloomy economy, Sterling Bancorp shines brighter

Since the financial crisis broke last year, bank shares have been among the biggest losers, with most of them shedding more than half of their value.

Not Sterling Bancorp. So far this year, its stock has sustained a relatively modest 13% fall. Investors should take note and stock up.

The Manhattan-based bank, which has been around since 1929, not only has survived, it has actually managed to grow its earnings when just about every other bank has posted losses. No wonder Sterling's dividend, which has been paid without interruption for 62 years, looks rock-solid.

The bank specializes in lending to small and midsize businesses in the New York area. It struggled during the credit-bubble years; its earnings declined in three of the past four years because it balked at lending aggressively. But now the market has turned Sterling's way big-time.

Like many banks, it has seen its net interest income jump as repeated interest rate cuts lower its funding costs, while the wild retreat of most of its competitors has allowed Sterling to charge borrowers higher rates. Loans held in its portfolio grew 8.7% in the third quarter. Less competition has allowed Sterling to ramp up fees on companies that are late with payments or require other services—a development that helped the bank boost non-interest income by 8.4% in the third quarter.

Next year, earnings are expected to grow by 6%, to 94 cents a share.

—AARON ELSTEIN