

STERLING BANCORP  
Form 10-Q  
August 06, 2010

---

---

**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-5273-1

**Sterling Bancorp**

---

(Exact name of registrant as specified in its charter)

New York

13-2565216

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification)

650 Fifth Avenue, New York, N.Y.

10019-6108

(Address of principal executive offices)

(Zip Code)

212-757-3300

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports),

Edgar Filing: STERLING BANCORP - Form 10-Q

and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(17 CFR § 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

As of July 31, 2010 there were 26,840,763 shares of common stock,  
\$1.00 par value, outstanding.

---

---

	<u>Page</u>
<b>PART I FINANCIAL INFORMATION</b>	
<b>Item 1.</b>	<b>Financial Statements</b>
	<u>Consolidated Financial Statements (Unaudited)</u> 3
	<u>Notes to Consolidated Financial Statements</u> 8
<b>Item 2.</b>	<b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>
	<u>Overview</u> 30
	<u>Recent Legislation Impacting The Financial Services Industry</u> 31
	<u>Income Statement Analysis</u> 32
	<u>Balance Sheet Analysis</u> 37
	<u>Capital</u> 44
	<u>Recently Issued Accounting Pronouncements</u> 45
	<u>Cautionary Statement Regarding Forward-Looking Statements</u> 45
	<u>Average Balance Sheets</u> 46
	<u>Rate/Volume Analysis</u> 48
	<u>Regulatory Capital and Ratios</u> 50
<b>Item 3.</b>	<b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>
	<u>Asset/Liability Management</u> 51
	<u>Interest Rate Sensitivity</u> 55
<b>Item 4.</b>	<b><u>Controls and Procedures</u></b>
	56
<b><u>PART II OTHER INFORMATION</u></b>	
<b>Item 6.</b>	<b><u>Exhibits</u></b>
	57
<b><u>SIGNATURES</u></b>	58
<b><u>EXHIBIT INDEX</u></b>	
Exhibit 11	Statement Re: Computation of Per Share Earnings 60
Exhibit 31.1	Certification of the CEO pursuant to Exchange Act Rule 13a-14(a) 61
Exhibit 31.2	Certification of the CFO pursuant to Exchange Act Rule 13a-14(a) 62
Exhibit 32.1	63

Edgar Filing: STERLING BANCORP - Form 10-Q

Certification of the CEO required by Section  
1350 of Chapter 63 of Title 18 of the U.S. Code

Exhibit 32.2

Certification of the CFO required by Section  
1350 of Chapter 63 of Title 18 of the U.S. Code

64

2

---

**STERLING BANCORP AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(Unaudited)  
(dollars in thousands)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and due from banks	\$ 32,511	\$ 24,911
Interest-bearing deposits with other banks	12,428	36,958
Securities available for sale (at estimated fair value; pledged: \$141,099 in 2010 and \$150,034 in 2009)	478,647	346,526
Securities held to maturity (pledged: \$187,515 in 2010 and \$278,598 in 2009) (estimated fair value: \$351,007 in 2010 and \$396,150 in 2009)	340,432	390,539
	<u>819,079</u>	<u>737,065</u>
<b>Total investment securities</b>	<b>819,079</b>	<b>737,065</b>
<b>Loans held for sale</b>	<b>41,053</b>	<b>33,889</b>
<b>Loans held in portfolio, net of unearned discounts</b>	<b>1,237,270</b>	<b>1,195,415</b>
<b>Less allowance for loan losses</b>	<b>20,512</b>	<b>19,872</b>
	<u>1,216,758</u>	<u>1,175,543</u>
<b>Loans, net</b>	<b>1,216,758</b>	<b>1,175,543</b>
<b>Federal Reserve and Federal Home Loan Bank stock, at cost</b>	<b>8,497</b>	<b>8,482</b>
<b>Customers' liability under acceptances</b>	<b>0</b>	<b>27</b>
<b>Goodwill</b>	<b>22,901</b>	<b>22,901</b>
<b>Premises and equipment, net</b>	<b>14,451</b>	<b>9,658</b>
<b>Other real estate</b>	<b>761</b>	<b>1,385</b>
<b>Accrued interest receivable</b>	<b>10,110</b>	<b>9,001</b>
<b>Cash surrender value of life insurance policies</b>	<b>50,166</b>	<b>49,009</b>
<b>Other assets</b>	<b>55,593</b>	<b>56,780</b>
	<u>\$ 2,284,308</u>	<u>\$ 2,165,609</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposits</b>		
Noninterest-bearing demand deposits	\$ 525,242	\$ 546,337
Savings, NOW and money market deposits	526,701	592,015
Time deposits	589,531	442,315
	<u>1,641,474</u>	<u>1,580,667</u>
<b>Total deposits</b>	<b>1,641,474</b>	<b>1,580,667</b>
<b>Securities sold under agreements to repurchase - customers</b>	<b>21,071</b>	<b>21,048</b>
<b>Securities sold under agreements to repurchase - dealers</b>	<b>39,893</b>	<b>0</b>
<b>Federal funds purchased</b>	<b>10,000</b>	<b>41,000</b>
<b>Commercial paper</b>	<b>11,061</b>	<b>17,297</b>

Edgar Filing: STERLING BANCORP - Form 10-Q

Short-term borrowings - FRB	0	50,000
Short-term borrowings - other	46,779	2,509
Long-term borrowings - FHLB	124,882	130,000
Long-term borrowings - subordinated debentures	25,774	25,774
	<u>279,460</u>	<u>287,628</u>
Acceptances outstanding	0	27
Accrued interest payable	1,622	1,291
Due to factored clients	77,918	82,401
Accrued expenses and other liabilities	54,559	51,645
	<u>2,055,033</u>	<u>2,003,659</u>
Shareholders' equity		
Preferred stock, Series A, \$5 par value; \$1,000 liquidation value. Authorized 644,389 shares; issued 42,000 shares, respectively	40,343	40,113
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 31,138,545 and 22,226,425 shares, respectively	31,139	22,227
Warrants to purchase common stock	2,615	2,615
Capital surplus	236,298	178,734
Retained earnings	16,048	15,828
Accumulated other comprehensive loss	(10,612)	(12,399)
Common shares in treasury at cost, 4,297,782 and 4,119,934 shares, respectively	(86,556)	(85,168)
	<u>229,275</u>	<u>161,950</u>
	<u>\$ 2,284,308</u>	<u>\$ 2,165,609</u>

See Notes to Consolidated Financial Statements.

**STERLING BANCORP AND SUBSIDIARIES**  
**Consolidated Statements of Income**  
(Unaudited)  
(dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>INTEREST INCOME</b>				
Loans	\$ 17,121	\$ 18,264	\$ 33,632	\$ 35,816
<b>Investment securities</b>				
Available for sale	3,377	4,159	6,330	9,629
Held to maturity	3,890	3,594	8,302	7,128
FRB and FHLB stock	63	177	184	196
Deposits with other banks	24	9	43	19
<b>Total interest income</b>	<b>24,475</b>	<b>26,203</b>	<b>48,491</b>	<b>52,788</b>
<b>INTEREST EXPENSE</b>				
<b>Deposits</b>				
Savings, NOW and money market	825	943	1,790	2,068
Time	1,637	2,049	3,312	4,215
Securities sold under agreements to repurchase - customers	65	88	126	203
Securities sold under agreements to repurchase - dealers	5	0	5	0
Federal funds purchased	19	7	23	41
Commercial paper	9	17	22	40
Short-term borrowings - FHLB	0	0	0	11
Short-term borrowings - FRB	0	126	9	225
Short-term borrowings - other	4	0	4	1
Long-term borrowings - FHLB	849	1,134	1,720	2,256
Long-term borrowings - subordinated debentures	524	524	1,047	1,047
<b>Total interest expense</b>	<b>3,937</b>	<b>4,888</b>	<b>8,058</b>	<b>10,107</b>
<b>Net interest income</b>	<b>20,538</b>	<b>21,315</b>	<b>40,433</b>	<b>42,681</b>
<b>Provision for loan losses</b>	<b>5,500</b>	<b>6,800</b>	<b>11,500</b>	<b>13,000</b>
<b>Net interest income after provision for loan losses</b>	<b>15,038</b>	<b>14,515</b>	<b>28,933</b>	<b>29,681</b>
<b>Total noninterest income</b>	<b>11,361</b>	<b>10,797</b>	<b>22,463</b>	<b>21,601</b>
<b>Total noninterest expenses</b>	<b>22,139</b>	<b>24,143</b>	<b>43,475</b>	<b>44,195</b>

Edgar Filing: STERLING BANCORP - Form 10-Q

	_____	_____	_____	_____
Income before income taxes	4,260	1,169	7,921	7,087
Provision for income taxes	1,278	394	2,376	2,700
	_____	_____	_____	_____
Net income	2,982	775	5,545	4,387
Dividends on preferred shares and accretion	644	637	1,280	1,479
	_____	_____	_____	_____
Net income available to common shareholders	\$ 2,338	\$ 138	\$ 4,265	\$ 2,908
	_____	_____	_____	_____

<b>Average number of common shares outstanding</b>				
Basic	25,752,172	18,106,491	22,479,292	18,103,014
Diluted	25,752,172	18,150,721	22,484,177	18,222,941

**Net income available to common shareholders, per average common share**

Basic	\$ 0.09	\$ 0.01	\$ 0.19	\$ 0.16
Diluted	0.09	0.01	0.19	0.16

Dividends per common share	0.09	0.19	0.18	0.38
----------------------------	------	------	------	------

*See Notes to Consolidated Financial Statements.*



**STERLING BANCORP AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(Unaudited)  
(dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Net Income</b>	<b>\$ 2,982</b>	<b>\$ 775</b>	<b>\$ 5,545</b>	<b>\$ 4,387</b>
<b>Other comprehensive income, net of tax:</b>				
<b>Unrealized gains on securities:</b>				
Unrealized holding gains on available for sale securities and other investments arising during the year	946	1,667	2,160	1,688
Reclassification adjustment for gains included in net income	(408)	(478)	(1,228)	(2,152)
<b>Reclassification adjustment for amortization of:</b>				
Prior service cost	9	9	18	18
Net actuarial losses	424	518	837	872
<b>Other comprehensive income</b>	<b>971</b>	<b>1,716</b>	<b>1,787</b>	<b>426</b>
<b>Comprehensive income</b>	<b>\$ 3,953</b>	<b>\$ 2,491</b>	<b>\$ 7,332</b>	<b>\$ 4,813</b>

*See Notes to Consolidated Financial Statements.*

**STERLING BANCORP AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Shareholders' Equity**  
(Unaudited)  
(dollars in thousands)

	Six Months Ended June 30,	
	2010	2009
<b>Preferred Stock</b>		
Balance at January 1,	\$ 40,113	\$ 39,440
Discount accretion	230	429
Balance at June 30,	<u>\$ 40,343</u>	<u>\$ 39,869</u>
<b>Common Stock</b>		
Balance at January 1,	\$ 22,227	\$ 22,203
Common shares issued	8,625	0
Restricted shares issued	84	0
Common shares issued under stock incentive plan	203	24
Balance at June 30,	<u>\$ 31,139</u>	<u>\$ 22,227</u>
<b>Warrants to Purchase Common Stock</b>		
Balance at January 1, and June 30,	<u>\$ 2,615</u>	<u>\$ 2,615</u>
<b>Capital Surplus</b>		
Balance at January 1,	\$ 178,734	\$ 178,417
Common shares issued	56,256	0
Restricted shares issued	(84)	0
Common shares issued under stock incentive plan and related tax benefits	1,274	185
Stock option compensation expense	118	66
Balance at June 30,	<u>\$ 236,298</u>	<u>\$ 178,668</u>
<b>Retained Earnings</b>		
Balance at January 1,	\$ 15,828	\$ 19,088
Net income	5,545	4,387
Cash dividends paid - preferred shares	(1,050)	(828)
Cash dividends paid - common shares	(4,045)	(6,875)
Discount accretion on series A preferred stock	(230)	(429)
Balance at June 30,	<u>\$ 16,048</u>	<u>\$ 15,343</u>

Edgar Filing: STERLING BANCORP - Form 10-Q

<b>Accumulated Other Comprehensive Loss</b>		
Balance at January 1,	\$ (12,399)	\$ (16,259)
Other comprehensive income, net of tax	1,787	426
	<u>          </u>	<u>          </u>
Balance at June 30,	\$ (10,612)	\$ (15,833)
	<u>          </u>	<u>          </u>
<b>Treasury Stock</b>		
Balance at January 1,	\$ (85,168)	\$ (85,024)
Surrender of shares issued under stock incentive plan	(1,388)	(144)
	<u>          </u>	<u>          </u>
Balance at June 30,	\$ (86,556)	\$ (85,168)
	<u>          </u>	<u>          </u>
<b>Total Shareholders' Equity</b>		
Balance at January 1,	\$ 161,950	\$ 160,480
Net changes during the period	67,325	(2,759)
	<u>          </u>	<u>          </u>
Balance at June 30,	\$ 229,275	\$ 157,721
	<u>          </u>	<u>          </u>

*See Notes to Consolidated Financial Statements.*

**STERLING BANCORP AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(Unaudited)  
(dollars in thousands)

	Six Months Ended June 30,	
	2010	2009
<b>Operating Activities</b>		
Net Income	\$ 5,545	\$ 4,387
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	11,500	13,000
Depreciation and amortization of premises and equipment	1,171	1,178
Securities gains	(2,248)	(3,939)
Income from life insurance policies, net	(357)	(682)
Deferred income tax benefit	(1,266)	(2,062)
Proceeds from sale of loans	199,807	305,687
Gains on sales of loans, net	(3,184)	(4,644)
Originations of loans held for sale	(204,690)	(335,026)
Amortization of premiums on securities	2,379	772
Accretion of discounts on securities	(350)	(648)
(Increase) Decrease in accrued interest receivable	(1,109)	1,408
Increase (Decrease) in accrued interest payable	331	(165)
(Decrease) Increase in due to factored clients	(4,483)	14,914
Increase (Decrease) in accrued expenses and other liabilities	4,421	(4,256)
Decrease (Increase) in other assets	50	(2,408)
Gain on other real estate owned	(28)	(20)
	<u>7,489</u>	<u>(12,504)</u>
<b>Investing Activities</b>		
Purchase of premises and equipment	(5,964)	(515)
Net decrease in interest-bearing deposits with other banks	24,530	8,337
Net (increase) decrease in loans held in portfolio	(31,161)	58,256
Net increase in short-term factored receivables	(20,726)	(25,252)
Decrease in other real estate	728	721
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	32,908	38,272
Purchases of securities - held to maturity	(49,591)	(64,878)
Proceeds from calls of securities - held to maturity	66,880	0
Proceeds from calls/sales of securities - available for sale	266,800	223,019
Proceeds from prepayments, redemptions or maturities of securities - available for sale	113,116	66,642
Purchases of securities - available for sale	(510,083)	(165,101)
Proceeds from redemptions or maturities of securities - FHLB & FRB stock	945	3,375
Purchases of securities - FHLB & FRB stock	(960)	(53)
Cash paid in acquisition	0	(21,333)
	<u>(112,578)</u>	<u>121,490</u>

<b>Financing Activities</b>		
Net decrease in noninterest-bearing demand deposits	(21,095)	(23,959)
Net decrease in savings, NOW and money market deposits	(65,314)	(31,930)
Net increase in time deposits	147,216	2,732
Net decrease in Federal funds purchased	(31,000)	(44,000)
Net increase in securities sold under agreements to repurchase	39,916	10,795
Net decrease in commercial paper and other short-term borrowings	(11,966)	(12,068)
Decrease in long-term borrowings	(5,118)	0
Proceeds from exercise of stock options	263	131
Proceeds from issuance of common stock	64,882	0
Cash dividends paid on preferred stock	(1,050)	(828)
Cash dividends paid on common stock	(4,045)	(6,875)
	<u>          </u>	<u>          </u>
Net cash provided by (used in) financing activities	112,689	(106,002)
	<u>          </u>	<u>          </u>
Net increase in cash and due from banks	7,600	2,984
Cash and due from banks - beginning of period	24,911	31,832
	<u>          </u>	<u>          </u>
Cash and due from banks - end of period	\$ 32,511	\$ 34,816
	<u>          </u>	<u>          </u>
<b>Supplemental disclosures:</b>		
Interest paid	\$ 7,727	\$ 10,272
Income taxes paid	3,129	5,746
Loans held for sale transferred to portfolio	904	0
Loans transferred to other real estate	76	262
Due from brokers on sales of securities - AFS	0	29,825
Due to brokers on purchases of securities - AFS	0	3,918
Due to brokers on purchases of securities - HTM	0	36,286
<i>See Notes to Consolidated Financial Statements.</i>		

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1. Significant Accounting Policies**

*Nature of Operations.* Sterling Bancorp (the “parent company”) is a financial holding company, pursuant to an election made under the Gramm-Leach-Bliley Act of 1999. Throughout the notes, the term the “Company” refers to Sterling Bancorp and its subsidiaries and the term the “bank” refers to Sterling National Bank and its subsidiaries. The Company provides a full range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, trade financing, leasing, deposit services, trust and estate administration and investment management services. The Company has operations principally in New York and conducts business throughout the United States.

The Company’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) which, effective for all interim and annual periods ending after September 15, 2009, principally consist of the Financial Accounting Standards Board Accounting Standards Codification (“FASB Codification”). FASB Codification Topic 105: *Generally Accepted Accounting Principles* establishes the FASB codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. All guidance contained in the FASB Codification carries an equal level of authority. All non-grandfathered, non-SEC accounting literature not included in the FASB Codification is superseded and deemed non-authoritative.

*Basis of Presentation.* The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally the bank, after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended June 30, 2010 and 2009 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the current presentation. The interim consolidated financial statements should be read in conjunction with the Company’s annual report on Form 10-K for the year ended December 31, 2009 (the “2009 Form 10-K”).

*Use of Estimates.* The preparation of financial statements in accordance with U.S. GAAP requires management to make assumptions and estimates which impact the amounts reported in those statements and are, by their nature, subject to change in the future as additional information becomes available or as circumstances vary. Actual results could differ from management’s current estimates as a result of changing conditions and future events. The current economic environment has increased the degree of uncertainty inherent in these significant estimates. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses and asset impairment judgments, such as other-than-temporary declines in the value of securities and the accounting for income taxes. The judgments used by management in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses. The Company evaluates subsequent events through the date that the financial statements are issued. Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the current presentation. Throughout the notes, dollar amounts presented in tables are in thousands, except per share data.

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 2. Investment Securities**

The following tables present information regarding securities available for sale:

June 30, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO's (Federal National Mortgage Association)	\$ 2,684	\$ 98	\$ 0	\$ 2,782
CMO's (Federal Home Loan Mortgage Corporation)	1,191	37	0	1,228
CMO's (Government National Mortgage Association)	23,189	518	0	23,707
Federal National Mortgage Association	7,603	380	0	7,983
Federal Home Loan Mortgage Corporation	257	30	0	287
Government National Mortgage Association	2,295	275	0	2,570
<b>Total mortgage-backed securities</b>	<b>37,219</b>	<b>1,338</b>	<b>0</b>	<b>38,557</b>
Agency Notes				
Federal National Mortgage Association	55,000	223	0	55,223
Federal Home Loan Bank	40,000	174	0	40,174
Federal Home Loan Mortgage Corporation	79,981	617	0	80,598
Federal Farm Credit Bank	10,000	63	0	10,063
<b>Total obligations of U.S. government corporations and government sponsored enterprises</b>	<b>222,200</b>	<b>2,415</b>	<b>0</b>	<b>224,615</b>
Obligations of state and political institutions-New York Bank Qualified	22,667	1,200	0	23,867
Single-issuer, trust preferred securities	3,878	20	224	3,674
Corporate debt securities	227,224	157	947	226,434
Other securities	44	13	0	57
<b>Total</b>	<b>\$ 476,013</b>	<b>\$ 3,805</b>	<b>\$ 1,171</b>	<b>\$ 478,647</b>

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO's (Federal National Mortgage Association)	\$ 2,882	\$ 0	\$ 5	\$ 2,877
CMO's (Federal Home Loan Mortgage Corporation)	5,563	171	0	5,734
CMO's (Government National Mortgage Association)	9,181	0	133	9,048
Federal National Mortgage Association	21,055	868	71	21,852
Federal Home Loan Mortgage Corporation	10,321	299	0	10,620
Government National Mortgage Association	6,807	351	1	7,157
<b>Total mortgage-backed securities</b>	<b>55,809</b>	<b>1,689</b>	<b>210</b>	<b>57,288</b>
Agency Notes				
Federal National Mortgage Association	20,291	0	835	19,456
Federal Home Loan Bank	83,983	6	1,039	82,950
Federal Home Loan Mortgage Corporation	4,995	0	96	4,899
Federal Farm Credit Bank	24,999	0	669	24,330
<b>Total obligations of U.S. government corporations and government sponsored enterprises</b>	<b>190,077</b>	<b>1,695</b>	<b>2,849</b>	<b>188,923</b>
Obligations of state and political institutions-New York Bank Qualified	22,820	1,061	17	23,864
Single-issuer, trust preferred securities	4,878	0	395	4,483
Corporate debt securities	127,900	1,382	82	129,200
Other securities	44	12	0	56
<b>Total</b>	<b>\$ 345,719</b>	<b>\$ 4,150</b>	<b>\$ 3,343</b>	<b>\$ 346,526</b>



**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The following tables present information regarding securities held to maturity:

<b>June 30, 2010</b>	<b>Carrying Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>Obligations of U.S. government corporations and government sponsored enterprises</b>				
<b>Mortgage-backed securities</b>				
CMO's (Federal National Mortgage Association)	\$ 9,790	\$ 298	\$ 15	\$ 10,073
CMO's (Federal Home Loan Mortgage Corporation)	15,033	512	48	15,497
Federal National Mortgage Association	85,811	4,905	3	90,713
Federal Home Loan Mortgage Corporation	50,005	2,465	0	52,470
Government National Mortgage Association	5,484	633	0	6,117
	<u>166,123</u>	<u>8,813</u>	<u>66</u>	<u>174,870</u>
<b>Agency Notes</b>				
Federal National Mortgage Association	57,777	368	0	58,145
Federal Home Loan Bank	7,390	112	0	7,502
Federal Farm Credit Bank	5,083	29	0	5,112
	<u>60,240</u>	<u>509</u>	<u>0</u>	<u>60,749</u>
<b>Total obligations of U.S. government corporations and government sponsored enterprises</b>	<b>236,373</b>	<b>9,322</b>	<b>66</b>	<b>245,629</b>
Obligations of state and political institutions-New York Bank Qualified	104,059	1,690	371	105,378
	<u>104,059</u>	<u>1,690</u>	<u>371</u>	<u>105,378</u>
<b>Total</b>	<b>\$ 340,432</b>	<b>\$ 11,012</b>	<b>\$ 437</b>	<b>\$ 351,007</b>

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

December 31, 2009	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO's (Federal National Mortgage Association)	\$ 10,863	\$ 339	\$ 0	\$ 11,202
CMO's (Federal Home Loan Mortgage Corporation)	16,964	573	0	17,537
Federal National Mortgage Association	103,821	4,329	2	108,148
Federal Home Loan Mortgage Corporation	61,095	2,005	0	63,100
Government National Mortgage Association	5,989	501	0	6,490
	<u>198,732</u>	<u>7,747</u>	<u>2</u>	<u>206,477</u>
Total mortgage-backed securities				
Agency Notes				
Federal National Mortgage Association	97,147	14	1,742	95,419
Federal Home Loan Bank	19,849	0	474	19,375
Federal Home Loan Mortgage Corporation	10,000	0	218	9,782
Federal Farm Credit Bank	5,088	0	94	4,994
	<u>330,816</u>	<u>7,761</u>	<u>2,530</u>	<u>336,047</u>
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions-New York Bank Qualified				
Debt securities issued by foreign governments	59,473	737	357	59,853
	<u>250</u>	<u>0</u>	<u>0</u>	<u>250</u>
Total				
	<u>\$ 390,539</u>	<u>\$ 8,498</u>	<u>\$ 2,887</u>	<u>\$ 396,150</u>

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The following tables present information regarding securities available for sale with temporary unrealized losses for the periods indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>June 30, 2010</b>						
Single-issuer, trust preferred securities	\$ 754	\$ 8	\$ 1,920	\$ 216	\$ 2,674	\$ 224
Corporate debt securities	165,069	947	0	0	165,069	947
<b>Total</b>	<b>\$ 165,823</b>	<b>\$ 955</b>	<b>\$ 1,920</b>	<b>\$ 216</b>	<b>\$ 167,743</b>	<b>\$ 1,171</b>

**December 31, 2009**

Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities						
CMO's (Federal National Mortgage Association)	\$ 2,877	\$ 5	\$ 0	\$ 0	\$ 2,877	\$ 5
CMO's (Government National Mortgage Association)	4,926	91	4,122	42	9,048	133
Federal National Mortgage Association	2,057	71	0	0	2,057	71
Government National Mortgage Association	0	0	123	1	123	1
<b>Total mortgage-backed securities</b>	<b>9,860</b>	<b>167</b>	<b>4,245</b>	<b>43</b>	<b>14,105</b>	<b>210</b>

Agency Notes

Federal National Mortgage Association	19,456	835	0	0	19,456	835
Federal Home Loan Bank	68,231	751	9,713	288	77,944	1,039
Federal Home Loan Mortgage Corporation	4,899	96	0	0	4,899	96
Federal Farm Credit Bank	24,330	669	0	0	24,330	669
<b>Total obligations of U.S. government corporations and government sponsored enterprises</b>	<b>126,776</b>	<b>2,518</b>	<b>13,958</b>	<b>331</b>	<b>140,734</b>	<b>2,849</b>

Obligations of state and political institutions-New York

Bank Qualified	872	17	0	0	872	17
Single-issuer, trust preferred securities	0	0	3,540	395	3,540	395
Corporate debt securities	23,575	82	0	0	23,575	82
<b>Total</b>	<b>\$ 151,223</b>	<b>\$ 2,617</b>	<b>\$ 17,498</b>	<b>\$ 726</b>	<b>\$ 168,721</b>	<b>\$ 3,343</b>

Edgar Filing: STERLING BANCORP - Form 10-Q

STERLING BANCORP AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(Unaudited)

The following tables present information regarding securities held to maturity with temporary unrealized losses for the periods indicated:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>June 30, 2010</b>						
Obligations of U.S. government corporations and government sponsored enterprises -						
Mortgage-backed securities						
CMO's (Federal National Mortgage Association)	\$ 1,452	\$ 15	\$ 0	\$ 0	\$ 1,452	\$ 15
CMO's (Federal Home Loan Mortgage Corporation)	4,273	48	0	0	4,273	48
Federal National Mortgage Association	0	0	334	3	334	3
Total obligations of U.S. government corporations and government sponsored enterprises -						
mortgage-backed securities	5,725	63	334	3	6,059	66
Obligations of state and political institutions-New York Bank Qualified	15,913	371	0	0	15,913	371
Total	\$ 21,638	\$ 434	\$ 334	\$ 3	\$ 21,972	\$ 437

**December 31, 2009**

Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities						
Federal National Mortgage Association	\$ 0	\$ 0	\$ 459	\$ 2	\$ 459	\$ 2
Total mortgage-backed securities	0	0	459	2	459	2
Agency Notes						
Federal National Mortgage Association	86,027	1,742	0	0	86,027	1,742
Federal Home Loan Bank	19,375	474	0	0	19,375	474
Federal Home Loan Mortgage Corporation	9,782	218	0	0	9,782	218
Federal Farm Credit Bank	4,994	94	0	0	4,994	94
Total obligations of U.S. government corporations and government sponsored enterprises						
	120,178	2,528	459	2	120,637	2,530
Obligations of state and political institutions-New York Bank Qualified	16,478	357	0	0	16,478	357
Total	\$ 136,656	\$ 2,885	\$ 459	\$ 2	\$ 137,115	\$ 2,887

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The Company invests principally in obligations of U.S. government corporations and government sponsored enterprises and other investment-grade securities. The fair value of these investments fluctuates based on several factors, including credit quality and general interest rate changes. The Company determined that it is not more likely than not that the Company would be required to sell before anticipated recovery.

At June 30, 2010, approximately \$108.7 million, representing approximately 13.3%, of the Company's held to maturity and available for sale securities are comprised of securities issued by financial service companies/banks including single-issuer trust preferred securities (6 issuers), corporate debt (21 issuers) and equity securities (8 issuers). These investments may pose a higher risk of future impairment charges as result of a possible further deterioration of the U.S. economy. Many of the single-issuer trust preferred securities held by the Company are financial institutions participating in the U.S. Treasury's TARP Capital Purchase Program ("CPP"). It is possible that these financial institutions may elect to defer future interest payments on such securities based upon recommendations by the U.S. Government and the banking regulators or management decisions driven by potential liquidity needs. Such elections could result in future impairment charges if collection of deferred and accrued interest (or principal upon maturity) is deemed unlikely by management. The Company would be required to recognize impairment charges on these securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators or unanticipated changes in the competitive environment could have a negative effect on the Company's investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

At June 30, 2010, the Company held 53 debt securities positions issued by commercial and industrial enterprises, in the available for sale portfolio, all of which are paying in accordance with their terms and have no deferrals of interest or principal. All of these debt securities mature within the next 18 months. Management performs an initial credit review prior to purchasing these securities and monitors their performance on a quarterly basis. Based upon management's review of the issuers, their performance record for paying all principal and interest when due and the relatively short-term maturity of each issue, the unrealized losses are deemed to be temporary.

At June 30, 2010, the Company held 6 securities positions of single-issuer, trust preferred securities and 21 security positions of corporate debt securities issued by financial institutions, in the available for sale portfolio, all of which are paying in accordance with their terms and have no deferrals of interest or other deferrals. In addition, management analyzes the performance of the issuers on a periodic basis, including a review of each issuer's most recent bank regulatory report to assess credit risk and the probability of impairment of the contractual cash flows of the applicable securities. Based upon management's second quarter review, all of the issuers have maintained performance levels adequate to support the contractual cash flows of the securities.

Edgar Filing: STERLING BANCORP - Form 10-Q

STERLING BANCORP AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(Unaudited)

The following table presents information regarding single-issuer, trust preferred securities at June 30, 2010:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes	NA	\$ 980	\$ 1,000	\$ 20
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes	NA	126	116	(10)
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes *	BBB-	22	22	0
HSBC Finance, 6.875%, due 1/30/2033, owned by HSBC Group, PLC	No No	A	740	732	(8)
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes *	BB-	1,508	1,347	(161)
Fleet Capital Trust VIII, 7.20%, due 3/15/2032, owned by Bank of America Corporation	No Yes *	BB	502	457	(45)
			<u>\$ 3,878</u>	<u>\$ 3,674</u>	<u>\$ (204)</u>

\* TARP obligation was repaid prior to June 30, 2010.

At June 30, 2010, the Company held 1 mortgage-backed debt security, in the held to maturity portfolio, that was in an unrealized loss position for more than 12 months. This security was an obligation of U.S. government corporations or government sponsored enterprises which guarantee principal and interest payments. Management has concluded that the unrealized loss is due to changes in market interest rates and/or changes in securities markets which resulted from temporary illiquidity and/or uncertainty in those markets. Further, management has made an evaluation that it has the intent to hold this security until maturity and it is not more likely than not that the Company would be required to sell before anticipated recovery. As a result, the unrealized loss is deemed to be temporary.

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

The following tables present information regarding securities available for sale and securities held to maturity at June 30, 2010, based on contractual maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Available for sale	Amortized Cost	Fair Value
<b>Obligations of U.S. government corporations and government sponsored enterprises</b>		
<b>Mortgage-backed securities</b>		
CMO's (Federal National Mortgage Association)	\$ 2,684	\$ 2,782
CMO's (Federal Home Loan Mortgage Corporation)	1,191	1,228
CMO's (Government National Mortgage Association)	23,189	23,707
Federal National Mortgage Association	7,603	7,983
Federal Home Loan Mortgage Corporation	257	287
Government National Mortgage Association	2,295	2,570
<b>Total mortgage-backed securities</b>	<b>37,219</b>	<b>38,557</b>
<b>Agency Notes</b>		
<b>Federal National Mortgage Association</b>		
Due after 1 year but within 5 years	50,000	50,200
Due after 5 years but within 10 years	5,000	5,023
<b>Federal Home Loan Bank</b>		
Due after 1 year but within 5 years	25,000	25,033
Due after 5 years but within 10 years	15,000	15,141
<b>Federal Home Loan Mortgage Corporation</b>		
Due after 1 year but within 5 years	30,000	30,184
Due after 5 years but within 10 years	49,981	50,414
<b>Federal Farm Credit Bank</b>		
Due after 10 years	10,000	10,063
<b>Total obligations of U.S. government corporations and government sponsored enterprises</b>	<b>222,200</b>	<b>224,615</b>
<b>Obligations of state and political institutions - New York Bank Qualified</b>		
Due within 1 year	1,144	1,166
Due after 1 year but within 5 years	11,761	12,484
Due after 5 years but within 10 years	4,978	5,316
Due after 10 years	4,784	4,901
<b>Total obligations of state and political institutions-New York Bank Qualified</b>	<b>22,667</b>	<b>23,867</b>
<b>Single-issuer, trust preferred securities</b>		
Due after 10 years	3,878	3,674

Edgar Filing: STERLING BANCORP - Form 10-Q

Corporate debt securities		
Due within 6 months	67,431	67,373
Due after 6 months but within 1 year	120,534	119,980
Due after 1 year but within 2 years	39,259	39,081
	<u>          </u>	<u>          </u>
Total corporate debt securities	227,224	226,434
	<u>          </u>	<u>          </u>
Other securities	44	57
	<u>          </u>	<u>          </u>
Total	\$ 476,013	\$ 478,647
	<u>          </u>	<u>          </u>



**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

<b>Held to maturity</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Obligations of U.S. government corporations and government sponsored enterprises</b>		
Mortgage-backed securities		
CMO's (Federal National Mortgage Association)	\$ 9,790	\$ 10,073
CMO's (Federal Home Loan Mortgage Corporation)	15,033	15,497
Federal National Mortgage Association	85,811	90,713
Federal Home Loan Mortgage Corporation	50,005	52,470
Government National Mortgage Association	5,484	6,117
	<u>166,123</u>	<u>174,870</u>
<b>Agency Notes</b>		
Federal National Mortgage Association		
Due after 10 years	57,777	58,145
Federal Home Loan Bank		
Due after 10 years	7,390	7,502
Federal Farm Credit Bank		
Due after 5 years but within 10 years	5,083	5,112
	<u>236,373</u>	<u>245,629</u>
<b>Obligations of state and political institutions - New York Bank Qualified</b>		
Due after 5 years but within 10 years	886	923
Due after 10 years	103,173	104,455
	<u>104,059</u>	<u>105,378</u>
<b>Total</b>	<b>\$ 340,432</b>	<b>\$ 351,007</b>

Information regarding sales and/or calls of available for sale securities is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Proceeds	\$ 143,515	\$ 48,871	\$ 266,800	\$ 252,844
Gross gains	993	874	2,493	3,939
Gross losses	284	0	285	0

Information regarding calls of held to maturity securities is as follows:

Edgar Filing: STERLING BANCORP - Form 10-Q

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Proceeds	\$ 12,500	\$ 0	\$ 66,880	\$ 0
Gross gains	37	0	40	0
Gross losses	0	0	0	0

18

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 3. Loans**

The major components of domestic loans held for sale and loans held in portfolio are as follows:

	<u>June 30, 2010</u>	<u>December 31, 2009</u>
Loans held for sale, net of valuation reserve (\$-0- at June 30, 2010 and \$7 at December 31, 2009)		
Real estate - residential mortgage	\$ 41,053	\$ 33,889
Loans held in portfolio		
Commercial and industrial	\$ 646,015	\$ 587,038
Lease financing receivables	187,751	219,198
Factored receivables	160,866	140,265
Real estate - residential mortgage	129,237	124,681
Real estate - commercial mortgage	100,065	92,614
Real estate - construction and land development	23,722	24,277
Loans to individuals	12,546	12,984
Loans to depository institutions	0	20,000
Loans held in portfolio, gross	1,260,202	1,221,057
Less unearned discounts	22,932	25,642
Loans held in portfolio, net of unearned discounts	\$ 1,237,270	\$ 1,195,415

**Note 4. Noninterest income and expenses**

The following tables set forth the significant components of noninterest income and noninterest expenses:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>NONINTEREST INCOME</b>				
Accounts receivable management/factoring commissions and other fees	\$ 5,946	\$ 4,858	\$ 11,073	\$ 8,101
Service charges on deposit accounts	1,548	1,360	3,021	2,743
Trade finance income	501	437	993	842
Other customer related fees	171	202	326	476
Mortgage banking income	1,496	2,541	3,173	4,647
Trust fees	82	117	166	256
Income from life insurance policies	296	289	560	548
Securities gains	746	874	2,248	3,939
Gain on other real estate owned	15	22	28	20

Edgar Filing: STERLING BANCORP - Form 10-Q

Other income	560	97	875	29
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total noninterest income	\$ 11,361	\$ 10,797	\$ 22,463	\$ 21,601
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>NONINTEREST EXPENSES</b>				
Salaries	\$ 10,462	\$ 9,985	\$ 20,120	\$ 19,974
Employee benefits	3,199	3,268	6,703	5,945
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total personnel expense	13,661	13,253	26,823	25,919
Occupancy and equipment expenses, net	3,052	2,903	5,592	5,575
Advertising and marketing	678	1,026	1,684	1,680
Professional fees	1,020	1,900	2,373	3,023
Communications	562	435	910	866
Deposit insurance	770	1,513	1,524	1,864
Other expenses	2,396	3,113	4,569	5,268
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total noninterest expenses	\$ 22,139	\$ 24,143	\$ 43,475	\$ 44,195
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**Note 5. Common Stock and Stock Incentive Plan**

On March 19, 2010, the Company completed an underwritten public offering of 8,625,000 common shares at an offering price of \$8.00 per share, which resulted in net proceeds of \$64.9 million after underwriting discounts and expenses.

On March 25, 2010, the Board of Directors, upon recommendation by the Compensation and Corporate Governance Committees, granted a total of 40,000 shares of restricted stock to the 8 non-management directors ("director restricted shares") and 43,728 restricted shares to the Chairman, President and 5 Executive Vice Presidents ("officer restricted shares"). The director restricted shares will vest 25% annually over four years beginning on the first anniversary of the grant date. The officer restricted shares vest 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date and are also limited by the 2008 agreement between the Company and the U.S. Treasury. The director restricted shares and the officer restricted shares were issued at \$9.23 per share, the closing price on the date of the grant. The agreements for both the director restricted shares and the officer restricted shares have additional provisions regarding transferability and accelerated vesting of the shares and the continuation of performing substantial services for the Company.

**Note 6. Employee Benefit Plans**

The following table sets forth the components of net periodic benefit cost for the Company's noncontributory defined benefit pension plan and unfunded supplemental retirement plan.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Service cost	\$ 573	\$ 615	\$ 1,138	\$ 1,006
Interest cost	959	928	1,897	1,508
Expected return on plan assets	(789)	(700)	(1,578)	(1,146)
Amortization of prior service cost	16	16	33	33
Recognized actuarial loss	775	948	1,531	1,596
Net periodic benefit cost	<u>\$ 1,534</u>	<u>\$ 1,807</u>	<u>\$ 3,021</u>	<u>\$ 2,997</u>

The Company expects to contribute approximately \$2.0 million to the defined benefit pension plan in 2010.

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 7. Income Taxes**

The Internal Revenue Service (“IRS”) has completed its examination of the Company’s federal tax returns for the years 2002 through 2004 and has issued a report disallowing certain bad debt deductions arising from the worthlessness of loans made to customers. The Company, assisted by outside counsel, has prepared a written protest which vigorously challenges all of the IRS findings and the Company will exercise its right to a conference with the Appeals Office of the IRS to discuss the issues and arguments raised in the Company’s protest. The Company and its outside counsel believe that the bad debt deductions were proper and that the position of the IRS is unsupported as a matter of fact and law.

**Note 8. Segment Reporting**

The Company provides a broad range of financial products and services, including commercial loans, asset-based financing, factoring and accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, commercial and residential mortgage lending and brokerage, trust and estate administration and investment management services. The Company’s primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest-bearing liabilities. The Company’s 2010 year-to-date average interest-earning assets were 59.5% loans (corporate lending was 72.2% and real estate lending was 23.7% of total loans, respectively) and 40.1% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the corporate lending segment. Approximately 69% of loans are to borrowers located in the metropolitan New York area. In order to comply with the segment reporting guidance under U.S. GAAP, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

Edgar Filing: STERLING BANCORP - Form 10-Q

STERLING BANCORP AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(Unaudited)

The following tables provide certain information regarding the Company's operating segments:

	<u>Corporate Lending</u>	<u>Real Estate Lending</u>	<u>Company-wide Treasury</u>	<u>Totals</u>
<b><u>Three Months Ended June 30, 2010</u></b>				
Net interest income	\$ 10,655	\$ 4,322	\$ 5,342	\$ 20,319
Noninterest income	8,715	1,748	772	11,235
Depreciation and amortization	180	30	1	211
Segment income before income taxes	7,715	3,598	6,946	18,259
Segment assets	874,372	408,070	957,612	2,240,054

<b><u>Three Months Ended June 30, 2009</u></b>				
Net interest income	\$ 9,685	\$ 5,070	\$ 6,366	\$ 21,121
Noninterest income	6,587	2,614	1,189	10,390
Depreciation and amortization	178	38	1	217
Segment income before income taxes	6,564	4,612	7,256	18,432
Segment assets	806,080	430,784	859,167	2,096,031

<b><u>Six Months Ended June 30, 2010</u></b>				
Net interest income	\$ 18,850	\$ 8,540	\$ 12,606	\$ 39,996
Noninterest income	15,654	3,450	3,110	22,214
Depreciation and amortization	354	58	2	414
Segment income before income taxes	14,042	7,019	14,979	36,040
Segment assets	874,372	408,070	957,612	2,240,054

<b><u>Six Months Ended June 30, 2009</u></b>				
Net interest income	\$ 18,678	\$ 9,918	\$ 13,717	\$ 42,313
Noninterest income	11,681	4,738	4,375	20,794
Depreciation and amortization	354	77	1	432
Segment income before income taxes	12,108	8,766	17,502	38,376
Segment assets	806,080	430,784	859,167	2,096,031

The following table sets forth reconciliations of net interest income, noninterest income, income before taxes and assets of reportable operating segments to the Company's consolidated totals:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net interest income:				
Total for reportable operating segments	\$ 20,319	\$ 21,121	\$ 39,996	\$ 42,313
Other [1]	219	194	437	368
Consolidated net interest income	\$ 20,538	\$ 21,315	\$ 40,433	\$ 42,681

Edgar Filing: STERLING BANCORP - Form 10-Q

<b>Noninterest income:</b>				
Total for reportable operating segments	\$ 11,235	\$ 10,390	\$ 22,214	\$ 20,794
Other [1]	126	407	249	807
Consolidated noninterest income	\$ 11,361	\$ 10,797	\$ 22,463	\$ 21,601
<b>Income before taxes:</b>				
Total for reportable operating segments	\$ 18,259	\$ 18,432	\$ 36,040	\$ 38,376
Other [1]	(13,999)	(17,263)	(28,119)	(31,289)
Consolidated income before income taxes	\$ 4,260	\$ 1,169	\$ 7,921	\$ 7,087
<b>Assets:</b>				
Total for reportable operating segments	\$ 2,240,054	\$ 2,096,031	\$ 2,240,054	\$ 2,096,031
Other [1]	44,254	31,536	44,254	31,536
Consolidated assets	\$ 2,284,308	\$ 2,127,567	\$ 2,284,308	\$ 2,127,567

[1] Represents operations not considered to be a reportable segment and/or general operating expenses of the Company.



**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
(Unaudited)

**Note 9. Accumulated Other Comprehensive Loss**

Information related to the components of other comprehensive income included in accumulated other comprehensive loss is as follows with related tax effects:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Other Comprehensive Income</b>				
Unrealized holding gains on securities, arising during the period:				
Before tax	\$ 1,731	\$ 3,051	\$ 3,954	\$ 3,090
Tax effect	(785)	(1,384)	(1,794)	(1,402)
Net of tax	946	1,667	2,160	1,688
Reclassification adjustment for securities gains included in net income:				
Before tax	(746)	(874)	(2,248)	(3,939)
Tax effect	338	396	1,020	1,787
Net of tax	(408)	(478)	(1,228)	(2,152)
Reclassification adjustment for amortization of prior service cost:				
Before tax	16	16	33	33
Tax effect	(7)	(7)	(15)	(15)
Net of tax	9	9	18	18
Reclassification adjustment for amortization of net actuarial losses:				
Before tax	775	948	1,531	1,596
Tax effect	(351)	(430)	(694)	(724)
Net of tax	424	518	837	872
Other comprehensive income	\$ 971	\$ 1,716	\$ 1,787	\$ 426

STERLING BANCORP AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
(Unaudited)

**Note 10. Fair Value Measurements**

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are independent, knowledgeable, able to transact and willing to transact.

FASB Codification Topic 820: *Fair Value Measurements and Disclosures* establishes a hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair values hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Examples of financial instruments generally included in this level are U.S. Treasury securities, equity and trust preferred securities that trade in active markets and listed derivative instruments.
- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means. Examples of financial instruments generally included in this level are corporate debt, mortgage-backed certificates issued by U.S. government corporations and government sponsored enterprises, equity securities that trade in less active markets and certain derivative instruments.
- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own judgments about the assumptions that market participants would use in pricing the assets or liabilities. Examples of financial instruments generally included in this level are private equities, certain loans held for sale and other alternative investments.

In general, fair value of securities is based upon quoted market prices, where available (level 1 inputs). If such quoted market prices are not available, fair value is based upon market prices determined by an outside, independent entity that primarily uses as inputs, observable market-based parameters (level 2 inputs). Fair value of loans held for sale is based upon internally developed models that primarily use as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Company's creditworthiness, among other things, as well as unobservable parameters (level 3 inputs). Any such valuation adjustments are applied consistently over time. The Company valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. A more detailed description of the valuation methodologies used for assets and liabilities measured at fair value is set forth in the 2009 Form 10-K.

*Securities available for sale and other investments.* Securities classified as available for sale and other investments (included in "Other assets" on the Consolidated Balance Sheet) are

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

generally reported at fair value utilizing Level 1 and Level 2 inputs. Investments in fixed income securities, exclusive of preferred stock and mortgage-backed securities, are valued based on evaluations that represent an exit price or their opinion as to what a buyer would pay for a security, typically in an institutional round lot position in a current sale. IDC seeks to utilize market data and observations in its evaluation service, and gives priority to observable benchmark yields and reported trades. IDC utilizes evaluated pricing techniques that vary by asset class and incorporate available market information; because many fixed income securities do not trade on a daily basis, IDC applies available information through processes such as benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. Model processes such as option-adjusted spread models are used to value securities that have prepayment features. Substantially all securities available for sale evaluated in this manner are deemed to be Level 2 valuations. For mortgage-backed securities issued by U.S. government corporations and government sponsored enterprises, management considers dealer indicative bids in the valuation process. Indicative bids are estimates of value and do not necessarily represent the price at which the dealer would be willing to transact. Such bids are compared to IDC evaluated prices for reasonableness as well as consistency with observable market conditions. All mortgage-backed securities are deemed to be valued based on Level 2 inputs.

Publicly traded common and preferred stocks are valued by reference to the market closing price (last trade) on the measurement date (Level 1 inputs). In the unlikely event that no trade occurred on the measurement date, reference would be made to an indicative bid or the last trade most proximate to the measurement date (Level 2 inputs).

The following table summarizes financial assets measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value. There were no financial liabilities measured at fair value.

<u>June 30, 2010</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total Fair Value</u>
<b>Securities available for sale:</b>				
Obligations of U.S. government corporations and government sponsored enterprises Mortgage-backed securities	\$ —	\$ 38,557	\$ —	\$ 38,557
Agency Notes	—	186,058	—	186,058
<hr/>				
Total obligations of U.S. government Corporations and government sponsored enterprises	—	224,615	—	224,615
Obligations of state and political institutions - New York Bank Qualified	—	23,867	—	23,867
Single-issuer, trust preferred securities	3,674	—	—	3,674
Corporate debt securities	—	226,434	—	226,434
Equity and other securities	57	—	—	57
<hr/>				
Total marketable securities	\$ 3,731	\$ 474,916	\$ —	\$ 478,647
<hr/>				
Other investments	\$ 8,765	\$ 6,007	\$ —	\$ 14,772
<hr/>				
<b>December 31, 2009</b>				
<b>Securities available for sale:</b>				
Obligations of U.S. government corporations and government sponsored enterprises Mortgage-backed securities	\$ —	\$ 57,288	\$ —	\$ 57,288
Agency Notes	—	131,635	—	131,635
<hr/>				
Total Obligations of U.S. government corporations and government sponsored enterprises	—	188,923	—	188,923

Edgar Filing: STERLING BANCORP - Form 10-Q

Obligations of state and political institutions - New York Bank				
Qualified	—	23,864	—	23,864
Single-issuer, trust preferred securities	4,483	—	—	4,483
Corporate debt securities	—	129,200	—	129,200
Equity and other securities	56	—	—	56
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total marketable securities	\$ 4,539	\$ 341,987	\$ —	\$ 346,526
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Other investments	\$ 9,128	\$ 5,484	\$ —	\$ 14,612
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

Certain financial assets and financial liabilities, including impaired loans, are measured a fair value on a non-recurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table summarizes the period end fair value of financial assets, based on significant unobservable (Level 3) inputs, measured on a non-recurring basis:

	<u>June 30,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Impaired loans	\$ 7,439	\$ 2,329
Other real estate owned	761	1,385

*Impaired loans.* The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on either recent real estate appraisals or, for loans with modification agreements in place, discounted cash flow analyses. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

*Other real estate owned.* Nonrecurring adjustments to certain residential real estate properties classified as other real estate owned (“OREO”) are measured at the lower of carrying amount or fair value, less costs to sell. Fair values are generally based on third party appraisals of the property, resulting in a Level 3 classification. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Reporting units measured at fair value in the first step of a goodwill impairment test and certain non-financial assets measured at fair value on a non-recurring basis (such as those measured at fair value in the second step of a goodwill impairment test and other non-financial long-lived assets measured at fair value for impairment assessment) have been measured at fair value in accordance with the guidance in FASB Codification Topic 820 beginning January 1, 2009.

Other real estate owned (comprised of foreclosed assets), which is measured at the lower of carrying value or fair value less costs to sell, had a net carrying amount of \$0.8 million, which is made up of the outstanding balance of \$1.0 million, net of a valuation allowance of \$0.2 million at June 30, 2010. Certain of these assets, upon initial recognition, were re-measured and reported at fair value through a charge-off to the allowance for loan losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using level 2 inputs based on observable market data or level 3 inputs based on customized discount criteria. In connection with the measurement and initial recognition of the foregoing foreclosed assets, the Company recognized charge-offs in the allowance for loan losses totaling \$39 thousand. Other than foreclosed assets measured at fair value upon initial recognition, no properties were re-measured at fair value during the three months ended June 30, 2010.

For those financial instruments that are not recorded at fair value in the Consolidated Balance Sheets, but are measured at fair value for disclosure purposes, management follows the same fair value measurement principles and guidance as for instruments recorded at fair value.

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

Much of the information used to arrive at “fair value” is highly subjective and judgmental in nature and therefore the results may not be precise. The subjective factors include, among other things, estimated cash flows, risk characteristics, credit quality and interest rates, all of which are subject to change. With the exception of investment securities and certain long-term debt, the Company’s financial instruments are not readily marketable and market prices do not exist. Since negotiated prices for the instruments that are not readily marketable depend greatly on the motivation of the buyer and seller, the amounts that will actually be realized or paid per settlement or maturity of these instruments could be significantly different.

In particular, fair value estimates are made at a point in time, based on relevant market data as well as the best information available about the financial instrument. Illiquid credit markets have resulted in inactive markets for certain of the Company’s financial instruments. As a result, there is no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments for which no or limited observable market data is available are based on our judgments regarding current economic conditions, liquidity discounts, currency, credit, and interest rate risks, loss experience and other factors, all of which are Level 3 inputs as discussed above. These estimates involve significant judgments and uncertainties and cannot be substantiated by comparison to quoted prices in active markets and cannot be determined with precision. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, there are inherent uncertainties in any fair value measurement technique, and changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks, and estimates of future cash flows, could significantly affect these fair value estimates.

A more detailed description of the methods, factors and significant assumptions utilized in estimating the fair values for significant categories of financial instruments is set forth in the 2009 Form 10-K.

	June 30, 2010	
	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS</b>		
Cash and due from banks	\$ 32,511	\$ 32,511
Interest-bearing deposits with other banks	12,428	12,428
Investment securities	819,079	829,654
Loans held for sale	41,053	41,053
Loans held in portfolio, net	1,237,270	1,240,355
Accrued interest receivable	10,110	10,110
<b>FINANCIAL LIABILITIES</b>		
Demand, NOW, savings and money market deposits	1,051,943	1,051,943
Time deposits	589,531	591,670
Securities sold under agreements to repurchase	60,964	60,982
Federal funds purchased	10,000	10,000
Commercial paper	11,061	11,061
Other short-term borrowings	46,779	46,779
Accrued interest payable	1,622	1,622
Long-term borrowings	150,656	156,648

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 11. New Accounting Standards**

Financial Accounting Standards Board (“FASB”) Codification Topic 860: *Transfers and Servicing* includes amendments to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. The amendments to U.S. GAAP guidance on transfer and servicing of financial assets eliminate the concept of a “qualifying special-purpose entity”, change the requirements for derecognizing financial assets and requires additional disclosures about all continuing involvements with transferred financial information about gains and losses (resulting from transfers) during the period. These amendments were effective January 1, 2010 and did not have a significant impact on the Company’s financial statements.

Amendments to FASB Codification Topic 810: *Consolidation* change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design as well as its ability to direct the activities of the entity that most significantly impact the entity’s economic performance. The amendments to U.S. GAAP require additional disclosures about the reporting entity’s involvement with variable-interest entities, as well as any significant changes in risk exposure due to that involvement and its effect on the entity’s financial statements. These amendments were effective January 1, 2010 and did not have a significant impact on the Company’s financial statements.

*Accounting Standards Update (“ASU”) No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820)- Improving Disclosures About Fair Value Measurements.”* ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers (ii) the reasons for transfers of assets or liabilities in or out Level 3 of the fair value hierarchy, which significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchased, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class and liabilities (rather major category), which would generally be a subject of assets or liabilities within a line in statement of financial position and (ii) company’s should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The disclosures related to the gross presentation of purchased, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Company beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Company on January 1, 2010. See Note 10 - Fair Value Measurements.

**STERLING BANCORP AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

*ASU No. 2010-11, "Derivatives and Hedging (Topic 815) - Scope Exception Related to Embedded Credit Derivatives."* ASU 2010-11 clarifies that the only form of an embedded credit derivative that is exempt embedded derivative bifurcation requirements are those that relate to the subordination of one financial instrument to another. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The provision of ASU 2010-11 will be effective for the Company on July 1, 2010 and are not expected to have a significant impact on the Company's financial statements.

*ASU No. 2010-20, "Receivables (Topic 830) - Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses."* ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivables, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 will be effective for the Company's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relates to activity during a reporting period will be required for the Company's financial statements that include periods beginning on or after January 1, 2011.



**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following commentary presents management's discussion and analysis of the financial condition and results of operations of Sterling Bancorp (the "parent company"), a financial holding company under the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank. Throughout this discussion and analysis, the term the "Company" refers to Sterling Bancorp and its subsidiaries and the term the "bank" refers to Sterling National Bank and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data contained elsewhere in this quarterly report and the Company's annual report on Form 10-K for the year ended December 31, 2009 (the "2009 Form 10-K"). Certain reclassifications have been made to prior years' financial data to conform to current financial statement presentations. Throughout management's discussion and analysis of financial condition and results of operations, dollar amounts in tables are presented in thousands, except per share data.

**OVERVIEW**

The Company provides a broad range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, deposit services, trade financing, equipment leasing, trust and estate administration and investment management services. The Company has operations principally in New York and conducts business throughout the United States. The general state of the U.S. economy and, in particular, economic and market conditions in New York, New Jersey and Connecticut ("the New York metropolitan area") have a significant impact on loan demand, the ability of borrowers to repay these loans and the value of any collateral securing these loans and may also affect deposit levels. Accordingly, future general economic conditions are a key uncertainty that management expects will materially affect the Company's results of operations.

For the six months ended June 30, 2010, the bank's average earning assets represented approximately 98.3% of the Company's average earning assets. Loans represented 59.8% and investment securities represented 38.1% of the bank's average earning assets for the first six months of 2010.

The Company's primary source of earnings is net interest income, and its principal market risk exposure is interest rate risk. The Company is not able to predict market interest rate fluctuations, and its asset-liability management strategy may not prevent interest rate changes from having a material adverse effect on the Company's results of operations and financial condition.

Although management endeavors to minimize the credit risk inherent in the Company's loan portfolio, it must necessarily make various assumptions and judgments about the collectibility of the loan portfolio based on its experience and evaluation of economic conditions. If such assumptions or judgments prove to be incorrect, the current allowance for loan losses may not be sufficient to cover loan losses and additions to the allowance may be necessary, which would have a negative impact on net income.

There is intense competition in all areas in which the Company conducts its business. The Company competes with banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. Many of these competitors have substantially greater resources and lending limits and provide a wider array of banking services. To a limited extent, the Company also competes with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. Competition is based on a number of factors, including prices, interest rates, service, availability of products and geographic location.

The Company regularly evaluates acquisition opportunities and conducts due diligence activities in connection with possible acquisitions. As a result, acquisition discussions, and in some cases negotiations, regularly take place and future acquisitions could occur.

Recent economic conditions during 2010, such as the continuing decrease in real estate values in the principal markets the Company serves and illiquid credit markets, have

reduced demands for corporate and real estate lending. If these trends continue, the Company would expect its income from corporate and real estate lending to decrease from the current levels in the near term. In addition, due to the geographic concentration of the Company's loan portfolio in the New York metropolitan area, representing approximately 69% of total loans at June 30, 2010, an adverse change in market conditions in that geographic area could result in a decrease in our income from corporate and real estate lending. A significant prolonged decrease in income from our lending segments, if realized, may have a severe adverse impact on the operations of the Company.

#### RECENT LEGISLATION IMPACTING THE FINANCIAL SERVICES INDUSTRY

On July 21, 2010, President Obama signed into law the sweeping financial regulatory reform act entitled the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the "Dodd-Frank Act"). The Dodd-Frank Act will result in sweeping changes in the regulation of financial institutions aimed at strengthening the sound operation of the financial services sector. The Dodd-Frank Act's provisions that have received the most public attention generally have been those applying to or more likely to affect larger institutions. However, it contains numerous other provisions that will affect all banks and bank holding companies, and will fundamentally change the system of oversight described in Part I, Item 1 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 under the caption "Supervision and Regulation". The Dodd-Frank Act includes provisions that, among other things:

- Centralize responsibility for consumer financial protection by creating a new agency responsible for implementing, examining and enforcing compliance with federal consumer financial laws.
- Restrict the preemption of state law by federal law and disallow subsidiaries and affiliates of national banks such as the bank from availing themselves of such preemption.
- Apply the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies.
- Require the OCC to seek to make its capital requirements for national banks, such as the bank, countercyclical.
- Require financial holding companies such as the parent company to be well-capitalized and well-managed as of July 21, 2011. Bank holding companies and banks must also be both well-capitalized and well-managed in order to acquire banks located outside their home state.
- Implement corporate governance revisions, including with regard to executive compensation and proxy access by shareholders that apply to all public companies, not just financial institutions.
- Make permanent the \$250 thousand limit for federal deposit insurance and increase the cash limit of Securities Investor Corporation protection from \$100 thousand to \$250 thousand, and provide unlimited federal deposit insurance until January 1, 2013, for non-interest bearing demand transaction accounts at all depository institutions.
- Repeal the federal prohibitions on the payment of interest on business transaction and other accounts.
- Increase the authority of the Federal Reserve to examine the Company and its non-bank subsidiaries.

Some of these provisions may have the consequence of increasing our expenses, decreasing our revenues, and changing the activities in which we choose to engage. The environment in which banking organizations will operate after the financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, changes in fiscal policy and steps to eliminate government support for banking organizations, may have long-term effects on the business model and profitability of banking organizations that cannot now be foreseen. The specific impact of the Dodd-Frank Act on our current activities or new financial activities we may consider in the future, our financial performance and the markets in which we operate will depend on the manner in which the relevant agencies develop and implement the required rules and the reaction of market participants to these regulatory developments. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally.

**INCOME STATEMENT ANALYSIS**

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets ("net interest margin") is calculated by dividing tax-equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analysis shown on pages 48 and 49. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on pages 46 and 47.

**Comparison of the Three Months Ended June 30, 2010 and 2009**

The Company reported net income available to common shareholders for the three months ended June 30, 2010 of \$2.3 million, representing \$0.09 per share calculated on a diluted basis, compared to \$0.1 million, or \$0.1 per share calculated on a diluted basis, for the second quarter of 2009. The increase in net income available to common shareholders was primarily due to a \$1.3 million decrease in the provision for loan losses, a \$0.6 million increase in noninterest income and a \$2.0 million decrease in noninterest expenses, which more than offset a \$0.8 million decrease in net interest income and a \$0.9 million increase in the provision for income taxes.

*Net Interest Income*

Net interest income, on a tax-equivalent basis, was \$21.1 million for the second quarter of 2010 compared to \$21.5 million for the 2009 period. Net interest income benefitted from lower cost of funding and higher levels of loans and investment securities. That benefit was more than offset by the impact of lower yields on loans and investment securities, and higher interest-bearing deposits balances. The net interest margin, on a tax-equivalent basis, was 4.12% for the second quarter of 2010 compared to 4.53% for the 2009 period. The net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated \$25.1 million for the second quarter of 2010, down \$1.3 million from the 2009 period. The tax-equivalent yield on interest-earning assets was 4.91% for the second quarter of 2010 compared to 5.58% for the 2009 period.

Interest earned on the loan portfolio decreased to \$17.1 million for the second quarter of 2010 from \$18.3 million in the prior year period primarily due to a lower yield on loans in the 2010 quarter. The decrease in the yield on the loan portfolio to 5.87% for the second quarter of 2010 from 6.19% for the 2009 period was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, amounted to \$7.9 million for the second quarter of 2010 even with amount earned in the prior year period. Average outstandings increased to \$836.3 million (40% of average earning assets) for the second quarter of 2010 from \$669.6 million (35.1% of average earning assets) in the prior year period. The increase reflects the impact of the Company's asset/liability management strategy designed to shorten the average life of the portfolio. The average life of the securities portfolio was approximately 2.5 years at June 30, 2010 compared to 4.4 years at June 30, 2009. The average yield in the investment securities portfolio decreased to 3.76% from 4.74% reflecting the impact of the above referenced asset/liability management strategy coupled with calls of higher yielding securities.

## Edgar Filing: STERLING BANCORP - Form 10-Q

Total interest expense decreased by \$1.0 million for the second quarter of 2010 from \$4.9 million for the 2009 period, primarily due to the impact of lower rates paid for interest-bearing deposits and borrowings partially offset by the impact of higher interest-bearing deposits.

Interest expense on deposits decreased to \$2.5 million for the second quarter of 2010 from \$3.0 million for the 2009 period, due to decreases in the cost of those funds partially offset by the impact of higher balances. The average rate paid on interest-bearing deposits was 0.86%, which was 49 basis points lower than the prior year period. The decrease in average cost of deposits reflects the impact of deposit pricing strategies and the Company's purchase of certificates of deposit from the Certificate of Deposit Account Registry Service ("CDARS") which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were \$1,151.7 million for the second quarter of 2010 compared to \$891.7 million for the prior year period, reflecting the impact of the Company's business development activities as well the purchase of funds from CDARS.

Interest expense on borrowings decreased to \$1.5 million for the second quarter of 2010 from \$1.9 million for the 2009 period, primarily due to lower balances and the impact of the changes in mix. Average borrowings decreased to \$266.5 million for the second quarter of 2010 from \$481.1 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds. The rates paid on all categories of borrowings, except on subordinated debt, were lower in the second quarter of 2010 compared with those in the 2009 period. However, because of the impact of the change in mix, the blended cost of borrowings increased to 2.22% from 1.58%.

### *Provision for Loan Losses*

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" on page 39), the provision for loan losses for the second quarter of 2010 was \$5.5 million, compared to \$6.8 million for the prior year period. Factors affecting the lower provision for the second quarter of 2010 included stable economic conditions during the quarter, a lower level of nonaccrual loans for the past four consecutive quarters, commencing with the second quarter of 2009 and changes in the mix of the components of the loan portfolio since December 31, 2009.

The level of the allowance reflects changes in the size of the portfolio or in any of its components as well as management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, economic, political and regulatory conditions. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

During 2010, the allowance for loan losses increased \$0.6 million from \$19.9 million at December 31, 2009 primarily due to increases in the allowance allocated to lease financing receivables (\$1.3 million) partially offset by reductions in the allowance allocated to commercial and industrial loans (\$0.5 million), factored receivables (\$0.1 million), and real estate commercial mortgage (\$0.1 million). The allowance allocated to lease financing receivables increased primarily as a result of the continued elevated level of lease financing receivables charge-offs. The reduction of the allowance allocated to commercial and industrial loans was primarily the result of the relatively stable trend of charge-offs, and nonaccrual loans in the second quarter of 2010 compared to the first quarter of 2010.

### *Noninterest Income*

Noninterest income increased to \$11.4 million for the second quarter of 2010 from \$10.8 million in the 2009 period. The increase principally resulted from the benefit derived from increased accounts receivable management/factoring commissions and other fees which was partially offset by lower securities gains and mortgage banking income. Commissions and other fees earned from accounts receivable management and factoring services were higher primarily due to the impact of the acquisition of the business of DCD Finance Inc. on April 6, 2009.

## Edgar Filing: STERLING BANCORP - Form 10-Q

### *Noninterest Expenses*

Noninterest expenses for the second quarter of 2010 decreased \$2.0 million when compared to the 2009 period. The decrease was primarily due to lower advertising, professional fees and deposit insurance expenses. Partially offsetting those decreases was the impact of the acquisition of the business of DCD Finance Inc. on April 6, 2009.

The decrease in advertising is related to the timing of the Company's activities supporting its business development activities. The reduction in professional fees reflects primarily reduced fees paid to outside service providers. Deposit insurance in the 2009 second quarter includes a special one-time assessment of \$978,000. Excluding this special assessment, deposit insurance increased \$235,000 due to higher deposit insurance rates and an increase level of insured deposits.

The FDIC implemented a final rule on November 17, 2009 requiring insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. The bank's original prepaid amount to the FDIC was \$8.3 million.

In June 2010, the FDIC issued a final rule that extended the Transaction Account Guarantee ("TAG") component of the Temporary Liquidity Guarantee Program. The TAG program provides full coverage for non-interest bearing transaction deposit accounts, certain negotiable order of withdrawal ("NOW") accounts and Interest on Lawyers Trust accounts. Under the final rule, the TAG program was extended from June 30, 2010 to December 31, 2010. The TAG program may be extended beyond December 31, 2010 for an additional period of time not to exceed one year without additional rule making, provided the FDIC announces the extension before October 29, 2010. Beginning July 1, 2010, the maximum interest rate for qualifying as a NOW account under the TAG program will be 0.25%, down from 0.50%. The existing fee structure under the TAG program will not change; however, participants in the extended TAG program will be required to report deposit accounts subject to the TAG on an average daily balance basis, rather than the end of quarter basis as is currently the case. Current participants in the TAG program had a one-time, irrevocable opportunity to opt out of the TAG extension by notifying the FDIC by April 30, 2010. The Company has decided not to opt out of the TAG extension.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") extended the TAG program to December 31, 2012.

### *Provision for Income Taxes*

The provision for income taxes for the second quarter of 2010 increased to \$1.3 million, reflecting an effective tax rate of 30.0%, compared with \$0.4 million for the second quarter of 2009 reflecting an effective tax rate of 33.7%. The reduction in the effective tax rate is primarily due to a higher proportion of tax exempt income in the 2010 period compared to 2009 period.

### **Comparison of the Six Months Ended June 30, 2010 and 2009**

The Company reported net income available to common shareholders for the six months ended June 30, 2010 of \$4.3 million, representing \$0.19 per share calculated on a diluted basis, compared to \$2.9 million, or \$0.16 per share calculated on a diluted basis, for the first six months of 2009. This increase reflects a lower provision for loan losses and noninterest expenses and higher noninterest income partially offset by decreases in net interest income and provision for income taxes.

*Net Interest Income*

Net interest income, on a tax-equivalent basis, was \$41.5 million for the first six months of 2010 compared to \$43.0 million for the 2009 period. Net interest income benefitted from higher average loan and investment securities balances, and lower cost of funding. Offsetting those benefits was the impact of lower yield on loans and investment securities, and higher interest bearing deposit balances. The net interest margin, on a tax-equivalent basis, was 4.27% for the first six months of 2010 compared to 4.55% for the 2009 period. The net interest margin was impacted by the lower interest rate environment in 2010, the higher level of noninterest-bearing demand deposits and the effect of higher average loans outstanding.

Total interest income, on a tax-equivalent basis, aggregated \$49.6 million for the first six months of 2010, down \$3.5 million from the 2009 period. The tax-equivalent yield on interest-earning assets was 5.12% for the first six months of 2010 compared to 5.64% for the 2009 period.

Interest earned on the loan portfolio decreased to \$33.6 million for the first six months of 2010 from \$35.8 million for the prior year period. Average loan balances amounted to \$1,189.8 million, an increase of \$6.8 million from an average of \$1,183.0 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a \$0.1 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.98% for the first six months of 2010 from 6.24% for the 2009 period, which was primarily attributable to the lower interest rate environment in 2010 and the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to \$15.7 million for the first six months of 2010 from \$17.1 million in the prior year period. Average outstandings increased to \$766.6 million (38.4% of average earning assets) for the first six months of 2010 from \$704.6 million (36.8% of average earning assets) in the prior year period. The increase reflects the impact of the Company's asset/liability management strategy designed to shorten the average life of the portfolio. The average life of the securities portfolio was approximately 2.5 years at June 30, 2010 compared to 4.4 years at June 30, 2009. The average yield on the investment securities portfolio decreased to 4.10% from 4.84%, reflecting the impact of the above referenced asset/liability management strategy coupled with calls of higher yielding securities.

Total interest expense decreased by \$2.0 million for the first six months of 2010 from \$10.1 million for the 2009 period, primarily due to the impact of lower rates paid for interest-bearing deposits and borrowings and lower balances of borrowed funds.

Interest expense on deposits decreased to \$5.1 million for the first six months of 2010 from \$6.3 million for the 2009 period, primarily due to a decrease in the cost of those funds. The average rate paid on interest-bearing deposits was 0.94%, which was 47 basis points lower than the prior year period. The decrease in average cost of deposits reflects the lower interest rate environment during 2010. Average interest-bearing deposits were \$1,098.8 million for the first six months of 2010 compared to \$901.7 million for the prior year period, reflecting an increase in certificates of deposit, largely related to the CDARS program which is a lower cost product than traditional certificates of deposit.

## Edgar Filing: STERLING BANCORP - Form 10-Q

Interest expense on borrowings decreased to \$3.0 million for the first six months of 2010 from \$3.8 million for the 2009 period, primarily due to lower rates paid for borrowed funds coupled with the benefit (reflected in the volume change) derived from the elimination of funding from the Federal Reserve Bank and The Federal Home Loan Bank (reflected in the volume change). The average rate paid for borrowed funds was 2.30%, which was 69 basis points higher than the prior year period. The increase in the average cost of borrowings reflects the change in the mix of borrowed funds towards a higher proportion of long-term borrowings. Average borrowings decreased to \$258.7 million for the first six months of 2010 from \$478.9 million in the prior year period, reflecting lower reliance by the Company on wholesale funding.

### *Provision for Loan Losses*

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" on page 39), the provision for loan losses for the first six months of 2010 was \$11.5 million, compared to \$13.0 million for the prior year period. Factors affecting the lower provision for the first six months of 2010 included a stabilization of economic conditions during that period, a modest \$0.2 million increase in net charge-offs, a \$1.9 million decrease in nonaccrual loans and growth in the loan portfolio.

### *Noninterest Income*

Noninterest income increased to \$22.5 million for the first six months of 2010 from \$21.6 million in the 2009 period. The increase principally resulted from higher income related to accounts receivable management and factoring services and service charges on deposit accounts offset partly by lower mortgage banking income and securities gains. Commissions and other fees earned from accounts receivable management and factoring services were higher primarily due to the impact of the acquisition of the business of DCD Finance Inc. on April 6, 2009. Increased volumes at our factoring company and billings by clients providing temporary staffing also contributed to the improved level of fee income. Mortgage banking income declined due to a lower volume of loans closed and a change in the mix of products being sold. Securities gains declined but reflected a continuation of the asset liability management program commenced in 2009 that was designed to reduce the average life of the investment securities portfolio. The Company sold approximately \$97.3 million of securities with a weighted average life of approximately 2.4 years. The Company expects to reinvest a significant portion of the proceeds in securities with an average life of less than two years.

### *Noninterest Expenses*

Noninterest expenses for the first six months of 2010 decreased \$0.7 million when compared to the 2009 period. The expenses decrease was mainly related to lower professional fees and deposit insurance. In June 2009, the FDIC levied a special assessment on all insured depository institutions totaling 5 basis points of each institution's total assets less Tier 1 capital as of June 30, 2009, not to exceed 10 basis points of domestic deposits. The special assessment was part of the FDIC's effort to rebuild the DIF. Deposit insurance expense during the three and six months ended June 30, 2009 included a \$1.0 million accrual related to the special assessment.

### *Provision for Income Taxes*

The provision for income taxes for the first six months of 2010 decreased to \$2.4 million from \$2.7 million for the first six months of 2009. The decrease was primarily due to a lower effective income tax rate in the 2010 period (30.0%) compared to the 2009 period (38.1%) offset by a higher level of income before income taxes in the 2010 period. The decrease in the effective tax rate is primarily related to the higher proportion of tax exempt income achieved in 2010 compared to the 2009 period.

**BALANCE SHEET ANALYSIS***Securities*

At June 30, 2010, the Company's portfolio of securities totaled \$819.1 million, of which obligations of U.S. government corporations and government sponsored enterprises amounted to \$461.0 million which is approximately 56.3% of the total. The Company has the intent and ability to hold to maturity securities classified as held to maturity, at which time it will receive full value for these securities. These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The gross unrealized gains and losses on held to maturity securities were \$11.0 million and \$0.4 million, respectively. Securities classified as available for sale may be sold in the future, prior to maturity. These securities are carried at fair value. Net aggregate unrealized gains or losses on these securities are included, net of taxes, as a component of shareholders' equity. Given the generally high credit quality of the portfolio, management expects to realize all of its investments upon market recovery or, the maturity of such instruments and thus believes that any impairment in value is interest rate related and therefore temporary. Available for sale securities included gross unrealized gains of \$3.8 million and gross unrealized losses of \$1.2 million. As of June 30, 2010, management does not have the intent to sell any of the securities classified as available for sale in the table on page 17 and management believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost.

In connection with an asset liability management program designed to reduce the average life of the investment securities portfolio, the Company sold approximately \$56.8 million of securities with a weighted average life of approximately 2.2 years during the first six months of 2010 and approximately \$123 million of securities with a weighted average life of approximately 4 years in the same period of 2009. The Company reinvested a significant portion of the proceeds in securities with an average life of less than two years.

The following table presents information regarding the average life and yields of certain available for sale ("AFS") and held to maturity ("HTM") securities:

	Weighted Average Life		Weighted Average Yield	
	AFS	HTM	AFS	HTM
<b>June 30, 2010</b>				
Mortgage-backed securities	4.4 Years	2.7 Years	3.62%	4.61%
Agency notes (with original call dates ranging between 3 and 36 months)	0.4 Years	0.1 Years	2.10%	4.64%
Corporate debt securities	0.6 Years	—	2.56%	—
Obligations of state and political subdivisions- New York Bank Qualified	4.5 Years	9.5 Years	5.35% <sup>[1]</sup>	5.87% <sup>[1]</sup>

<sup>[1]</sup> tax equivalent



Edgar Filing: STERLING BANCORP - Form 10-Q

The following table sets forth the composition of the Company's investment securities by type, with related values:

	June 30, 2010		December 31, 2009	
	Balances	% of Total	Balances	% of Total
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities				
CMO's (Federal National Mortgage Association)	\$ 12,572	1.53%	\$ 13,740	1.86%
CMO's (Federal Home Loan Mortgage Corporation)	16,261	1.99	22,698	3.08
CMO's (Government National Mortgage Association)	23,707	2.89	9,048	1.23
Federal National Mortgage Association	93,794	11.45	125,673	17.05
Federal Home Loan Mortgage Corporation	50,292	6.14	71,715	9.73
Government National Mortgage Association	8,054	0.98	13,146	1.78
Total mortgage-backed securities	204,680	24.98	256,020	34.73
Agency Notes				
Federal National Mortgage Association	113,000	13.80	116,603	15.82
Federal Home Loan Bank	47,564	5.81	102,799	13.95
Federal Farm Credit Bank	15,146	1.85	29,418	3.99
Federal Home Loan Mortgage Corporation	80,598	9.84	14,899	2.02
Total obligations of U.S. government corporations and government sponsored enterprises	460,988	56.28	519,739	70.51
Obligations of state and political institutions-New York Bank Qualified	127,926	15.62	83,337	11.31
Single-issuer, trust preferred securities	3,674	0.45	4,483	0.61
Corporate debt securities	226,434	27.64	129,200	17.53
Other securities	57	0.01	56	0.01
Total marketable securities	819,079	100.00	736,815	99.97
Debt securities issued by foreign governments	0	0.00	250	0.03
Total	\$ 819,079	100.00%	\$ 737,065	100.00%

## Edgar Filing: STERLING BANCORP - Form 10-Q

### *Loan Portfolio*

A management objective is to maintain the quality of the loan portfolio. The Company seeks to achieve this objective by maintaining rigorous underwriting standards coupled with regular evaluation of the creditworthiness of, and the designation of lending limits for, each borrower. The portfolio strategies include seeking industry and loan size diversification in order to minimize credit exposure and originating loans in markets with which the Company is familiar.

The Company's commercial and industrial loan and factored receivables portfolios represent approximately 63% of all loans. Loans in this category are typically made to small- and medium-sized businesses and range between \$250,000 and \$15 million. The Company's real estate mortgage portfolio, which represents approximately 21% of all loans, is comprised of mortgages secured by real property located principally in the states of New York, New Jersey, Virginia and North Carolina. The Company's leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 13% of all loans. Sources of repayment are the borrower's operating profits, cash flows and liquidation of pledged collateral. Based on underwriting standards, loans may be secured in whole or in part by collateral such as liquid assets, accounts receivable, equipment, inventory and real property. The collateral securing any loan or lease may depend on the type of loan or lease and may vary in value based on market conditions.

The following table sets forth the composition of the Company's loans held for sale and loans held in portfolio:

	June 30,			
	2010		2009	
	Balances	Total	Balances	Total
<b>Domestic</b>				
Commercial and industrial	\$ 643,502	50.34%	\$ 507,635	41.68%
Lease financing receivables	167,545	13.11	229,024	18.81
Factored receivables	160,653	12.57	134,450	11.04
Real estate - residential mortgage	170,290	13.32	198,516	16.30
Real estate - commercial mortgage	100,065	7.83	101,282	8.32
Real estate - construction and land development	23,722	1.85	27,235	2.24
Loans to individuals	12,546	0.98	19,672	1.61
	\$ 1,278,323	100.00%	\$ 1,217,814	100.00%

### *Asset Quality*

Intrinsic to the lending process is the possibility of loss. In times of economic slowdown, the risk of loss inherent in the Company's portfolio of loans may increase. While management endeavors to minimize this risk, it recognizes that loan losses will occur and that the amount of these losses will fluctuate depending on the risk characteristics of the loan portfolio which in turn depend on current and future economic conditions, the financial condition of borrowers, the realization of collateral and the credit management process.

During the first six months of 2010, nonaccrual loans increased \$0.7 million compared to December 31, 2009. This primarily reflected a \$2.4 million increase in commercial real estate loans (related to a single commercial real estate credit) and \$0.2 million in loans to individuals. Partly offsetting these items were decreases of \$0.1 million, \$1.6 million and \$0.1 million in commercial and industrial loans, lease financing receivables and residential real estate mortgage loans, respectively. Loan charge-offs in the second quarter of 2010 were \$0.9 million lower than loan charge-offs in the first quarter of 2010 (primarily reflecting a decrease of \$0.9 million in charge-offs for lease financing receivables, \$0.1 million for commercial real estate loans, and \$0.1 million in factored receivables partly offset by an increase in loan charge-offs for commercial and industrial loans). While conditions across many segments of the economy have begun to stabilize, a worsening of existing economic conditions will likely result in levels of charge-offs and nonaccrual loans that will be higher than those in the current period.

The following table sets forth the amount of non-performing assets (nonaccrual loans and other real estate owned). Also shown are loans that are past due more than 90 and are still accruing because they are both



Edgar Filing: STERLING BANCORP - Form 10-Q

well secured or guaranteed by financially responsible third parties and are in the process of collection.

	June 30,	
	2010	2009
Gross loans	\$ 1,301,255	\$ 1,249,473
Nonaccrual loans		
Commercial and industrial	\$ 4,108	\$ 2,835
Lease financing receivables	10,337	14,256
Factored receivables	—	—
Real estate-residential mortgage	1,670	3,380
Real estate-commercial mortgage	2,379	—
Real estate-construction and land development	—	—
Loans to individuals	194	136
Total nonaccrual loans	18,688	20,607
Other real estate owned	761	1,105
Total non-performing assets	\$ 19,449	\$ 21,712
Loans past due 90 days or more and still accruing	\$ 2,223	\$ 1,683

At June 30, 2010, commercial and industrial nonaccruals represented 0.64% of commercial and industrial loans. There were 38 loans made to small business borrowers located in 3 states with balances ranging between approximately \$5.2 thousand and \$997.6 thousand.

At June 30, 2010, lease financing nonaccruals represented 6.17% of lease financing receivables. The lessees of the equipment are located in 37 states. There were 216 leases ranging between approximately \$0.2 thousand and \$360.2 thousand, 192 of which were under \$100 thousand. The value of the underlying collateral related to lease financing nonaccruals varies depending on the type and condition of equipment. While most leases are written on a recourse basis, with personal guarantees of the principals, the current value of the collateral is often less than the lease financing balance. Collection efforts include repossession and/or sale of leased equipment, payment discussions with the lessee, the principal and/or guarantors, and obtaining judgments against the lessee, the principal and/or guarantors. The balance is charged off when it is determined that collection efforts are no longer productive. Factors considered in determining whether collection efforts are no longer productive include any amounts currently being collected, the status of discussions or negotiations with the lessee, the principal and/or guarantors, the cost of continuing efforts to collect, the status of any foreclosure or other legal actions, the value of the collateral, and any other pertinent factors.

At June 30, 2010, residential real estate nonaccruals represented 0.98% of residential real estate loans held in portfolio. There were 14 loans ranging between approximately \$7.5 thousand and \$331.3 thousand secured by properties located in 6 states.

At June 30, 2010, commercial real estate nonaccrual represented 1.92% of commercial real estate loans. There was 1 loan secured by property located in 1 state.

At June 30, 2010, other real estate owned consisted of 3 properties with values between approximately \$87.9 thousand and \$469.1 thousand located in 2 states.

Management views the allowance for loan losses as a critical accounting policy due to its subjectivity. The allowance for loan losses is maintained through the provision for loan losses, which is a charge to operating earnings. The adequacy of the



provision and the resulting allowance for loan losses is determined by a management evaluation process of the loan portfolio, including identification and review of individual problem situations that may affect the borrower's ability to repay, review of overall portfolio quality through an analysis of current charge-offs, delinquency and nonperforming loan data, estimates of the value of any underlying collateral, an assessment of current and expected economic conditions and changes in the size and character of the loan portfolio. Other data utilized by management in determining the adequacy of the allowance for loan losses include, but are not limited to, the results of regulatory reviews; the amount of, trend of and/or borrower characteristics on loans that are identified as requiring special attention as part of the credit review process and peer group comparisons. The impact of this other data might result in an allowance greater than that indicated by the evaluation process previously described. The allowance reflects management's best estimate of probable losses within the existing loan portfolio and of the risk inherent in various components of the loan portfolio. The allowance, in the judgment of management, is necessary to serve for estimated loan losses and risk inherent in the loan portfolio. The Company's allowance for loan loss methodology is based on guidance provided by the "Interagency Policy Statement on the Allowance for Loan and Lease losses" issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, The Federal Deposit Insurance Corporation, the National Credit Union Administration and the Office of Thrift Supervision in December 2006 and includes an allowance allocation calculated in accordance with the U.S. GAAP guidance on loans with deteriorated credit quality in FASB Codification Topic 310: Receivables. The Company's process for determining the appropriate level of the allowance for loan losses is designed to account for credit deterioration as it occurs. The provision for loan losses reflects loan quality trends, including the levels of and trends related to nonaccrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors.

The level of the allowance reflects changes in the size of the portfolio or in any of its components as well as management's continuing evaluation of industry concentrations specific credit risks, loan loss experience, current loan portfolio quality, and present economic, political and regulatory conditions. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that in management's judgment, should be charged off. In addition, an increase in the size of the portfolio or in any of its components could necessitate an increase in the allowance even though there may not be a decline in credit quality or an increase in potential problem loans. A significant change in any of the evaluation factors described in the immediately preceding paragraph could also result in future additions to the allowance. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

At June 30, 2010, the ratio of the allowance to loans held in portfolio, net of unearned discounts, was 1.66% and the allowance was \$20,512 thousand. At such date, the Company's nonaccrual loans amounted to \$18,688 thousand. Loans 90 days past due and still accruing amounted to \$2.2 million. At June 30, 2010, loans judged to be impaired under U.S. GAAP guidance on receivables, amounted to \$8.3 million and had a valuation allowance totaling \$832 thousand, which is included within the overall allowance for loan losses. Included in the impaired loans are \$3.8 million in accruing impaired restructured loans as defined by U.S. GAAP guidance on receivables, with allowances for loan impairment of \$475 thousand. Based on the foregoing, as well as management's judgment as to the current risk in loans held in portfolio, the Company's allowance for loan losses was deemed adequate to absorb all probable losses on specifically known and other credit risks associated with the portfolio as of June 30, 2010. Net losses within loans held in portfolio are not statistically predictable and changes in conditions in the next twelve months could result in future provisions for loan losses varying from the provision recognized in the first three months of 2010. Potential problem loans, which are loans that are currently performing under present loan repayment terms but where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of the borrowers to continue to comply with the present repayment terms, aggregated zero at June 30, 2010 and \$2.4 million at June 30, 2009, respectively.

Edgar Filing: STERLING BANCORP - Form 10-Q

The following table sets forth certain information with respect to the Company's loan loss experience:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Average loans held in portfolio, net of unearned discounts, during period	\$ 1,194,574	\$ 1,151,915	\$ 1,163,587	\$ 1,139,887
Allowance for loan losses:				
Balance at beginning of period	\$ 19,963	\$ 17,158	\$ 19,872	\$ 16,010
Charge-offs:				
Commercial and industrial	1,073	518	1,923	877
Lease financing receivables	4,065	5,083	9,048	9,627
Factored receivables	88	142	239	309
Real estate - residential mortgage	33	0	98	0
Real estate - commercial mortgage	0	0	129	0
Real estate - construction and land development	0	0	0	0
Loans to individuals	42	0	63	0
Total charge-offs	5,301	5,743	11,500	10,813
Recoveries:				
Commercial and industrial	5	5	220	16
Lease financing receivables	178	98	283	142
Factored receivables	167	5	176	23
Real estate - residential mortgage	0	0	0	0
Real estate - commercial mortgage	0	0	0	0
Real estate - construction and land development	0	0	0	0
Loans to individuals	0	0	0	0
Total recoveries	350	108	679	181
Subtract:				
Net charge-offs	4,951	5,635	10,821	10,632
Provision for loan losses	5,500	6,800	11,500	13,000
Less losses on transfers to other real estate owned	0	189	39	244
Balance at end of period	\$ 20,512	\$ 18,134	\$ 20,512	\$ 18,134
Ratio of annualized net charge-offs to average loans held in portfolio, net of unearned discounts	1.66%	1.96%	1.86%	1.87%

## Edgar Filing: STERLING BANCORP - Form 10-Q

The following table presents the Company's allocation of the allowance for loan losses. This allocation is based on estimates by management and may vary from period to period based on management's evaluation of the risk characteristics of the loan portfolio. The amount allocated to a particular loan category of the Company's loans held in portfolio may not necessarily be indicative of actual future charge-offs in that loan category.

	June 30, 2010		December 31, 2009	
	Amount	% of loans in each category to total loans held in portfolio	Amount	% of loans in each category to total loans held in portfolio
<b>Domestic</b>				
Commercial and industrial	\$ 5,568	52.01%	\$ 6,082	49.01%
Loans to depository institutions	0	0.00	0	1.67
Lease financing receivables	11,507	13.54	10,249	16.32
Factored receivables	827	12.98	971	11.70
Real estate - residential mortgage	1,620	10.45	1,646	10.43
Real estate - commercial mortgage	488	8.09	560	7.75
Real estate - construction and land development	120	1.92	149	2.03
Loans to individuals	64	1.01	80	1.09
Unallocated	318	0.00	135	0.00
<b>Total</b>	<b>\$ 20,512</b>	<b>100.00%</b>	<b>\$ 19,872</b>	<b>100.00%</b>

During 2010, the allowance for loan losses increased \$0.6 million from \$19.9 million at December 31, 2009 primarily due to increases in the allowance allocated to lease financing receivables (\$1.3 million) partially offset by reductions in the allowance allocated to commercial and industrial loans (\$0.5 million), factored receivables (\$0.1 million), and real estate commercial mortgage (\$0.1 million). The allowance allocated to lease financing receivables increased primarily as a result of the continued elevated level of lease financing receivables charge-offs. The reduction of the allowance allocated to commercial and industrial loans was primarily the result of the relatively stable trend of charge-offs and nonaccrual loans in the second quarter of 2010 compared to the first quarter of 2010.



## Edgar Filing: STERLING BANCORP - Form 10-Q

### Deposits

A significant source of funds for the Company continues to be deposits, consisting of demand (noninterest-bearing), NOW, savings, money market and time deposits (principally certificates of deposit).

The following table provides certain information with respect to the Company's deposits:

	June 30,			
	2010		2009	
	Balances	% of Total	Balances	% of Total
<b>Domestic</b>				
Demand	\$ 525,242	32.00%	\$ 440,626	33.77%
NOW	181,895	11.08	186,958	14.33
Savings	18,287	1.12	17,991	1.38
Money Market	326,518	19.89	327,326	25.10
Time deposits	589,137	35.89	331,187	25.38
Total domestic deposits	\$ 1,641,079	99.98	\$ 1,304,088	99.96
<b>Foreign</b>				
Time deposits	395	0.02	579	0.04
Total deposits	\$ 1,641,474	100.00%	\$ 1,304,667	100.00%

Fluctuations of balances in total or among categories at any date may occur based on the Company's mix of assets and liabilities as well as on customers' balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented on pages 46 and 47.

### CAPITAL

The Company and the bank are subject to risk-based capital regulations which quantitatively measure capital against risk-weighted assets, including certain off-balance sheet items. These regulations define the elements of the Tier 1 and Tier 2 components of total capital and establish minimum ratios of 4% for Tier 1 capital and 8% for total capital for capital adequacy purposes. Supplementing these regulations is a leverage requirement. This requirement establishes a minimum leverage ratio (at least 3% or 4%, depending upon an institution's regulatory status) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). Information regarding the Company's and the bank's risk-based capital is presented on page 50. In addition, the bank is subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories, ranging from "well capitalized" to "critically under capitalized". Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a "well capitalized" bank must maintain minimum leverage, Tier 1 and total capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the Company. At June 30, 2010, the Company and the bank exceeded the requirements for "well capitalized" institutions under the tests pursuant to FDICIA and of the Federal Reserve Board.

The bank regulatory agencies have encouraged banking organizations, including healthy, well run banking organizations, to operate with capital ratios substantially in excess of the stated ratios required to maintain "well capitalized" status. This has resulted from, among other things, current economic conditions, the global financial crisis and the likelihood, as described in the 2009 Form 10-K, of increased formal capital requirements for banking organizations. In light of the foregoing, the Company and the bank expect that they will maintain capital ratios substantially in excess of these ratios.

Edgar Filing: STERLING BANCORP - Form 10-Q

During the first quarter 2010, we completed an underwritten public offering of 8,625,000 shares of our common shares at an offering price of \$8.00 per share, which

## Edgar Filing: STERLING BANCORP - Form 10-Q

resulted in net proceeds of \$64.9 million after underwriting discounts and expenses. The proceeds from the issuance of shares are to be used for general corporate purposes which may including the financing of possible acquisitions of complementary businesses or assets, including FDIC-assisted transactions, the extension of credit to, or the funding of investments in our subsidiaries, or the possible repurchase of Series A Preferred Shares, separately or together with the warrant for 516,817 shares of our common shares held by the U.S. Treasury, subject to the receipt of any required regulatory approval.

Under its share repurchase program, the Company buys back common shares from time to time. The Company did not repurchase any of its common shares during the second quarter of 2010. At June 30, 2010, the maximum number of shares that may yet be purchased under the share repurchase program was 870,963.

The Board of Directors initially authorized the repurchase of common shares in 1997 and since then has approved increases in the number of common shares that the Company is authorized to repurchase. The latest increase was announced on August 16, 2007, when the Board of Directors increased the Company's authority to repurchase common shares by an additional 800,000 shares.

### **RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT**

For information regarding recently issued accounting pronouncement and its expected impact on the Company's consolidated financial statements, see Note 11 of the Company's unaudited consolidated financial statements in this quarterly report on Form 10-Q.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained or incorporated by reference in this quarterly report on Form 10-Q, including but not limited to, statements concerning future results of operations or financial position, borrowing capacity and future liquidity, future investment results, future credit exposure, future loan losses and plans and objectives for future operations, economic environment and other statements contained herein regarding matters that are not historical facts, are "forward-looking statements" as defined in the Securities Exchange Act of 1934. These statements are not historical facts but instead are subject to numerous assumptions, risks and uncertainties, and represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Any forward-looking statements we may make speak only as of the date on which such statements are made. Our actual results and financial position may differ materially from the anticipated results and financial condition indicated in or implied by these forward-looking statements and we make no commitment to update or revise forward-looking statements in order to reflect new information, subsequent events or changes in expectations.

Factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, market and monetary fluctuations; geopolitical developments, including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and laws and regulations concerning taxes, banking and securities with which the Company must comply; changes, particularly declines, in general economic conditions and in the local economies in which the Company operates; the financial condition of the Company's borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); changes in accounting principles, policies and guidelines; the risks and uncertainties described in "Risk Factors" in the Company's annual report on Form 10-K for the year ended December 31, 2009; and other risks and uncertainties detailed from time to time in press releases and other public filings; and the Company's performance in managing the risks involved in any of the foregoing. The foregoing list of important factors is not exclusive, and we will not update any forward-looking statement, whether written or oral, that may be made from time to time.

**STERLING BANCORP AND SUBSIDIARIES**  
**Average Balance Sheets [1]**  
**Three Months Ended June 30,**  
**(Unaudited)**

	2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-bearing deposits with other banks	\$ 24,506	\$ 24	0.41%	\$ 26,498	\$ 9	0.14%
Securities available for sale	472,897	3,169	2.68	341,849	3,944	4.62
Securities held to maturity	252,550	2,987	4.73	292,956	3,477	4.75
Securities tax-exempt [2]	110,823	1,709	6.17	34,776	510	5.87
Total investment securities	836,270	7,865	3.76	669,581	7,931	4.74
FRB and FHLB stock [2]	7,808	64	3.28	9,382	178	7.57
Loans, net of unearned discounts [3]	1,220,250	17,121	5.87	1,204,568	18,264	6.19
<b>TOTAL INTEREST-EARNING ASSETS</b>	<b>2,088,834</b>	<b>25,074</b>	<b>4.91%</b>	<b>1,910,029</b>	<b>26,382</b>	<b>5.58%</b>
Cash and due from banks	36,009			29,623		
Allowance for loan losses	(22,104)			(17,994)		
Goodwill	22,901			22,901		
Other assets	132,579			115,422		
<b>TOTAL ASSETS</b>	<b>\$ 2,258,219</b>			<b>\$ 2,059,981</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Interest-bearing deposits</b>						
<b>Domestic</b>						
Savings	\$ 18,014	3	0.07%	\$ 18,080	6	0.13%
NOW	203,307	106	0.21	196,441	126	0.26
Money market	337,185	716	0.85	341,886	811	0.95
Time	592,665	1,635	1.11	334,680	2,047	2.45
<b>Foreign</b>						
Time	578	2	1.08	578	2	1.09
Total interest-bearing deposits	1,151,749	2,462	0.86	891,665	2,992	1.35
<b>Borrowings</b>						
Securities sold under agreements to repurchase - customers	54,829	65	0.48	77,261	88	0.45
	4,243	5	0.47	0	0	0.00

Edgar Filing: STERLING BANCORP - Form 10-Q

Securities sold under agreements to repurchase - dealers						
Federal funds purchased	35,545	19	0.21	12,309	7	0.22
Commercial paper	13,006	9	0.31	11,101	17	0.62
Short-term borrowings - FRB	0	0	0.00	202,857	126	0.25
Short-term borrowings - other	8,700	4	0.17	1,752	0	0.00
Long-term borrowings - FHLB	124,357	849	2.74	150,000	1,134	3.03
Long-term borrowings - sub debt	25,774	524	8.38	25,774	524	8.37
	<u>          </u>	<u>          </u>		<u>          </u>	<u>          </u>	
Total borrowings	266,454	1,475	2.22	481,054	1,896	1.58
	<u>          </u>	<u>          </u>		<u>          </u>	<u>          </u>	
<b>TOTAL INTEREST-BEARING LIABILITIES</b>	<b>1,418,203</b>	<b>3,937</b>	<b>1.11%</b>	<b>1,372,719</b>	<b>4,888</b>	<b>1.43%</b>
		<u>          </u>			<u>          </u>	
Noninterest-bearing deposits	466,017			417,509		
Other liabilities	146,897			110,846		
	<u>          </u>			<u>          </u>		
Total liabilities	2,031,117			1,901,074		
	<u>          </u>			<u>          </u>		
Shareholders' equity	227,102			158,907		
	<u>          </u>			<u>          </u>		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,258,219</b>			<b>\$ 2,059,981</b>		
	<u>          </u>			<u>          </u>		
Net interest income/spread		21,137	3.80%		21,494	4.15%
		<u>          </u>			<u>          </u>	
Net yield on interest-earning assets (margin)			4.12%			4.53%
			<u>          </u>			<u>          </u>
Less: Tax equivalent adjustment		599			179	
		<u>          </u>			<u>          </u>	
Net interest income		\$ 20,538			\$ 21,315	
		<u>          </u>			<u>          </u>	

[1] The average balances of assets, liabilities and shareholders' equity are computed on the basis of daily averages. Average rates are presented on a tax-equivalent basis. Certain reclassifications have been made to amounts for prior periods to conform to the current presentation.

[2] Interest on tax-exempt securities is presented on a tax-equivalent basis.

[3] Includes loans held for sale and loans held in portfolio; all loans are domestic. Nonaccrual loans are included in amounts outstanding and income has been included to the extent earned.

**STERLING BANCORP AND SUBSIDIARIES**  
**Average Balance Sheets [1]**  
**Six Months Ended June 30,**  
**(Unaudited)**

	2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>						
Interest-bearing deposits with other banks	\$ 33,884	\$ 43	0.26%	\$ 19,278	\$ 19	0.21%
Securities available for sale	383,120	5,903	3.08	379,903	9,201	4.84
Securities held to maturity	282,209	6,702	4.75	295,245	6,999	4.74
Securities tax-exempt [2]	101,292	3,118	6.16	29,497	857	5.81
<b>Total investment securities</b>	<b>766,621</b>	<b>15,723</b>	<b>4.10</b>	<b>704,645</b>	<b>17,057</b>	<b>4.84</b>
FRB and FHLB stock [2]	8,136	186	4.56	9,665	198	4.10
Loans, net of unearned discounts [3]	1,189,844	33,632	5.98	1,182,988	35,816	6.24
<b>TOTAL INTEREST-EARNING ASSETS</b>	<b>1,998,485</b>	<b>49,584</b>	<b>5.12%</b>	<b>1,916,576</b>	<b>53,090</b>	<b>5.64%</b>
Cash and due from banks	35,798			31,017		
Allowance for loan losses	(22,131)			(17,445)		
Goodwill	22,901			22,901		
Other assets	129,800			114,511		
<b>TOTAL ASSETS</b>	<b>\$ 2,164,853</b>			<b>\$ 2,067,560</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>Interest-bearing deposits</b>						
<b>Domestic</b>						
Savings	\$ 18,233	6	0.07%	\$ 18,148	12	0.14%
NOW	226,361	331	0.29	211,650	294	0.28
Money market	330,857	1,453	0.89	340,020	1,762	1.04
Time	522,754	3,309	1.28	331,266	4,212	2.56
<b>Foreign</b>						
Time	579	3	1.09	578	3	1.09
<b>Total interest-bearing deposits</b>	<b>1,098,784</b>	<b>5,102</b>	<b>0.94</b>	<b>901,662</b>	<b>6,283</b>	<b>1.41</b>
<b>Borrowings</b>						
Securities sold under agreements to repurchase - customers	52,689	126	0.48	75,987	203	0.54
	2,133	5	0.47	0	0	0.00

Edgar Filing: STERLING BANCORP - Form 10-Q

<b>Securities sold under agreements to repurchase - dealers</b>						
Federal funds purchased	23,440	23	0.20	34,783	41	0.23
Commercial paper	14,696	22	0.31	11,487	40	0.70
Short-term borrowings - FHLB	0	0	0.00	6,878	11	0.31
Short-term borrowings - FRB	7,459	9	0.25	172,405	225	0.26
Short-term borrowings - other	5,484	4	0.13	1,603	1	0.07
Long-term borrowings - FHLB	127,004	1,720	2.73	150,000	2,256	3.03
Long-term borrowings - sub debt	25,774	1,047	8.38	25,774	1,047	8.38
<b>Total borrowings</b>	<b>258,679</b>	<b>2,956</b>	<b>2.30</b>	<b>478,917</b>	<b>3,824</b>	<b>1.61</b>
<b>TOTAL INTEREST-BEARING LIABILITIES</b>	<b>1,357,463</b>	<b>8,058</b>	<b>1.20%</b>	<b>1,380,579</b>	<b>10,107</b>	<b>1.48%</b>
Noninterest-bearing deposits	467,337			416,847		
Other liabilities	140,723			111,910		
<b>Total liabilities</b>	<b>1,965,523</b>			<b>1,909,336</b>		
Shareholders' equity	199,330			158,224		
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,164,853</b>			<b>\$ 2,067,560</b>		
Net interest income/spread		41,526	3.92%		42,983	4.16%
Net yield on interest-earning assets (margin)			4.27%			4.55%
Less: Tax equivalent adjustment		1,093			302	
<b>Net interest income</b>		<b>\$ 40,433</b>			<b>\$ 42,681</b>	

[1] The average balances of assets, liabilities and shareholders' equity are computed on the basis of daily averages. Average rates are presented on a tax-equivalent basis. Certain reclassifications have been made to amounts for prior periods to conform to the current presentation.

[2] Interest on tax-exempt securities is presented on a tax-equivalent basis.

[3] Includes loans held for sale and loans held in portfolio; all loans are domestic. Nonaccrual loans are included in amounts outstanding and income has been included to the extent earned.

**STERLING BANCORP AND SUBSIDIARIES**  
**Rate/Volume Analysis [1]**  
(Unaudited)

	Increase/(Decrease) Three Months Ended June 30, 2010 to June 30, 2009		
	Volume	Rate	Net [2]
<b>INTEREST INCOME</b>			
Interest-bearing deposits with other banks	\$ (1)	\$ 16	\$ 15
Securities available for sale	1,208	(1,983)	(775)
Securities held to maturity	(475)	(15)	(490)
Securities tax-exempt	1,172	27	1,199
<b>Total investment securities</b>	<b>1,905</b>	<b>(1,971)</b>	<b>(66)</b>
<b>FRB and FHLB stock</b>	<b>(26)</b>	<b>(88)</b>	<b>(114)</b>
<b>Loans, net of unearned discounts [3]</b>	<b>157</b>	<b>(1,300)</b>	<b>(1,143)</b>
<b>TOTAL INTEREST INCOME</b>	<b>\$ 2,035</b>	<b>\$ (3,343)</b>	<b>\$ (1,308)</b>
<b>INTEREST EXPENSE</b>			
<b>Interest-bearing deposits</b>			
<b>Domestic</b>			
Savings	\$ 0	\$ (3)	\$ (3)
NOW	4	(24)	(20)
Money market	(11)	(84)	(95)
Time	1,067	(1,479)	(412)
<b>Foreign</b>			
Time	0	0	0
<b>Total interest-bearing deposits</b>	<b>1,060</b>	<b>(1,590)</b>	<b>(530)</b>
<b>Borrowings</b>			
Securities sold under agreements to repurchase - customers	(28)	5	(23)
Securities sold under agreements to repurchase - dealers	5	0	5
Federal funds purchased	12	0	12
Commercial paper	3	(11)	(8)
Short-term borrowings - FRB	(126)	0	(126)
Short-term borrowings - other	0	4	4
Long-term borrowings - FHLB	(183)	(102)	(285)



Long-term borrowings - sub debt	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total borrowings</b>	<u>(317)</u>	<u>(104)</u>	<u>(421)</u>
<b>TOTAL INTEREST EXPENSE</b>	<u>\$ 743</u>	<u>\$ (1,694)</u>	<u>\$ (951)</u>
<b>NET INTEREST INCOME</b>	<u>\$ 1,292</u>	<u>\$ (1,649)</u>	<u>\$ (357)</u>

[1] This table is presented on a tax-equivalent basis.

[2] Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for securities under agreements to repurchase-dealers and short term borrowings-FRB has been allocated entirely to the volume variance.

[3] Includes loans held for sale and loans held in portfolio; all loans are domestic. Nonaccrual loans are included in amounts outstanding and income has been included to the extent earned.

**STERLING BANCORP AND SUBSIDIARIES**  
**Rate/Volume Analysis [1]**  
(Unaudited)

	Increase/(Decrease) Six Months Ended June 30, 2010 to June 30, 2009		
	Volume	Rate	Net [2]
<b>INTEREST INCOME</b>			
Interest-bearing deposits with other banks	\$ 18	\$ 6	\$ 24
Securities available for sale	76	(3,374)	(3,298)
Securities held to maturity	(312)	15	(297)
Securities tax-exempt	2,207	54	2,261
<b>Total investment securities</b>	<b>1,971</b>	<b>(3,305)</b>	<b>(1,334)</b>
FRB and FHLB stock	(33)	21	(12)
Loans, net of unearned discounts [3]	106	(2,290)	(2,184)
<b>TOTAL INTEREST INCOME</b>	<b>\$ 2,062</b>	<b>\$ (5,568)</b>	<b>\$ (3,506)</b>
<b>INTEREST EXPENSE</b>			
<b>Interest-bearing deposits</b>			
<b>Domestic</b>			
Savings	\$ 0	\$ (6)	\$ (6)
NOW	25	12	37
Money market	(48)	(261)	(309)
Time	1,771	(2,674)	(903)
<b>Foreign</b>			
Time	0	0	0
<b>Total interest-bearing deposits</b>	<b>1,748</b>	<b>(2,929)</b>	<b>(1,181)</b>
<b>Borrowings</b>			
Securities sold under agreements to repurchase - customers	(56)	(21)	(77)
Securities sold under agreements to repurchase - dealers	5	0	5
Federal funds purchased	(13)	(5)	(18)
Commercial paper	9	(27)	(18)
Short-term borrowings - FHLB	(11)	0	(11)
Short-term borrowings - FRB	(207)	(9)	(216)
Short-term borrowings - other	3	0	3
Long-term borrowings - FHLB	(326)	(210)	(536)
Long-term borrowings - sub debt	0	0	0

Total borrowings	(596)	(272)	(868)
<b>TOTAL INTEREST EXPENSE</b>	<b>\$ 1,152</b>	<b>\$ (3,201)</b>	<b>\$ (2,049)</b>
<b>NET INTEREST INCOME</b>	<b>\$ 910</b>	<b>\$ (2,367)</b>	<b>\$ (1,457)</b>

[1] This table is presented on a tax-equivalent basis.

[2] Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for securities sold under agreements to repurchase-dealers and short-term borrowings-FHLB has been allocated entirely to the volume variance.

[3] Includes loans held for sale and loans held in portfolio; all loans are domestic. Nonaccrual loans are included in amounts outstanding and income has been included to the extent earned.

**STERLING BANCORP AND SUBSIDIARIES**  
**Regulatory Capital and Ratios**

**Ratios and Minimums**

As of June 30, 2010	Actual		For Capital Adequacy Minimum		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total Capital (to Risk-Weighted Assets):</b>						
The Company	\$ 261,255	15.55%	\$ 134,377	8.00%	\$ 167,971	10.00%
The bank	202,553	12.38	130,926	8.00	163,657	10.00
<b>Tier 1 Capital (to Risk-Weighted Assets):</b>						
The Company	240,560	14.32	67,188	4.00	100,782	6.00
The bank	182,093	11.13	65,463	4.00	98,194	6.00
<b>Tier 1 Leverage Capital (to Average Assets):</b>						
The Company	240,560	10.76	89,396	4.00	111,745	5.00
The bank	182,093	8.35	87,222	4.00	109,027	5.00
<b>As of December 31, 2009</b>						
<b>Total Capital (to Risk-Weighted Assets):</b>						
The Company	\$ 193,760	12.75%	\$ 121,606	8.00%	\$ 152,007	10.00%
The bank	169,353	11.25	120,378	8.00	150,473	10.00
<b>Tier 1 Capital (to Risk-Weighted Assets):</b>						
The Company	174,746	11.50	60,803	4.00	91,204	6.00
The bank	150,529	10.00	60,189	4.00	90,284	6.00
<b>Tier 1 Leverage Capital (to Average Assets):</b>						
The Company	174,746	8.06	86,757	4.00	108,447	5.00
The bank	150,529	6.97	86,385	4.00	107,981	5.00

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK  
ASSET/LIABILITY MANAGEMENT**

The Company's primary earnings source is its net interest income; therefore, the Company devotes significant time and has invested in resources to assist in the management of interest rate risk and asset quality. The Company's net interest income is affected by changes in market interest rates, and by the level and composition of interest-earning assets and interest-bearing liabilities. The Company's objectives in its asset/liability management are to utilize its capital effectively, to provide adequate liquidity and to enhance net interest income, without taking undue risks or subjecting the Company unduly to interest rate fluctuations.

The Company takes a coordinated approach to the management of its liquidity, capital and interest rate risk. This risk management process is governed by policies and limits established by senior management which are reviewed and approved by the Asset/Liability Committee. This committee, which is comprised of members of senior management, meets to review, among other things, economic conditions, interest rates, yield curve, cash flow projections, expected customer actions, liquidity levels, capital ratios and repricing characteristics of assets, liabilities and financial instruments.

***Market Risk***

Market risk is the risk of loss in a financial instrument arising from adverse changes in market indices such as interest rates, foreign exchange rates and equity prices. The Company's principal market risk exposure is interest rate risk, with no material impact on earnings from changes in foreign exchange rates or equity prices.

Interest rate risk is the exposure to changes in market interest rates. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the repricing characteristics of assets and liabilities. The Company monitors the interest rate sensitivity of its balance sheet positions by examining its near-term sensitivity and its longer-term gap position. In its management of interest rate risk, the Company utilizes several financial and statistical tools, including traditional gap analysis and sophisticated income simulation models.

A traditional gap analysis is prepared based on the maturity and repricing characteristics of interest-earning assets and interest-bearing liabilities for selected time bands. The mismatch between repricings or maturities within a time band is commonly referred to as the "gap" for that period. A positive gap (asset sensitive) where interest rate sensitive assets exceed interest rate sensitive liabilities generally will result in the net interest margin increasing in a rising rate environment and decreasing in a falling rate environment. A negative gap (liability sensitive) will generally have the opposite result on the net interest margin. However, the traditional gap analysis does not assess the relative sensitivity of assets and liabilities to changes in interest rates and other factors that could have an impact on interest rate sensitivity or net interest income. The Company utilizes the gap analysis to complement its income simulations modeling, primarily focusing on the longer-term structure of the balance sheet.

The Company's balance sheet structure is primarily short-term in nature with a substantial portion of assets and liabilities repricing or maturing within one year. The Company's gap analysis at June 30, 2010, presented on page 55, indicates that net interest income would increase during periods of rising interest rates and decrease during periods of falling interest rates, but, as mentioned above, gap analysis may not be an accurate predictor of net interest income.

As part of its interest rate risk strategy, the Company may use financial instrument derivatives to hedge the interest rate sensitivity of assets. The Company has written policy guidelines, approved by the Board of Directors, governing the use of financial instruments, including approved counterparties, risk limits and appropriate internal control procedures. The credit risk of derivatives arises principally from the potential for a counterparty to fail to meet its obligation to settle a contract on a timely basis.

## Edgar Filing: STERLING BANCORP - Form 10-Q

As of June 30, 2010, the Company was not a party to any financial instrument derivative agreement.

The Company utilizes income simulation models to complement its traditional gap analysis. While the Asset/Liability Committee routinely monitors simulated net interest income sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk. The income simulation models measure the Company's net interest income volatility or sensitivity to interest rate changes utilizing statistical techniques that allow the Company to consider various factors which impact net interest income. These factors include actual maturities, estimated cash flows, repricing characteristics, deposits growth/retention and, most importantly, the relative sensitivity of the Company's assets and liabilities to changes in market interest rates. This relative sensitivity is important to consider as the Company's core deposit base has not been subject to the same degree of interest rate sensitivity as its assets. The core deposit costs are internally managed and tend to exhibit less sensitivity to changes in interest rates than the Company's adjustable rate assets whose yields are based on external indices and generally change in concert with market interest rates.

The Company's interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company's assets and the rates that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management projects the impact of changes in interest rates on net interest margin. The Company has established certain policy limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of December 31, 2009, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 2.6% (\$2.7 million) and a 4.9% (\$5.1 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 1.3% (\$1.3 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of December 31, 2009 was considered to be remote given then-current interest rate levels. As of June 30, 2010, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 2.6% (\$3.0 million) and a 4.9% (\$5.5 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 0.7% (\$0.8 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of June 30, 2010 was considered to be remote given then-current interest rate levels.

The preceding sensitivity analysis does not represent a Company forecast and should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including: the nature and timing of interest rate levels including yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment/replacement of asset and liability cash flows and others. While assumptions are developed based upon current economic and local market conditions, the Company cannot provide any assurances as to the predictive nature of these assumptions, including how customers' preferences or competitor influences might change.

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to: prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes and other variables. Furthermore, the sensitivity analysis does not reflect actions that the Asset/Liability Committee might take in responding to or anticipating changes in interest rates.

The shape of the yield curve can cause downward pressure on net interest income. In general, if and to the extent that the yield curve is flatter (i.e., the differences between interest rates for different maturities are relatively smaller) than previously anticipated, then the yield on the Company's interest-earning assets and its cash flows

will tend to be lower. Management believes that a relatively flat yield curve could continue to adversely affect the Company's results in 2010.

***Liquidity Risk***

Liquidity is the ability to meet cash needs arising from changes in various categories of assets and liabilities. Liquidity is constantly monitored and managed at both the parent company and the bank levels. Liquid assets consist of cash and due from banks, interest-bearing deposits in banks and Federal funds sold and securities available for sale. Primary funding sources include core deposits, capital markets funds and other money market sources. Core deposits include domestic noninterest-bearing and interest-bearing retail deposits, which historically have been relatively stable. The parent company and the bank believe that they have significant unused borrowing capacity. Contingency plans exist which we believe could be implemented on a timely basis to mitigate the impact of any dramatic change in market conditions.

While the parent company generates income from its own operations, it also depends for its cash requirements on funds maintained or generated by its subsidiaries, principally the bank. Such sources have been adequate to meet the parent company's cash requirements throughout its history.

Various legal restrictions limit the extent to which the bank can supply funds to the parent company and its nonbank subsidiaries. All national banks are limited in the payment of dividends without the approval of the Comptroller of the Currency to an amount not to exceed the net profits as defined, for the year to date combined with its retained net profits for the preceding two calendar years.

At June 30, 2010, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately \$11.1 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating \$83.1 million. The parent company also has back-up credit lines with banks of \$19.0 million. Since 1979, the parent company has had no need to use the available back-up lines of credit.

## Edgar Filing: STERLING BANCORP - Form 10-Q

The following table sets forth information regarding the Company's obligations and commitments to make future payments under contract as of June 30, 2010:

Contractual Obligations (1)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt	\$ 150,656	\$ 10,000	\$ 72,432	\$ 22,450	\$ 45,774
Operating Leases	49,022	4,514	8,604	8,611	27,293
<b>Total Contractual Cash Obligations</b>	<b>\$ 199,678</b>	<b>\$ 14,514</b>	<b>\$ 81,036</b>	<b>\$ 31,061</b>	<b>\$ 73,067</b>

(1) Based on contractual maturity dates

The following table sets forth information regarding the Company's obligations under other commercial commitments as of June 30, 2010:

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amount Committed	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Residential Loans	\$ 39,937	\$ 39,937	\$ —	\$ —	\$ —
Commercial Loans	16,971	3,430	6,607	6,934	—
<b>Total Loans</b>	<b>56,908</b>	<b>43,367</b>	<b>6,607</b>	<b>6,934</b>	<b>—</b>
Standby Letters of Credit	20,007	19,240	767	—	—
Other Commercial Commitments	76,826	75,492	—	—	1,334
<b>Total Commercial Commitments</b>	<b>\$ 153,741</b>	<b>\$ 138,099</b>	<b>\$ 7,374</b>	<b>\$ 6,934</b>	<b>\$ 1,334</b>

### INFORMATION AVAILABLE ON OUR WEB SITE

Our Internet address is [www.sterlingbancorp.com](http://www.sterlingbancorp.com) and the investor relations section of our web site is located at [www.sterlingbancorp.com/ir/investor.cfm](http://www.sterlingbancorp.com/ir/investor.cfm). We make available free of charge, on or through the investor relations section of our web site, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Also posted on our web site, and available in print upon request of any shareholder to our Investor Relations Department, are the charters for our Board of Directors' Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, our Corporate Governance Guidelines, our Method for Interested Persons to Communicate with Non-Management Directors, our Excessive or Luxury Expenditures Policy and a Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the Securities and Exchange Commission and the New York Stock Exchange, we will post on our web site any amendment to the Code of Business Conduct and Ethics and any waiver applicable to our senior financial officers, as defined in the Code, or our executive officers



Edgar Filing: STERLING BANCORP - Form 10-Q

or directors. In addition, information concerning purchases and sales of our equity securities by our executive officers and directors is posted on our web site.

The contents of our web site are not incorporated by reference into this quarterly report on Form 10-Q.

**STERLING BANCORP AND SUBSIDIARIES**  
Interest Rate Sensitivity

To mitigate the vulnerability of earnings to changes in interest rates, the Company manages the repricing characteristics of assets and liabilities in an attempt to control net interest rate sensitivity. Management attempts to confine significant rate sensitivity gaps predominantly to repricing intervals of a year or less so that adjustments can be made quickly. Assets and liabilities with predetermined repricing dates are classified based on the earliest repricing period. Based on the interest rate sensitivity analysis shown below, the Company's net interest income would increase during periods of rising interest rates and decrease during periods of falling interest rates.

	Repricing Date						Total
	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 5 Years	More than 5 Years to 10 Years	Over 10 Years	Nonrate Sensitive	
<b>ASSETS</b>							
Interest-bearing deposits with other banks	\$ 12,428	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,428
Investment securities	43,333	206,773	252,240	53,462	263,271	0	819,079
Commercial and industrial loans	514,206	60,386	63,423	7,928	72	(2,513)	643,502
Lease financing receivables	14,063	170,317	3,371	0	0	(20,206)	167,545
Factored receivables	160,866	0	0	0	0	(213)	160,653
Real estate-residential mortgage	32,294	37,258	19,762	9,295	71,681	0	170,290
Real estate-commercial mortgage	34,696	42,103	21,361	1,905	0	0	100,065
Real estate-construction and land development	0	0	23,722	0	0	0	23,722
Loans to individuals	2,262	2,217	6,414	1,653	0	0	12,546
Loans to depository institutions	0	0	0	0	0	0	0
Noninterest-earning assets & allowance for loan losses	0	0	0	0	0	174,478	174,478
<b>Total Assets</b>	<b>814,148</b>	<b>519,054</b>	<b>390,293</b>	<b>74,243</b>	<b>335,024</b>	<b>151,546</b>	<b>2,284,308</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Interest-bearing deposits</b>							
Savings [1]	0	0	18,287	0	0	0	18,287
NOW [1]	0	0	181,895	0	0	0	181,895
Money market [1]	267,745	0	58,773	0	0	0	326,518
Time - domestic	252,216	288,953	47,968	0	0	0	589,137
- foreign	395	0	0	0	0	0	395
Securities sold under agreement to repurchase - customer	21,071	0	0	0	0	0	21,071
Securities sold under agreement to repurchase - dealer	34,893	0	5,000	0	0	0	39,893
Federal funds purchased	10,000	0	0	0	0	0	10,000
Commercial paper	9,506	1,555	0	0	0	0	11,061
Short-term borrowings - FHLB	0	0	0	0	0	0	0
Short-term borrowings - FRB	0	0	0	0	0	0	0
Short-term borrowings - other	46,779	0	0	0	0	0	46,779
Long-term borrowings - FHLB	0	10,000	94,882	20,000	0	0	124,882

Edgar Filing: STERLING BANCORP - Form 10-Q

<b>Long-term borrowings - subordinated debentures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,774</b>	<b>0</b>	<b>25,774</b>
<b>Noninterest-bearing liabilities &amp; shareholders' equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>888,616</b>	<b>888,616</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>642,605</b>	<b>300,508</b>	<b>406,805</b>	<b>20,000</b>	<b>25,774</b>	<b>888,616</b>	<b>2,284,308</b>
<b>Net Interest Rate Sensitivity Gap</b>	<b>\$ 171,543</b>	<b>\$ 218,546</b>	<b>\$ (16,512)</b>	<b>\$ 54,243</b>	<b>\$ 309,250</b>	<b>\$ (737,070)</b>	<b>\$ 0</b>
<b>Cumulative Gap June 30, 2010</b>	<b>\$ 171,543</b>	<b>\$ 390,089</b>	<b>\$ 373,577</b>	<b>\$ 427,820</b>	<b>\$ 737,070</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Cumulative Gap June 30, 2009 [2]</b>	<b>\$ 14,630</b>	<b>\$ (41,214)</b>	<b>\$ 63,868</b>	<b>\$ 189,842</b>	<b>\$ 614,870</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Cumulative Gap December 31, 2009 [2]</b>	<b>\$ 215,345</b>	<b>\$ 223,572</b>	<b>\$ 238,762</b>	<b>\$ 348,921</b>	<b>\$ 707,012</b>	<b>\$ 0</b>	<b>\$ 0</b>

[1] Historically, balances in non-maturity deposit accounts have remained relatively stable despite changes in levels of interest rates. Balances are shown in repricing periods based on management's historical repricing practices and run-off experience.

[2] Certain reclassifications have been made to conform to the current presentation.

**ITEM 4. CONTROLS AND PROCEDURES**

The Company's management, with the participation of the Company's principal executive and principal financial officers, evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the fiscal quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## Edgar Filing: STERLING BANCORP - Form 10-Q

### PART II - OTHER INFORMATION

#### Item 6. Exhibits

The following exhibits are filed as part of this report:

3. (i) Restated Certificate of Incorporation filed with the State of New York Department of State, October 28, 2004 (Filed as Exhibit 3(i) to the Registrant's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- (ii) Certificate of Amendment of Certificate of Incorporation filed with the State of New York Department of State on December 18, 2008 (Filed as Exhibit 3(ii) to the Registrant's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
- (iii) By-Laws as in effect on November 15, 2007 (Filed as Exhibit 3(ii)(A) to the Registrant's Form 8-K dated November 15, 2007 and filed on November 19, 2007 and incorporated herein by reference).
11. Statement Re: Computation of Per Share Earnings.
- 31.1 Certification of the CEO pursuant to Exchange Act Rule 13a-14(a).
- 31.2 Certification of the CFO pursuant to Exchange Act Rule 13a-14(a).
- 32.1 Certification of the CEO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
- 32.2 Certification of the CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.

Edgar Filing: STERLING BANCORP - Form 10-Q

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STERLING BANCORP

\_\_\_\_\_  
(Registrant)

Date: August 6, 2010  
\_\_\_\_\_

/s/ Louis J. Cappelli  
\_\_\_\_\_

Louis J. Cappelli  
Chairman and  
Chief Executive Officer

Date: August 6, 2010  
\_\_\_\_\_

/s/ John W. Tietjen  
\_\_\_\_\_

John W. Tietjen  
Executive Vice President and  
Chief Financial Officer

Edgar Filing: STERLING BANCORP - Form 10-Q

STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>	<u>Sequential Page No.</u>
11	Statement re: Computation of Per Share Earnings.	60
31.1	Certification of the CEO pursuant to Exchange Act Rule 13a-14(a).	61
31.2	Certification of the CFO pursuant to Exchange Act Rule 13a-14(a).	62
32.1	Certification of the CEO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.	63
32.2	Certification of the CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.	64