

STERLING BANCORP
Form 10-Q
August 07, 2012

UNITED STATES

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, 2012

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 12-2565216
(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), 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, 2012 there were 30,917,138 shares of common stock,

\$1.00 par value, outstanding.

STERLING BANCORP

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Exhibit 32.2 Certification of the CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code	73
101.INS* XBRL Instance Document.	
101.SCH* XBRL Taxonomy Extension Schema.	
101.CAL* XBRL Taxonomy Extension Calculation Linkbase.	
101.LAB* XBRL Taxonomy Extension Label Linkbase.	
101.PRE* XBRL Taxonomy Extension Presentation Linkbase.	
101.DEF* XBRL Taxonomy Definition Linkbase.	

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.



STERLING BANCORP AND SUBSIDIARIES**Consolidated Balance Sheets****(Unaudited)****(dollars in thousands, except per share data)**

	June 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	\$44,138	\$31,046
Interest-bearing deposits with other banks	39,517	126,448
Securities available for sale (at estimated fair value; pledged: \$170,012 in 2012 and \$146,429 in 2011)	348,714	270,014
Securities held to maturity (pledged: \$130,862 in 2012 and \$206,282 in 2011) (estimated fair value: \$395,298 in 2012 and \$425,775 in 2011)	378,664	407,857
Total investment securities	727,378	677,871
Loans held for sale, net	30,287	43,372
Loans held in portfolio, net of unearned discounts	1,565,580	1,473,309
Less allowance for loan losses	21,135	20,029
Loans, net	1,544,445	1,453,280
Federal Reserve and Federal Home Loan Bank stock, at cost	8,394	8,486
Customers' liability under acceptances	—	4
Goodwill	22,901	22,901
Premises and equipment, net	23,174	23,625
Other real estate	1,547	1,929
Accrued interest receivable	8,077	6,838
Cash surrender value of life insurance policies	54,039	53,446
Other assets	47,799	44,051
Total assets	\$2,551,696	\$2,493,297
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand deposits	\$786,359	\$765,800
Savings, NOW and money market deposits	638,870	565,423
Time deposits	617,817	657,848
Total deposits	2,043,046	1,989,071
Securities sold under agreements to repurchase - customers	43,199	47,313
Securities sold under agreements to repurchase - dealers	—	5,000

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Federal funds purchased	5,000	—
Commercial paper	12,455	13,485
Advances - FHLB	122,002	122,733
Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	208,430	214,305
Acceptances outstanding	—	4
Accrued interest payable	754	1,064
Accrued expenses and other liabilities	71,915	68,032
Total liabilities	2,324,145	2,272,476
Shareholders' equity		
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 35,225,110 and 35,225,110 shares, respectively	35,225	35,225
Capital surplus	271,058	270,869
Retained earnings	19,434	15,523
Accumulated other comprehensive loss	(11,511)	(14,216)
Common shares in treasury at cost, 4,307,972 and 4,300,278 shares, respectively	(86,655)	(86,580)
Total shareholders' equity	227,551	220,821
Total liabilities and shareholders' equity	\$2,551,696	\$2,493,297

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		Six Months Ended	
	June 30,	2011	June 30,	2011
	2012		2012	
INTEREST INCOME				
Loans	\$20,044	\$18,110	\$39,730	\$35,285
Investment securities				
Available for sale	2,643	2,824	5,020	5,378
Held to maturity	2,844	3,482	5,874	6,879
FRB and FHLB stock	134	143	215	166
Deposits with other banks	18	22	64	57
Total interest income	25,683	24,581	50,903	47,765
INTEREST EXPENSE				
Deposits				
Savings, NOW and money market	658	700	1,302	1,400
Time	1,012	1,382	2,075	2,742
Short-term borrowings	69	87	133	165
Advances - FHLB	518	500	1,037	1,164
Long-term borrowings - subordinated debentures	524	524	1,047	1,047
Total interest expense	2,781	3,193	5,594	6,518
Net interest income	22,902	21,388	45,309	41,247
Provision for loan losses	2,750	3,000	5,750	6,000
Net interest income after provision for loan losses	20,152	18,388	39,559	35,247
NONINTEREST INCOME				
Accounts receivable management/factoring commissions and other related fees	5,065	5,768	9,933	10,837
Mortgage banking income	2,393	1,600	4,729	3,775
Service charges on deposit accounts	1,615	1,432	3,028	2,803
Securities gains, net	329	505	1,208	1,629
Other income	1,281	1,092	2,224	2,365
Total noninterest income	10,683	10,397	21,122	21,409

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NONINTEREST EXPENSE

Salaries and employee benefits	14,895	14,465	29,806	28,725
Occupancy and equipment expenses, net	3,402	3,515	6,616	6,788
Deposit insurance	540	897	1,124	1,830
Professional fees	1,508	889	2,411	1,707
Other expenses	3,489	3,680	7,074	6,849
Total noninterest expenses	23,834	23,446	47,031	45,899
Income before income taxes	7,001	5,339	13,650	10,757
Provision for income taxes	2,128	1,394	4,175	2,869
Net income	4,873	3,945	9,475	7,888
Dividends on preferred shares and accretion	—	189	—	833
Accelerated accretion from redemption of preferred shares	—	1,241	—	1,241
Net income available to common shareholders	\$4,873	\$2,515	\$9,475	\$5,814
Average number of common shares outstanding				
Basic	30,818,709	30,414,947	30,805,484	28,883,154
Diluted	30,818,709	30,414,947	30,805,484	28,883,154
Net income available to common shareholders, per average common share				
Basic	\$0.16	\$0.08	\$0.31	\$0.20
Diluted	0.16	0.08	0.31	0.20
Dividends per common share	0.09	0.09	0.18	0.18

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,	
	2012	2011	2012	2011
Net income	\$4,873	\$3,945	\$9,475	\$7,888
Other comprehensive income, net of tax:				
Unrealized (losses)gains on securities available for sale arising during the year	(338)	929	2,347	1,308
Reclassification adjustment for securities' gains included in net income	(183)	(208)	(671)	(606)
Reclassification adjustment for amortization of:				
Prior service cost	7	8	12	17
Net actuarial losses	564	390	1,017	779
Other comprehensive income	50	1,119	2,705	1,498
Comprehensive income	\$4,923	\$5,064	\$12,180	\$9,386

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,	
	2012	2011
Preferred Stock		
Balance at January 1,	\$—	\$40,602
Discount accretion	—	157
Redemption	—	(42,000)
Accelerated accretion	—	1,241
Balance at June 30,	\$—	\$—
Common Stock		
Balance at January 1,	\$35,225	\$31,139
Common shares issued	—	4,025
Restricted shares issued	—	61
Balance at June 30,	\$35,225	\$35,225
Warrants to Purchase Common Stock		
Balance at January 1,	\$—	\$2,615
Repurchase of warrants	—	(2,615)
Balance at June 30,	\$—	\$—
Capital Surplus		
Balance at January 1,	\$270,869	\$236,437
Common shares issued	—	32,429
Restricted shares issued	—	(61)
Repurchase of warrants	—	1,670
Stock option compensation and restricted stock expense	189	146
Balance at June 30,	\$271,058	\$270,621
Retained Earnings		
Balance at January 1,	\$15,523	\$11,392
Net income	9,475	7,888
Cash dividends paid - preferred shares	—	(945)
Cash dividends paid - common shares	(5,564)	(5,558)
Discount accretion on series A preferred stock	—	(157)
Accelerated accretion - preferred shares	—	(1,241)
Balance at June 30,	\$19,434	\$11,379

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Accumulated Other Comprehensive Loss		
Balance at January 1,	\$(14,216)	\$(12,887)
Other comprehensive income, net of tax	2,705	1,498
Balance at June 30,	\$(11,511)	\$(11,389)
Treasury Stock		
Balance at January 1,	\$(86,580)	\$(86,556)
Surrender of shares issued under stock incentive plan	(75)	(24)
Balance at June 30,	\$(86,655)	\$(86,580)
Total Shareholders' Equity		
Balance at January 1,	\$220,821	\$222,742
Net changes during the period	6,730	(3,486)
Balance at June 30,	\$227,551	\$219,256

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2012	2011
Operating Activities		
Net Income	\$9,475	\$7,888
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	5,750	6,000
Depreciation and amortization of premises and equipment	1,822	1,497
Securities gains, net	(1,208)	(1,629)
Gains from life insurance policies, net	(458)	(216)
Deferred income tax benefit	(1,221)	(498)
Proceeds from sale of loans	238,680	188,026
Gains on sales of loans, net	(4,735)	(3,787)
Originations of loans held for sale	(221,687)	(178,286)
Amortization of premiums on securities	4,248	4,686
Accretion of discounts on securities	(344)	(219)
Increase in accrued interest receivable	(1,167)	(1,235)
Decrease in accrued interest payable	(310)	(340)
Decrease in accrued expenses and other liabilities	(4,412)	(23,060)
Decrease (Increase) in other assets	586	(2,607)
Loss (Gain) on other real estate owned	66	(5)
Net cash provided by (used in) operating activities	25,085	(3,785)
Investing Activities		
Purchase of premises and equipment	(1,371)	(7,972)
Net decrease (increase) in interest-bearing deposits with other banks	86,931	(62,386)
Net increase in loans held in portfolio	(110,556)	(52,151)
Net decrease (increase) in short-term factored receivables	14,325	(4,488)
Proceeds from sale of other real estate	404	36
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	20,735	27,866
Purchases of securities - held to maturity	(142,469)	(159,305)
Proceeds from calls of securities - held to maturity	160,962	60,000
Proceeds from prepayments, redemptions or maturities of securities - available for sale	259,771	149,427
Purchases of securities - available for sale	(455,460)	(318,695)
Proceeds from calls/sales of securities - available for sale	112,107	146,961
Proceeds from redemptions or maturities of FHLB & FRB stock	317	831

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Purchases of FHLB & FRB stock	(225)	(210)
Net cash used in investing activities	(54,529)	(220,086)
Financing Activities		
Net increase in noninterest-bearing demand deposits	20,559	31,950
Net increase in savings, NOW and money market deposits	73,447	73,996
Net (decrease) increase in time deposits	(40,031)	147,084
Net increase (decrease) in Federal funds purchased	5,000	(15,000)
Net (decrease) increase in securities sold under agreements to repurchase	(9,114)	6,220
Net (decrease) increase in commercial paper and other short-term borrowings	(1,030)	21,414
Decrease in long-term borrowings	(731)	(15,717)
Proceeds from issuance of common stock	—	36,454
Cash dividends paid on preferred stock	—	(945)
Cash dividends paid on common stock	(5,564)	(5,558)
Net repayment redemption of preferred stock and common stock warrants	—	(42,945)
Net cash provided by financing activities	42,536	236,953
Net increase in cash and due from banks	13,092	13,082
Cash and due from banks - beginning of period	31,046	26,824
Cash and due from banks - end of period	\$44,138	\$39,906
Supplemental disclosures:		
Interest paid	\$5,905	\$6,858
Income taxes paid	2,248	3,458
Loans held for sale transferred to portfolio	827	942
Loans transferred to other real estate	144	1,903
Due to brokers on sale of securities - AFS	5,173	—
Due to brokers on purchases of securities - HTM	10,072	—

See Notes to Consolidated Financial Statements.

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, mortgage warehouse lending, asset-based financing, factoring/accounts receivable management services, trade financing, equipment financing and deposit 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 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, 2012 and 2011 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. Throughout the notes, dollar amounts presented in tables are in thousands, except per share data. 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, 2011 (the “2011 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.



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, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	\$ 5,991	\$ —	\$ 2	\$5,989
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	27,757	46	200	27,603
CMOs (Government National Mortgage Association)	4,766	6	17	4,755
Federal National Mortgage Association	1,889	107	—	1,996
Federal Home Loan Mortgage Corporation	36	—	1	35
Government National Mortgage Association	93	—	—	93
Total residential mortgage-backed securities	34,541	159	218	34,482
Agency notes				
Federal National Mortgage Association	200	—	—	200
Federal Home Loan Bank	300	—	—	300
Federal Home Loan Mortgage Corporation	75	5	—	80
Total obligations of U.S. government corporations and government sponsored enterprises	35,116	164	218	35,062
Obligations of state and political institutions-New York Bank Qualified	17,019	1,294	—	18,313
Single-issuer, trust preferred securities	31,821	465	471	31,815
Other preferred securities	5,393	1	55	5,339
Corporate debt securities	236,309	405	1,496	235,218
Equity and other securities	15,758	1,840	620	16,978
Total	\$ 347,407	\$ 4,169	\$ 2,862	\$348,714



STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

December 31, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	\$ 21,642	\$ 103	\$ 6	\$21,739
CMOs (Government National Mortgage Association)	5,666	12	11	5,667
Federal National Mortgage Association	2,137	74	—	2,211
Federal Home Loan Mortgage Corporation	38	—	1	37
Government National Mortgage Association	98	—	—	98
Total residential mortgage-backed securities	29,581	189	18	29,752
Agency notes				
Federal National Mortgage Association	501	—	—	501
Federal Home Loan Bank	101	1	—	102
Federal Home Loan Mortgage Corporation	376	7	—	383
Federal Farm Credit Bank	251	—	—	251
Total obligations of U.S. government corporations and government sponsored enterprises	30,810	197	18	30,989
Obligations of state and political institutions-New York Bank Qualified	21,171	1,606	—	22,777
Single-issuer, trust preferred securities	28,506	214	1,661	27,059
Corporate debt securities	175,920	263	2,876	173,307
Equity and other securities	15,322	958	398	15,882
Total	\$ 271,729	\$ 3,238	\$ 4,953	\$270,014

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

The following tables present information regarding securities held to maturity:

June 30, 2012	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	\$2,784	\$ 135	\$ —	\$2,919
CMOs (Federal Home Loan Mortgage Corporation)	4,639	212	—	4,851
Federal National Mortgage Association	39,188	3,392	—	42,580
Federal Home Loan Mortgage Corporation	18,727	1,416	—	20,143
Government National Mortgage Association	3,732	579	—	4,311
Total residential mortgage-backed securities	69,070	5,734	—	74,804
Agency notes				
Federal National Mortgage Association	63,478	81	25	63,534
Federal Home Loan Bank	68,409	6	80	68,335
Federal Home Loan Mortgage Corporation	39,991	182	—	40,173
Total obligations of U.S. government corporations and government sponsored enterprises	240,948	6,003	105	246,846
Obligations of state and political institutions-New York Bank Qualified	137,716	10,738	2	148,452
Total	\$378,664	\$ 16,741	\$ 107	\$395,298

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

December 31, 2011	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	\$3,942	\$ 192	\$ —	\$4,134
CMOs (Federal Home Loan Mortgage Corporation)	6,474	305	—	6,779
Federal National Mortgage Association	46,937	3,777	—	50,714
Federal Home Loan Mortgage Corporation	23,682	1,669	—	25,351
Government National Mortgage Association	4,132	603	—	4,735
Total residential mortgage-backed securities	85,167	6,546	—	91,713
Agency notes				
Federal National Mortgage Association	104,981	203	—	105,184
Federal Home Loan Bank	44,992	34	—	45,026
Federal Home Loan Mortgage Corporation	34,991	49	9	35,031
Total obligations of U.S. government corporations and government sponsored enterprises	270,131	6,832	9	276,954
Obligations of state and political institutions-New York Bank Qualified	137,726	11,105	10	148,821
Total	\$407,857	\$ 17,937	\$ 19	\$425,775

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
June 30, 2012						
U.S. Treasury securities	\$5,989	\$ 2	\$—	\$ —	\$5,989	\$ 2
Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities CMOs (Federal Home Loan Mortgage Corporation)	16,481	200	—	—	16,481	200
CMOs (Government National Mortgage Association)	2,830	17	—	—	2,830	17
Federal Home Loan Mortgage Corporation	—	—	20	1	20	1
Total obligations of U.S. government corporations and government sponsored enterprises	19,311	217	20	1	19,331	218
Single-issuer, trust preferred securities	3,121	146	6,262	325	9,383	471
Other preferred securities	5,236	55	—	—	5,236	55
Corporate debt securities	143,530	868	27,158	628	170,688	1,496
Equity and other securities	2,503	505	948	115	3,451	620
Total	\$179,690	\$ 1,793	\$34,388	\$ 1,069	\$214,078	\$ 2,862

December 31, 2011

Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities CMOs (Federal Home Loan Mortgage Corporation)	\$4,276	\$ 6	\$—	\$ —	\$4,276	\$ 6
CMOs (Government National Mortgage Association)	3,448	11	—	—	3,448	11
Federal Home Loan Mortgage Corporation	—	—	22	1	22	1

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Total obligations of U.S. government corporations and government sponsored enterprises	7,724	17	22	1	7,746	18
Single-issuer, trust preferred securities	11,721	1,574	415	87	12,136	1,661
Corporate debt securities	139,972	1,937	10,607	939	150,579	2,876
Equity and other securities	2,974	398	—	—	2,974	398
Total	\$162,391	\$ 3,926	\$11,044	\$ 1,027	\$173,435	\$ 4,953

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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
June 30, 2012						
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal National Mortgage Association	\$9,972	\$ 25	\$—	\$ —	\$9,972	\$ 25
Federal Home Loan Bank	38,907	80	—	—	38,907	80
Total obligations of U.S. government corporations and government sponsored enterprises	48,879	105	—	—	48,879	105
Obligations of state and political institutions-New York Bank Qualified						
Total	850	2	—	—	850	2
Total	\$49,729	\$ 107	\$—	\$ —	\$49,729	\$ 107
December 31, 2011						
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal Home Loan Mortgage Corporation	\$14,991	\$ 9	\$—	\$ —	\$14,991	\$ 9
Total obligations of U.S. government corporations and government sponsored enterprises	14,991	9	—	—	14,991	9
Obligations of state and political institutions-New York Bank Qualified						
Total	736	9	289	1	1,025	10
Total	\$15,727	\$ 18	\$289	\$ 1	\$16,016	\$ 19

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

The following table presents information regarding single-issuer, trust preferred securities at June 30, 2012:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes *	NA	\$ 990	\$1,066	\$ 76
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes *	NA	126	129	3
Allfirst Pfd Cap Trust, Floating Rate, due 7/15/2029 owned by M&T Bank Corporation	Yes	BBB	378	377	(1)
BAC Capital Trust II, 7.00%, due 2/01/2032	Yes *	BB+	299	302	3
BAC Capital Trust IV, 5.875%, due 5/03/2033	Yes *	BB+	50	48	(2)
BNY Capital Trust V, 5.95%, due 5/01/2033	Yes *	BBB	50	52	2
Capital One Cap VI, 8.875% due 5/15/2040	Yes *	BB+	103	102	(1)
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes *	BB	1,507	1,509	2
Citigroup Capital VIII, 6.95%, due 9/15/2031	Yes *	BB	246	249	3
Citigroup Capital IX, 6.00%, due 2/14/2033	Yes *	BB	2,884	2,939	55
Citigroup Capital X, 6.10%, due 9/30/2033	Yes *	BB	293	293	—
Citigroup Capital XVII, 6.35%, due 3/15/2067	Yes *	BB	46	62	16
First Tennessee Capital II, 6.30%, due 4/15/2034	Yes *	BB	3,284	3,083	(201)
Fleet Capital Trust VIII, 7.20%, due 3/15/2032, owned by Bank of America Corporation	Yes *	BB+	501	503	2
Goldman Sachs Capital I, 6.345%, due 2/15/2034	Yes *	BB+	5,939	5,675	(264)
JP Morgan Chase Capital XIII, Floating Rate, due 9/30/2034	Yes *	BBB	754	755	1

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JP Morgan Chase Capital XI, 5.875%, due 6/15/2033	Yes *	BBB	1,623	1,642	19
JP Morgan Chase Capital XV, 5.875%, due 3/15/2035	Yes *	BBB	2,195	2,200	5
JP Morgan Chase Capital XVII, 5.85%, due 8/01/2035	Yes *	BBB	2,245	2,275	30
Morgan Stanley Capital Trust III, 6.25%, due 3/01/2033	Yes *	BB+	1,043	1,065	22
Keycorp Capital II, 6.875%, due 3/17/2029	Yes *	BBB-	93	97	4
Keycorp Capital VII, 5.70%, due 6/15/2035	Yes *	BBB-	1,553	1,600	47
SunTrust Capital I, Floating Rate, due 5/15/2027	Yes *	BB+	722	740	18
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes *	BBB-	21	21	—
Wells Fargo Capital Trust VII, 5.85%, due 5/01/2033	Yes *	BBB+	424	437	13
Wells Fargo Capital Trust VIII, 5.625%, due 8/01/2033	Yes *	BBB+	367	386	19
Wells Fargo Capital IX, 5.625%, due 4/08/2034	Yes *	BBB+	4,085	4,208	123
			\$ 31,821	\$ 31,815	\$ (6)

* TARP obligation was repaid prior to June 30, 2012.

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, New York bank qualified obligations of state and political institutions, and corporate debt and equity 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, 2012, approximately \$151.4 million, representing approximately 20.8% 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 (27 issuers), corporate debt (50 issuers) and equity securities (12 issuers). These investments may pose a higher risk of future impairment charges as a result of possible further deterioration of the U.S. economy. 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, 2012, the Company held 8 security positions of single-issuer, trust preferred securities issued by financial institutions, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months and 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 the issuers' most recent bank regulatory reports and other public regulatory disclosures, 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, the issuers have maintained performance levels adequate to support the contractual cash flows of the securities.

At June 30, 2012, the Company held 16 security positions of corporate debt securities issued by financial institutions and other corporate issuers, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months. Each of these positions are paying in accordance with their terms and have no deferrals of interest or other deferrals. In addition, management analyzes the performance of each issuer on a periodic basis, including a review of the issuer's most recent public regulatory disclosures, to assess credit risk and the probability of impairment of the applicable securities. Based upon management's second quarter review, management has concluded that the unrealized losses are deemed to be temporary.

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At June 30, 2012, the Company held 2 issues of equity securities, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months. Management analyzes the performance of each issuer on a periodic basis, including a review of the issuer's most recent public regulatory disclosures, to assess credit risk and the probability of impairment of the applicable securities. Based upon management's second quarter review, management has concluded that the unrealized losses are deemed to be temporary.

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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, 2012, 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
U.S. Treasury securities	\$ 5,991	\$5,989
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal Home Loan Mortgage Corporation)	27,757	27,603
CMOs (Government National Mortgage Association)	4,766	4,755
Federal National Mortgage Association	1,889	1,996
Federal Home Loan Mortgage Corporation	36	35
Government National Mortgage Association	93	93
Total residential mortgage-backed securities	34,541	34,482
Agency notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	200	200
Federal Home Loan Bank		
Due after 1 year but within 5 years	300	300
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	75	80
Total obligations of U.S. government corporations and government sponsored enterprises	35,116	35,062
Obligations of state and political institutions - New York Bank Qualified		
Due within 1 year	520	521
Due after 5 years but within 10 years	3,225	3,479
Due after 10 years	13,274	14,313
Total obligations of state and political institutions-New York Bank Qualified	17,019	18,313
Single-issuer, trust preferred securities		
Due after 10 years	31,821	31,815
Total single-issuer, trust preferred securities	31,821	31,815
Other preferred securities		

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Due after 1 year but within 5 years	5,291	5,236
Due after 10 years	102	103
Total other preferred securities	5,393	5,339
Corporate debt securities		
Due within 6 months	51,619	51,489
Due after 6 months but within 1 year	45,903	45,700
Due after 1 year but within 2 years	96,285	95,958
Due after 2 years but within 5 years	39,267	38,769
Due after 5 years but within 10 years	2,872	2,923
Due after 10 years	363	379
Total corporate debt securities	236,309	235,218
Equity and other securities	15,758	16,978
Total	\$ 347,407	\$ 348,714

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

Held to maturity	Carrying Value	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal National Mortgage Association)	\$2,784	\$2,919
CMOs (Federal Home Loan Mortgage Corporation)	4,639	4,851
Federal National Mortgage Association	39,188	42,580
Federal Home Loan Mortgage Corporation	18,727	20,143
Government National Mortgage Association	3,732	4,311
Total residential mortgage-backed securities	69,070	74,804
Agency notes		
Federal National Mortgage Association		
Due after 5 years but within 10 years	4,998	5,015
Due after 10 years	58,480	58,519
Federal Home Loan Bank		
Due after 5 years but within 10 years	19,421	19,418
Due after 10 years	48,988	48,917
Federal Home Loan Mortgage Corporation		
Due after 5 years but within 10 years	24,991	25,113
Due after 10 years	15,000	15,060
Total obligations of U.S. government corporations and government sponsored enterprises	240,948	246,846
Obligations of state and political institutions - New York Bank Qualified		
Due after 1 year but within 5 years	155	169
Due after 5 years but within 10 years	8,708	9,570
Due after 10 years	128,853	138,713
Total obligations of state and political institutions-New York Bank Qualified	137,716	148,452
Total	\$378,664	\$395,298

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

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	2012	2011	2012	2011
Sales				

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Proceeds	\$47,510	\$29,075	\$95,884	\$89,007
Gross gains	300	608	1,042	1,802
Gross losses	—	158	1	200

Calls

Proceeds	5,638	22,265	21,396	57,954
Gross gains	28	48	184	96
Gross losses	14	—	36	—

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

	Three Months Ended		Six Months Ended	
	June 30, 2012	2011	June 30, 2012	2011
Calls				
Proceeds	\$90,962	\$55,000	\$160,962	\$60,000
Gross gains	15	7	19	7
Gross losses	—	—	—	76

There were no sales or transfers of held to maturity securities during the three-month or six-month periods ended June 30, 2012 or June 30, 2011.

STERLING BANCORP AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(Unaudited)****Note 3. Loans and allowance for loan losses**

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

	June 30, 2012	December 31, 2011
Loans held for sale, net of valuation reserve (\$72 at June 30, 2012 and \$-0- at December 31, 2011)		
Real estate—residential mortgage	\$30,287	\$43,372
Loans held in portfolio, net of unearned discounts		
Commercial and industrial	618,596	626,063
Loans to nondepository financial institutions	290,544	246,587
Factored receivables	157,655	172,082
Equipment financing receivables	169,896	166,690
Real estate—residential mortgage	172,659	170,153
Real estate—commercial mortgage	148,694	85,825
Real estate—construction and land development	12,833	13,621
Loans to individuals	12,337	10,376
Loans to depository institutions	—	10
Loans held in portfolio, gross	1,583,214	1,491,407
Less unearned discounts	17,634	18,098
Loans held in portfolio, net of unearned discounts	1,565,580	1,473,309
	\$1,595,867	\$1,516,681

At June 30, 2012, the bank had qualified loans, with a carrying value of approximately \$493.6 million, available to secure borrowings from the FHLB and the FRB, of which approximately \$17.6 million were pledged to the FHLB. There were no loans pledged at December 31, 2011.

Loan Origination/Risk Management

The Company has lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A

reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The Company maintains an independent loan review process that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders.

Commercial and Industrial and Loans to Nondepository Financial Institutions

Sterling provides a full range of loans to small and medium-sized businesses with the objective of establishing longer-term relationships. Loans generally range in size up to \$20 million, tailored to meet customers' long- and short-term needs, and include secured and unsecured lines of credit and business installment loans.

Loans generally are collateralized by accounts receivable, inventory and other assets. Sterling also provides back-office services, i.e., processing payroll, generating customer invoices, credit collection assistance and related payroll services. The repayment of commercial loans is generally dependent on the creditworthiness and cash flow of borrowers and guarantors, which may be negatively impacted by adverse economic conditions. While these loans are secured, collateral type, marketability, coverage, valuation and monitoring is not as uniform as in other portfolio classes and recovery from liquidation of such collateral may be subject to greater variability.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Factoring

Factoring provides a financing service that combines working capital financing, credit risk protection, and accounts receivable management for companies in a variety of industries. This business may be conducted on a recourse or non-recourse basis, depending upon the needs of the client.

In general, Sterling records a receivable for the amount of accounts receivables due from customers of its clients and records a liability for the funds due to the client. Under advance factoring arrangements, clients can draw an advance as accounts receivables are sold/assigned to Sterling. With advance factoring, Sterling normally has recourse against the client if the customer fails to pay. Under collection factoring arrangements, clients sell Sterling their accounts receivables and Sterling provides credit protection to the client guaranteeing the collection of the amount due and back office support. Collection factoring is generally under a nonrecourse basis where the principal source of payment for Sterling is through the collection of the receivable from our client's customer whose credit has been approved by Sterling following a rigorous review process. Also, with collection factoring, Sterling has credit default insurance with a nationally recognized insurance company to provide it with protection against customer default.

Commercial Real Estate

Sterling offers a range of commercial real estate lending including financing on commercial buildings, retail properties and mixed use properties. Loans are predicated on the cash flow of the property, the value of the property determined by an independent appraisal and the strength of personal guarantees, if any. Loans are made at fixed or floating rates. Floating rate loans are based on the prime rate. Fixed rate loans are tied to Treasury or FHLB benchmarks and other indices.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geographic and risk grade criteria.

With respect to loans to developers and builders that are secured by non-owner occupied properties that the Company may originate from time to time, the Company generally requires the borrower to have had an existing relationship with the Company and have a record of success. Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with funds, with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to timely completion of the project, interest rate changes, government regulation of real property, general economic conditions and the availability of long-term financing.

Loans are made at fixed or floating rates. Fixed rate loans are tied to U.S. Treasury or FHLB benchmarks or other indices. Floating rate loans are based on the prime rate or other indices.

Equipment Financing

Sterling engages in direct and indirect lease financing. Direct lease financing is when requests for financing originate with an end user seeking to finance equipment for up to 60 months. Indirect lease finance arises through relationships with equipment financing brokers.

In both cases, credit approval is based upon on a full underwriting process that involves the submission of financial and other information, including the applicant's historical performance, cash flow projections and value of equipment, and for customers who are not public entities, Sterling generally obtains the personal guarantees of the principals of the entities.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Residential Mortgage

Residential mortgage loans, principally on single-family residences, are made primarily for re-sale into the secondary market. Offering both fixed and adjustable rate residential mortgage loan products, Sterling focuses on conforming credit, government insured FHA and other high-quality loan products. Jumbo loans are also originated for sale into the secondary market, or brokered to third-party providers.

The ability of borrowers to service debt in the residential mortgage loan portfolios is generally subject to personal income which may be impacted by general economic conditions, such as increased unemployment levels. These loans are predominantly collateralized by first and second liens on single family properties. If a borrower cannot maintain the loan, the Company's ability to recover against the collateral in sufficient amount and in a timely manner may be significantly influenced by market, legal and regulatory conditions.

Concentrations of Credit

There are no industry concentrations (exceeding 10% of loans, gross), other than loans to nondepository financial institutions, of loans held in portfolio. Loans to nondepository financial institutions, which include the Company's residential mortgage warehouse funding product and loans to finance companies, represent approximately 18.2% of all loans. Approximately 66.1% of loans are to borrowers located in the New York metropolitan area. A further deterioration in economic conditions within the region, including a decline in real estate values, higher unemployment and other factors which could adversely impact small and mid-sized businesses, could have a significant adverse impact on the quality of the Company's loan portfolio. In addition, a decline in real estate values and higher unemployment within the mid-Atlantic region and North Carolina could adversely impact the Company's residential real estate loan portfolio.

Approximately 26.5% or \$8.9 million and 19.9% or \$6.3 million of the Company's net interest income and noninterest income are related to real estate lending for the three months ended June 30, 2012 and 2011, respectively. Approximately 25.8% or \$ 17.2 million and 21.1% or \$ 13.2 million of the Company's interest income and noninterest income are related to real estate lending for the six months ended June 30, 2012 and 2011, respectively. Real estate prices in the U.S. market decreased during 2011 and have continued to decrease in 2012. Continuing declines in real estate values could necessitate charge-offs in our mortgage loan portfolio that may impact our operating results. In addition, a sustained period of declining real estate values combined with the continued turbulence in the financial and credit markets would continue to limit our mortgage-related revenues.

As of June 30, 2012 approximately 58.6% of the Company's loan portfolio consisted of commercial and industrial, factored receivables, construction and commercial real estate mortgage loans. Because the Company's loan portfolio contains a number of commercial and industrial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans.

Related Party Loans

Loans are made to officers or directors (including their immediate families) of the Company or for the benefit of corporations in which they have a beneficial interest subject to applicable regulations. There were no outstanding balances on such loans in excess of \$60 thousand to any individual or entity at June 30, 2012 or 2011.

Nonperforming Loans

Nonaccrual loans are those on which the accrual of interest has ceased. Loans, including loans that are individually identified as being impaired under FASB Codification Topic 310: *Receivables*, are generally placed on nonaccrual status immediately if, in the opinion of management, principal or interest is not likely to be paid in accordance with the terms of the loan agreement, or when principal or interest is past due 90 days or more and collateral, if any, is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Interest income is recognized on nonaccrual loans only to the extent received in cash. Where there is doubt regarding the ultimate collectibility of the loan principal, cash receipts, whether designated as principal or interest, are thereafter applied to reduce the carrying value of the loan. Loans are restored to accrual status when interest and principal payments are brought current and future payments are reasonably assured.

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

Nonaccrual loans at June 30, 2012 and December 31, 2011 totaled \$5.6 million and \$6.4 million, respectively. The interest income that would have been earned on nonaccrual loans outstanding at June 30, 2012, in accordance with their original terms, is estimated to be \$123 thousand and \$242 thousand, respectively, for the three and six months then ended. Applicable interest income actually realized was \$6 thousand and \$7 thousand, respectively, for the aforementioned periods. The interest income that would have been earned on nonaccrual loans outstanding at December 31, 2011, in accordance with their original terms is estimated to be \$780 thousand, for the year then ended; the applicable interest income actually realized was \$200 thousand. There were no commitments to lend additional funds on nonaccrual loans.

The following table sets forth the amount of nonaccrual loans of the Company as of the dates indicated:

	June 30, 2012	December 31, 2011
Commercial and industrial	\$504	\$ 834
Equipment financing receivables	376	370
Factored receivables	—	—
Real estate—residential mortgage	2,268	1,991
Real estate—commercial mortgage	2,453	3,124
Real estate—construction and land development	—	—
Loans to individuals	—	39
Total nonaccrual loans	\$5,601	\$ 6,358

The following table provides information regarding the past due status of loans held in portfolio:

June 30, 2012	30–59 Days Past Due	60–89 Days Past Due	90 Days & Over Past Due	Total Past Due	Current	Total Loans	MEMO 90 & Over and Still Accruing
Commercial and industrial	\$19,174	\$6,155	\$536	\$25,865	\$590,457	\$616,322	\$ 32
	—	—	—	—	290,544	290,544	—

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Loans to nondepository financial institutions							
Factored receivables	1,085	363	632	2,080	155,426	157,506	632
Equipment financing receivables	170	146	376	692	153,993	154,685	—
Real estate—residential mortgage—portfolio	898	1,206	2,268	4,372	168,287	172,659	—
Real estate—commercial mortgage	—	—	2,453	2,453	146,241	148,694	—
Real estate—construction and land development	—	—	—	—	12,833	12,833	—
Loans to individuals	4	2	—	6	12,331	12,337	—
Loans to depository institutions	—	—	—	—	—	—	—
Total loans, net of unearned discount	\$21,331	\$7,872	\$6,265	\$35,468	\$1,530,112	\$1,565,580	\$ 664

December 31, 2011

Commercial and industrial	\$23,665	\$5,344	\$837	\$29,846	\$594,278	\$624,124	\$ 165
Loans to nondepository institutions	—	—	—	—	246,587	246,587	—
Factored receivables	3,266	665	162	4,093	167,738	171,831	—
Equipment financing receivables	546	386	370	1,302	149,480	150,782	—
Real estate—residential mortgage	1,570	633	1,991	4,194	165,959	170,153	—
Real estate—commercial mortgage	—	—	3,124	3,124	82,701	85,825	—
Real estate—construction and land development	—	—	—	—	13,621	13,621	—
Loans to individuals	41	7	39	87	10,289	10,376	—
Loans to depository institutions	—	—	—	—	10	10	—
Total loans, net of unearned discount	\$29,088	\$7,035	\$6,523	\$42,646	\$1,430,663	\$1,473,309	\$ 165

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

Management considers a loan to be impaired when, based on current information and events, it is determined that the Company will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans on a loan-by-loan basis. When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole remaining source of repayment of the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows.

If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance.

When the ultimate collectibility of the total principal of an impaired loan is in doubt and the loan is on nonaccrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectibility of the total principal of an impaired loan is not in doubt and the loan is on nonaccrual status, contractual interest is credited to interest income when received, under the cash basis method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable. Management determined the specific allowance based on the present value of the expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

	Recorded Investment in Impaired Loans	Unpaid Principal Balance With No Allowance	Unpaid Principal Balance With Allowance	Related Allowance	Average ^[1] Recorded Investment in Impaired Loans
June 30, 2012					
Commercial and industrial	\$ 450	\$ —	\$ 1,250	\$ 201	\$ 1,453

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Loans to nondepository institutions	—	—	—	—	—
Factored receivables	—	—	—	—	—
Equipment financing receivables	56	—	56	3	159
Real estate—residential mortgage	5,523	998	5,284	1,361	5,482
Real estate—commercial mortgage	2,453	2,379	745	350	2,900
Real estate—construction and land development	—	—	—	—	—
Loans to individuals	—	—	—	—	—
Loans to depository institutions	—	—	—	—	—
Total	\$ 8,482	\$ 3,377	\$ 7,335	\$ 1,915	\$ 9,994

December 31, 2011

Commercial and industrial	\$ 2,954	\$ 1,395	\$ 2,159	\$ 287	\$ 2,596
Loans to nondepository institutions	—	—	—	—	—
Factored receivables	—	—	—	—	—
Equipment financing receivables	151	—	151	17	230
Real estate—residential mortgage	5,275	825	4,966	1,234	4,886
Real estate—commercial mortgage	3,124	—	3,124	1,113	3,124
Real estate—construction and land development	—	—	—	—	—
Loans to individuals	—	—	—	—	—
Loans to depository institutions	—	—	—	—	—
Total	\$ 11,504	\$ 2,220	\$ 10,400	\$ 2,651	\$ 10,836

[1] Year-to-date

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The average recorded investment and interest income recognized in accruing impaired loans for the three months ended June 30, 2012 amounted to \$5.1 million (commercial and industrial \$0.1 million, equipment financing receivables \$0.1 million and real estate-residential mortgage \$4.9 million) and \$74 thousand (commercial and industrial \$-0- thousand, equipment financing receivables \$1 thousand and real estate-residential mortgage \$73 thousand), respectively. The average recorded investment and interest income recognized in accruing impaired loans for the six months ended June 30, 2012 amounted to \$5.8 million (commercial and industrial \$0.8 million, equipment financing receivables \$0.1 million and real estate-residential mortgage \$4.9 million) and \$165 thousand (commercial and industrial \$7 thousand, equipment financing receivables \$2 thousand and real estate-residential mortgage \$156 thousand), respectively.

The average recorded investment and interest income recognized in accruing impaired loans for the year ended December 31, 2011 amounted to \$6.7 million (commercial and industrial \$1.8 million, equipment financing receivables \$0.2 million and real estate – residential mortgage \$4.7 million) and \$430 thousand (commercial and industrial \$95 thousand, equipment financing receivables \$8 thousand and real estate – residential mortgage \$327 thousand), respectively.

The Company had troubled debt restructured loans (“TDRs”) totaling \$7.1 million as of June 30, 2012 and \$6.4 million as of December 31, 2011. The Company has allocated \$1.4 million and \$1.3 million of specific reserves to customers with equipment financing receivables and residential real estate loans whose loan terms have been modified in troubled debt restructurings as of June 30, 2012 and December 31, 2011. The Company has no commitments to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

During the three and six months ended June 30, 2012, the terms of \$602 thousand and \$1.1 million of residential real estate loans were modified as troubled debt restructurings. The modification of terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. No lease financing receivables were modified during the three months ended June 30, 2012. No lease financing receivables were modified during the six months ended June 30, 2012.

Modifications of residential real estate loans involving a reduction of the stated interest rate or an extension of the maturity date were for periods ranging up to 40 years.

The troubled debt restructurings described above increased the allowance for loan losses by \$79 thousand for the three months ended June 30, 2012 and resulted in charge-offs of \$151 thousand during the three months ended June 30, 2012. The troubled debt restructurings described above increased the allowance for loan losses by \$221 thousand for the six months ended June 30, 2012 and resulted in charge-offs of \$151 thousand during the six months ended June 30, 2012.

During the twelve months ended June 30, 2012, five residential real estate loans amounting to \$501 thousand had both a modification of terms and a payment default under the modified terms of the loans.

Credit Quality Indicators

As part of the ongoing monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk grade of loans, (ii) the level of classified loans, (iii) charge-offs, (iv) nonperforming loans and (v) the general economic conditions in the New York metropolitan area.

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company has a process for analyzing non-homogeneous loans, such as commercial and industrial and commercial real estate loans, individually by grading the loans based on credit risk. This analysis occurs at varying times based on the type of loan as well as the loan balance and occurs at least once every 18 months for those loans greater than \$500,000.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

For homogeneous loan pools, such as residential mortgages, leases and consumer loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Company's personnel and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at June 30, 2012 is included in the aging of the recorded investment of past due loans table above. In addition, the total nonperforming portion of these homogeneous loan pools at June 30, 2012 is presented in the recorded investment in nonaccrual loans table above.

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial loans. Loans under \$100,000 are not risk rated. Loans are graded on a scale of 1 to 9. A description of the general characteristics of the 9 risk grades is as follows:

Risk Rating 1 & 2/High Quality/Minimal Risk—These loans are well secured by liquid or high quality, diversified, and readily marketable securities within the bank's defined margin requirements including cash surrender value of life insurance, or loans to strong privately held obligors secured by real estate with satisfactory loan to value, and support guarantors. They could include loans to publicly traded entities with strong credit ratings (A-1 or better) with Moody's or Standard & Poor's.

Risk Rating 3 & 4/Very Good/Good Quality—These loans can be either unsecured or secured (with monthly monitoring of Accounts Receivable and/or Inventory) to adequately or moderately capitalized privately held obligors with satisfactory sales, revenue, earnings trends, cash flow, and leverage. These secured loans may be monitored in the Asset Based Lending or the Factoring Department to include control of cash receipts and defined formula advances. These categories could include loans to publicly traded entities with credit ratings of A-3 or lower by Moody's or Standard & Poor's.

Risk Rating 5/Watch List—These loans are to companies with uneven financial performance containing exceptions to loan policy without mitigating factors. These loans may exist when the obligors experience temporary credit and/or structural deficiencies. Such credits have not been criticized by Loan Review. Close supervision is warranted to avoid further deterioration.

Risk Rating 6/Special Mention (OCC Definition)—Other Assets Especially Mentioned (OAEM) are loans that are currently protected but are potentially weak. Special Mention ratings have potential weaknesses which may, if not checked or corrected, weaken the asset or inadequately protect the bank's credit position at some future date. Such assets constitute an undue and unwarranted credit risk but not to the point of justifying a classification of substandard. The credit risk may be relatively minor yet constitute an unwarranted risk in light of the circumstances surrounding a specific asset.

Risk Rating 7/Substandard (OCC Definition)—These loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Loss potential, while existing in the aggregate amount of substandard assets, does not have to exist in individual assets classified as substandard.

Risk Rating 8/Doubtful (OCC Definition)—These loans have all the weakness inherent in loans classified as substandard with the added characteristic that the weakness makes collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidating procedures, capital injection, perfecting liens or additional collateral and refinancing plans.

Risk Rating 9/Loss (OCC Definition)—These loans are classified as loss and charged-off because they are determined to be uncollectible and unbankable assets. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future. The bank should not be allowed to attempt long-term recoveries while the asset remains booked. Losses should be taken in the period in which they are determined to be uncollectible.

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

The following table presents weighted average risk grades and classified loans by class of loan. Classified loans include loans in Risk Grades 6, 7 and 8.

	June 30, 2012		December 31, 2011	
	Weighted		Weighted	
	Average	Loans	Average	Loans
	Risk		Risk	
	Grade		Grade	
Commercial and industrial				
Risk grades 1-4	3.47	\$599,657	3.41	\$603,375
Risk grade 5	5.00	5,079	5.00	5,006
Risk grade 6	6.00	10,135	6.00	11,872
Risk grade 7	7.00	1,451	7.00	3,871
Risk grade 8	—	—	—	—
Risk grade 9	—	—	—	—
Total	3.54	\$616,322	3.50	\$624,124
Loans to nondepository financial institutions				
Risk grades 1-4	3.12	\$283,086	3.14	\$240,154
Risk grade 5	—	—	—	—
Risk grade 6	6.00	1,025	—	—
Risk grade 7	7.00	6,433	7.00	6,433
Risk grade 8	—	—	—	—
Risk grade 9	—	—	—	—
Total	3.20	\$290,544	3.24	\$246,587
Factored receivables				
Risk grades 1-4	3.02	\$153,205	2.84	\$170,256
Risk grade 5	5.00	4,301	5.00	1,575
Risk grade 6	—	—	—	—
Risk grade 7	—	—	—	—
Risk grade 8	—	—	—	—
Risk grade 9	—	—	—	—
Total	3.08	\$157,506	2.86	\$171,831
Equipment financing receivables				
Risk grades 1-4	3.92	\$154,255	3.89	\$150,412

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Risk grade 5	—	—	—	—
Risk grade 6	—	—	—	—
Risk grade 7	7.00	430	7.00	370
Risk grade 8	—	—	—	—
Risk grade 9	—	—	—	—
Total	3.93	\$154,685	3.90	\$150,782

Real estate-commercial mortgage

Risk grades 1-4	3.06	\$146,241	3.14	\$82,701
Risk grade 5	—	—	—	—
Risk grade 6	—	—	—	—
Risk grade 7	7.00	2,453	7.00	3,124
Risk grade 8	—	—	—	—
Risk grade 9	—	—	—	—
Total	3.13	\$148,694	3.28	\$85,825



STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Allowance for Loan Losses

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 reserve for estimated loan losses and risk inherent in the loan portfolio. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

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 U.S. GAAP guidance in FASB Codification Topic 310: *Receivables* and allowance allocations calculated in accordance with FASB Codification Topic 450: *Contingencies*. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions.

The level of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated to 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, among other things, the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

The Company's allowance for loan losses includes (1) specific valuation allowances for impaired loans evaluated in accordance with FASB Codification Topic 310: *Receivables*; (2) formulaic allowances based on historical loss experience by loan category, adjusted, as necessary, to reflect the impact of current conditions; and (3) unallocated general valuation allowances determined in accordance with FASB Codification Topic 450: *Contingencies* based on general economic conditions and other qualitative risk factors both internal and external to the Company.

The allowance established for losses on specific loans is based on a regular analysis and evaluation of problem loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) the obligor's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. This analysis is performed at the relationship manager level for all loans. When a loan has a calculated grade of 6 or higher, an analysis is performed to determine whether the loan is impaired and, if impaired, the need to specifically allocate a portion of the allowance for loan losses to the loan. Specific valuation allowances are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things.

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the portion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are periodically updated based on actual charge-off experience. A historical valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio and the total dollar amount of the loans in the pool.

The Company's pool of similar loans includes similarly risk-graded groups of commercial and industrial loans, commercial real estate loans, residential real estate loans and consumer and other loans.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

General valuation allowances are based on general economic conditions and other qualitative risk factors both internal and external to the Company. In general, such valuation allowances are determined by evaluating, among other things:

- Estimated losses in all significant loans
- Existence and effect of any concentrations of credit
- Existence and effect of any geographic concentration
- Other external factors such as competition, legal matters or regulation that may affect risk
- Effect of criticized and classified loans
- Effects from risk arising with international lending
- Effectiveness of internal problem loan identification and risk ratings
- Trends in portfolio volume, maturity and compositions of loans within segments
- Volumes and trends in delinquencies and nonaccrual loans
- Changes in the quality of lending policies and procedures
- Changes in local and national economic conditions
- Experience, ability and depth of lending staff
- Changes in value of underlying collateral

Management evaluates the degree of risk that each one of these components has on the quality of the loan portfolio on a quarterly basis. Each component is determined based on degree of risk. The results are then input into a “general allocation matrix” to determine an appropriate general valuation allowance.

Included in the general valuation allowances are allocations for groups of similar loans with risk characteristics that exceed certain concentration limits established by management. Concentration risk limits have been established, among other things, for certain industry concentrations, large and highly leveraged credit relationships that exceed specified risk grades, and loans originated with policy exceptions that exceed specified risk grades.

Loans are generally charged-off at the earlier of when it is determined that collection efforts are no longer productive or when they have been identified as losses by management, internal loan review and/or bank examiners. Furthermore, equipment financing receivables and revolving credit lines to small businesses are charged-off at the earlier of when payments are 120 days past due or 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/borrower, 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.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following table presents the activity in the allowance for loan losses by portfolio segment:

Three Months Ended June 30, 2012	Balance, Beginning of Period	Charge-Offs ^[1]	Recoveries	Net Charge-Offs ^[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	\$ 7,515	\$ 140	\$ 117	\$ 23	\$ 152	\$7,644
Loans to nondepository financial institutions	1,265	—	—	—	362	1,627
Factored receivables	1,498	223	45	178	189	1,509
Equipment financing receivables	3,448	731	223	508	593	3,533
Real estate – residential mortgage	3,746	348	^[1] 1	347	^[1] 557	3,956
Real estate – commercial mortgage	2,228	671	—	671	825	2,382
Real estate – construction and land development	139	—	—	—	11	150
Loans to individuals	125	—	7	(7) 9	141
Loans to depository institutions	—	—	—	—	—	—
Unallocated	141	—	—	—	52	193
Total	\$ 20,105	\$ 2,113	^[1] \$ 393	\$ 1,720	^[1] \$ 2,750	\$ 21,135

Six Months Ended June 30, 2012	Balance, Beginning of Period	Charge-Offs ^[1]	Recoveries	Net Charge-Offs ^[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	\$ 7,647	\$ 2,009	\$ 151	\$ 1,858	\$ 1,855	\$7,644
Loans to nondepository financial institutions	1,369	—	—	—	258	1,627
Factored receivables	1,450	340	51	289	348	1,509
Equipment financing receivables	3,515	1,833	561	1,272	1,290	3,533
Real estate – residential mortgage	3,490	479	^[1] 2	477	^[1] 943	3,956
Real estate – commercial mortgage	2,151	671	—	671	902	2,382
Real estate – construction and land development	165	—	—	—	(15) 150
Loans to individuals	104	87	10	77	114	141
Loans to depository institutions	—	—	—	—	—	—

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Unallocated	138	—	—	—	55	193
Total	\$ 20,029	\$ 5,419	[1] \$ 775	\$ 4,644	[1] \$ 5,750	\$ 21,135

[1] Includes losses on transfers to OREO

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STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Three Months Ended June 30, 2011	Balance, Beginning of Period	Charge-Offs ^[1]	Recoveries	Net Charge-Offs ^[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	\$ 7,479	\$ 719	\$ 10	\$ 709	\$ 737	\$ 7,507
Loans to nondepository financial institutions	664	—	—	—	48	712
Factored receivables	1,340	36	11	25	45	1,360
Equipment financing receivables	3,055	2,329	773	1,556	1,835	3,334
Real estate – residential mortgage	2,596	215	[1] —	215	[1] 411	2,792
Real estate – commercial mortgage	2,285	—	—	—	41	2,326
Real estate – construction and land development	286	—	—	—	(5)	281
Loans to individuals	116	—	—	—	(12)	104
Loans to depository institutions	77	—	—	—	(68)	9
Unallocated	142	—	—	—	(32)	110
Total	\$ 18,040	\$ 3,299	[1] \$ 794	\$ 2,505	[1] \$ 3,000	\$ 18,535

Six Months Ended June 30, 2011	Balance, Beginning of Period	Charge-Offs ^[1]	Recoveries	Net Charge-Offs ^[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	\$ 7,454	\$ 888	\$ 30	\$ 858	\$ 911	\$ 7,507
Loans to nondepository financial institutions	564	—	—	—	148	712
Factored receivables	1,424	168	32	136	72	1,360
Equipment financing receivables	3,423	6,105	1,696	4,409	4,320	3,334
Real estate – residential mortgage	2,497	463	[1] 163	300	[1] 595	2,792
Real estate – commercial mortgage	2,275	—	—	—	51	2,326
Real estate – construction and land development	310	—	—	—	(29)	281
Loans to individuals	119	—	—	—	(15)	104
Loans to depository institutions	46	—	—	—	(37)	9
Unallocated	126	—	—	—	(16)	110
Total	\$ 18,238	\$ 7,624	[1] \$ 1,921	\$ 5,703	\$ 6,000	\$ 18,535

[1] Includes losses on transfers to OREO

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STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

The following tables present the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method:

	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
	Individually	Collectively	Total	Individually	Collectively	Total
	June 30, 2012					
Commercial and industrial	\$201	\$ 7,443	\$7,644	\$450	\$ 615,872	\$616,322
Loans to nondepository institutions	—	1,627	1,627	—	290,544	290,544
Factored receivables	—	1,509	1,509	—	157,506	157,506
Equipment financing receivables	3	3,530	3,533	56	154,629	154,685
Real estate—residential mortgage	1,361	2,595	3,956	5,523	167,136	172,659
Real estate—commercial mortgage	350	2,032	2,382	2,453	146,241	148,694
Real estate—construction and land development	—	150	150	—	12,833	12,833
Loans to individuals	—	141	141	—	12,337	12,337
Loans to depository institutions	—	—	—	—	—	—
Unallocated	—	193	193	—	—	—
Total	\$1,915	\$ 19,220	\$21,135	\$8,482	\$ 1,557,098	\$ 1,565,580

	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
	Individually	Collectively	Total	Individually	Collectively	Total
	December 31, 2011					
Commercial and industrial	\$287	\$ 7,360	\$7,647	\$2,954	\$ 621,170	\$624,124
Loans to nondepository institutions	—	1,369	1,369	—	246,587	246,587
Factored receivables	—	1,450	1,450	—	171,831	171,831
Equipment financing receivables	17	3,498	3,515	151	150,631	150,782
Real estate—residential mortgage	1,234	2,256	3,490	5,275	164,878	170,153
Real estate—commercial mortgage	1,113	1,038	2,151	3,124	82,701	85,825
Real estate—construction and land development	—	165	165	—	13,621	13,621
Loans to individuals	—	104	104	—	10,376	10,376
Loans to depository institutions	—	—	—	—	10	10
Unallocated	—	138	138	—	—	—
Total	\$2,651	\$ 17,378	\$20,029	\$11,504	\$ 1,461,805	\$ 1,473,309

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STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 4. Federal Home Loan Bank Advances

During the 2011 first quarter, the bank restructured a portion of its Federal Home Loan Bank fixed rate advances by repaying \$100 million of existing borrowings and replacing them with \$100 million of lower cost, floating rate advances. This transaction resulted in \$4.2 million in prepayment penalties that were deferred and will be recognized in interest expense as an adjustment to the cost of these borrowings in future periods. The existing borrowings were a combination of fixed rate and amortizing advances with an average cost of 2.58% and an average duration of 3.2 years. The new borrowings were all floating-rate advances with a current average cost of 1.74%, including the deferred adjustment, with an average duration of three months. The relevant accounting treatment for this transaction was provided in ASC 470-50. This transaction was executed as an earnings and interest rate risk strategy, resulting in lower FHLB advance costs and a reduction of average duration.

Note 5. Preferred Stock

On April 27, 2011, the parent company paid \$42.4 million to the U.S. Treasury for the repurchase in full of the Treasury's investment in 42,000 shares of the parent company's Fixed Rate Cumulative Perpetual Preferred Shares, Series A, liquidation preference of \$1,000 per share (the "Preferred Shares"), issued under the provisions of the TARP Capital Purchase Program. As a result of this action, the Preferred Shares were redeemed in full, eliminating an annual dividend of \$2.1 million. In this connection, in determining net income available to common shareholders, the Company recognized in the second quarter a \$1.2 million charge for accelerated accretion which represents the difference between the carrying value and the liquidation value for the repurchased Preferred Shares.

On May 18, 2011, the parent company completed the repurchase of a warrant held by the U.S. Treasury. The ten-year warrant was issued on December 23, 2008 as part of the parent company's participation in the U.S. Treasury's TARP Capital Purchase Program, and entitled the U.S. Treasury to purchase 516,817 common shares of the parent company at an exercise price of \$12.19 per share. The parent company paid approximately \$0.95 million to the U.S. Treasury to repurchase the warrant. The parent company's repurchase of the warrant concluded its participation in the TARP Capital Purchase Program.

Note 6. Common Shares and Stock Incentive Plan

On March 9, 2011, the Company completed an underwritten public offering of 4.025 million common shares at an offering price of \$9.60 per share, which resulted in net proceeds of \$36.5 million after underwriting discounts and expenses.

On March 24, 2011, the Board of Directors, upon recommendation by the Compensation and Corporate Governance Committees, granted a total of 20,000 shares of restricted stock to the eight non-management directors (“director restricted shares”) and 41,565 restricted shares to the Chairman, President and five 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 had been limited by the 2008 agreement between the Company and the U.S. Treasury until the Preferred Shares were redeemed on April 27, 2011. The director restricted shares and the officer restricted shares were issued at \$9.71 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.

STERLING BANCORP AND SUBSIDIARIES**Notes to Consolidated Financial Statements****(Unaudited)****Note 7. Other noninterest income and expenses**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
OTHER NONINTEREST INCOME				
Trade finance income	\$467	\$540	\$967	\$1,128
Other customer related fees	256	241	505	421
Trust fees	—	—	—	53
Income from life insurance policies	536	297	792	572
Gain (Loss) on other real estate owned	—	5	(66)	5
Other income	22	9	26	186
Total other noninterest income	\$1,281	\$1,092	\$2,224	\$2,365
OTHER NONINTEREST EXPENSES				
Advertising and marketing	\$775	\$873	\$1,418	\$1,298
Communications	462	474	932	884
Other expenses	2,252	2,333	4,724	4,667
Total other noninterest expenses	\$3,489	\$3,680	\$7,074	\$6,849

Note 8. 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	Six Months Ended
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	June 30,		June 30,	
	2012	2011	2012	2011
Service cost	\$620	\$544	\$1,240	\$1,089
Interest cost	1,033	895	2,065	1,790
Expected return on plan assets	(994)	(771)	(1,988)	(1,543)
Amortization of prior service cost	10	16	20	32
Recognized actuarial loss	1,032	700	1,863	1,400
Net periodic benefit cost	\$1,701	\$1,384	\$3,200	\$2,768

The Company contributed \$7.0 million to the defined benefit pension plan in January 2012 and expects to contribute an additional \$2.0 million to the defined benefit pension plan in 2012.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 9. Other Comprehensive Income

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, 2012		Six Months Ended June 30, 2011	
Other Comprehensive Income				
Unrealized holding (losses) gains on securities available for sale arising during the period:				
Before tax	\$(609)	\$1,702	\$4,230	\$2,395
Tax effect	271	(773)	(1,883)	(1,087)
Net of tax	(338)	929	2,347	1,308
Reclassification adjustment for securities gains included in net income:				
Before tax	(329)	(380)	(1,208)	(1,109)
Tax effect	146	172	537	503
Net of tax	(183)	(208)	(671)	(606)
Reclassification adjustment for amortization of prior service cost:				
Before tax	10	16	20	32
Tax effect	(3)	(8)	(8)	(15)
Net of tax	7	8	12	17
Reclassification adjustment for amortization of net actuarial losses:				
Before tax	1,017	713	1,833	1,425
Tax effect	(453)	(323)	(816)	(646)
Net of tax	564	390	1,017	779
Other comprehensive income	\$50	\$1,119	\$2,705	\$1,498

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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 upon a sale of 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.

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 and 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.

Securities available for sale. Securities classified as available for sale are 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 provided by Interactive Data Corporation ("IDC"), a leading global provider of market data information. IDC evaluations 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.

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

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. There have been no transfers between level 1 and level 2 of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	Inputs	Inputs	Inputs	Fair Value
June 30, 2012				
Securities available for sale:				
U.S. Treasury securities	\$—	\$5,989	\$ —	\$5,989
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities	—	34,482	—	34,482
Agency notes	—	580	—	580
Total obligations of U.S. government corporations and government sponsored enterprises	—	35,062	—	35,062
Obligations of state and political institutions—New York Bank Qualified	—	18,313	—	18,313
Single-issuer, trust preferred securities	31,815	—	—	31,815
Other preferred securities	5,339	—	—	5,339
Corporate debt securities	—	235,218	—	235,218
Equity and other securities	16,978	—	—	16,978
Total marketable securities	\$54,132	\$294,582	\$ —	\$348,714

December 31, 2011

Securities available for sale:

Obligations of U.S. government corporations and government-sponsored enterprises

Residential mortgage-backed securities	\$—	\$29,752	\$ —	\$29,752
Agency notes	—	1,237	—	1,237
Total obligations of U.S. government corporations and government-sponsored enterprises	—	30,989	—	30,989
Obligations of state and political institutions institutions—New York Bank Qualified	—	22,777	—	22,777
Single-issuer, trust preferred securities	27,059	—	—	27,059
Corporate debt securities	—	173,307	—	173,307
Equity and other securities	15,882	—	—	15,882
Total marketable securities	\$42,941	\$227,073	\$ —	\$270,014

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

Certain financial assets, such as collateral-dependent impaired loans, are measured at 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:

	June 30, 2012	December 31, 2011
Impaired loans		
Commercial and industrial	\$—	\$ 1,298
Commercial real estate	2,103	2,011
Other real estate owned, net	1,547	1,929

Impaired loans. At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value may receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. 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 typically result in a level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. At June 30, 2012, two commercial real estate loans were carried at fair value. The fair value for one of these loans was based upon a pending sales agreement that closed in mid-July 2012.

Other real estate owned. Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair values are generally based on third-party appraisals of the property utilizing 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 typically result in a level 3 classification of the inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Impaired loans that are measured for impairment using the fair value of the collateral dependent loans had a principal balance of \$2.5 million, with a valuation allowance of \$0.4 million at June 30, 2012, resulting in no additional provision for loan losses for the three months ended June 30, 2012. At December 31, 2011, impaired loans had a principal balance of \$4.5 million, and a valuation allowance of \$1.2 million.

Other real estate owned measured at fair value less costs to sell had a net carrying amount of \$1.5 million, which is made up of the outstanding balance of \$1.6 million, net of valuation allowance of \$56 thousand. For the three months ended June 30, 2012, \$22 thousand of other real estate owned was written down through a charge to noninterest expense. For the six months ended June 30, 2012, \$56 thousand of other real estate owned was written down through a charge to noninterest expense. At December 31, 2011, other real estate owned had net carrying amount of \$1.9 million, made up of the outstanding balance of \$1.9 million, net of valuation allowance of \$-0- million.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

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.

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, interest rates and other market factors, 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.

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. 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 description of the methods, factors and significant assumptions utilized in estimating the fair values for significant categories of financial instruments follows:

Financial Instruments with Carrying Amounts Equal to Fair Value

The carrying amounts for cash and due from banks, interest-bearing deposits with other banks, accrued interest receivable, Federal funds purchased, securities sold under agreements to repurchase, commercial paper, other short-term borrowings, and accrued interest payable, as a result of their short-term nature, are considered to

approximate fair value.

Investment Securities

The methods, factors and significant assumptions used to estimate fair values of all securities are described more fully beginning on page 35.

Loans, Net

The fair value of loans, net, which reprice within 90 days reflecting changes in the base rate, approximate their carrying amount. For other loans held in portfolio, the fair value is calculated based on discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality and for similar maturities. These calculations have been adjusted for credit risk based on the Company's historical credit loss experience.

The fair value for secured nonaccrual loans is the value of the underlying collateral which is sufficient to repay each loan. For other nonaccrual loans, the fair value represents book value less a credit risk adjustment based on the Company's historical credit loss experience.

The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposits

FASB Codification Topic 825: *Financial Instruments* requires that the fair value of demand, savings, NOW (negotiable order of withdrawal) and certain money market deposits be equal to their carrying amount. The Company believes that the fair value of these deposits, including the value of deposit relationships, is greater than that prescribed by FASB Codification Topic 825. For other types of deposits with fixed maturities, fair value has been estimated based upon interest rates currently being offered on deposits with similar characteristics and maturities.

Advances—FHLB and Long-Term Borrowings

For advances—FHLB and long-term borrowings, the fair value is calculated based on discounted cash flow analyses, using interest rates currently being quoted for debt with similar characteristics and maturities.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees

The fees received for the issuance of commitments to extend credit, standby letters of credit, and financial guarantees, are considered to approximate fair value. Due to the uncertainty involved in attempting to assess the likelihood and timing of a commitment being drawn upon, coupled with lack of an established market and the wide diversity of fee structures, the Company does not believe it is meaningful to provide an estimate of fair value that differs from the amount of consideration received.

The following is a summary of the carrying amounts and fair values of the Company's financial assets and liabilities. There were no transfers between Level 1 and Level 2 during the first six months of 2012 or in 2011.

	Carrying Value	Fair Value Measurements at June 30, 2012			
		Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	\$44,138	\$44,138	\$—	\$—	\$44,138
Interest-bearing deposits with other banks	39,517	39,517	—	—	39,517
Investment securities	727,378	54,132	689,880	—	744,012
Loans, net	1,574,732	—	—	1,585,752	1,585,752
Accrued interest receivable	8,077	469	5,664	1,944	8,077
FINANCIAL LIABILITIES					
Demand, NOW, savings and money market deposits	1,425,229	1,425,229	—	—	1,425,229
Time deposits	617,817	—	618,733	—	618,733
Securities sold under agreements to repurchase	43,199	43,199	—	—	43,199
Federal funds purchased	5,000	5,000	—	—	5,000
Commercial paper	12,455	12,455	—	—	12,455
Accrued interest payable	754	124	630	—	754
Advances-FHLB and long-term borrowings	147,776	100,000	22,035	26,499	148,534
Fair Value Measurements at December 31, 2011					
	Carrying Value	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	\$31,046	\$31,046	\$—	\$—	\$31,046

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Interest-bearing deposits with other banks	126,448	126,448	—	—	126,448
Investment securities	677,871	42,941	652,848	—	695,789
Loans, net	1,496,652	—	—	1,505,005	1,505,005
Accrued interest receivable	6,838	377	4,732	1,729	6,838
FINANCIAL LIABILITIES					
Demand, NOW, savings and money market deposits	1,331,223	1,331,223	—	—	1,331,223
Time deposits	657,848	—	659,439	—	659,439
Securities sold under agreements to repurchase	52,313	52,313	—	—	52,313
Federal funds purchased	—	—	—	—	—
Commercial paper	13,485	13,485	—	—	13,485
Accrued interest payable	1,064	135	929	—	1,064
Advances-FHLB and long-term borrowings	148,507	100,000	22,886	26,170	149,056

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STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 11. New Accounting Standards

ASU No. 2011-03, “*Transfers and Servicing (Topic 860) – Reconsideration of Effective Control for Repurchase Agreements.*” ASU 2011-03 is intended to improve financial reporting of repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. ASU 2011-03 removes from the assessment of effective control (i) the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and (ii) the collateral maintenance guidance related to that criterion. ASU 2011-03 was effective for the Company on January 1, 2012. The effect of adopting this guidance did not have a significant impact on the Company’s financial statements.

ASU No. 2011-04, “*Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs.*” ASU 2011-04 amends Topic 820, “Fair Value Measurements and Disclosures,” to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 was effective for the Company on January 1, 2012. The effect of adopting this guidance did not have a significant impact on the Company’s financial statements.

ASU No. 2011-05, “*Comprehensive Income (Topic 220) – Presentation of Comprehensive Income.*” ASU 2011-05 amends Topic 220, “Comprehensive Income,” to require that all nonowner changes in stockholders’ equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity was eliminated. ASU 2011-05 was effective for the Company on January 1, 2012. The effect of adopting this guidance did not have a significant impact on the Company’s financial statements.

ASU No. 2011-08, “*Intangibles-Goodwill and Other (Topic 350) – Testing Goodwill for Impairment.*” ASU 2011-08 amends Topic 350, “*Intangibles-Goodwill and Other,*” so that entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit (i.e., step 1 of the

goodwill impairment test). If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. The ASU does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed beginning after December 15, 2011, with early adoption permitted. The Company adopted ASU 2011-08 for its annual period ending December 31, 2011. The effect of adopting this guidance did not have a significant impact on the Company's financial statements.

ASU No. 2011-11, "*Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities.*" ASU 2011-11 amends Topic 210, "Balance Sheet", to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have significant impact on the Company's financial statements.

ASU 2011-12, "*Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05.*" ASU 2011-12 defers changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU No. 2011-05. All other requirements in ASU No. 2011-05 are not affected by ASU No. 2011-12. ASU 2011-12 is effective for annual and interim periods beginning after December 15, 2011 and did not have a significant impact on the Company's financial statements.

ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 2. 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 Bank Holding Company Act of 1956, as amended by 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, 2011 (the "2011 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, mortgage warehouse lending, asset-based financing, factoring/accounts receivable management services, deposit services, trade financing, and equipment financing. 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, 2012, the bank's average earning assets represented approximately 99.1% of the Company's average earning assets. Loans represented 63.3% and investment securities represented 33.9% of the bank's average earning assets for the first six months of 2012.

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.

While the domestic economy continued to show moderate improvement during the 2012 second quarter, the pace was not consistent month-to-month and the rate of expansion also varied across regions of the country. Recent economic conditions during 2012, such as the modest increase in residential real estate values in the principal markets the Company serves, have increased demand for residential real estate lending. The Company also believes there are opportunities to prudently expand its loan portfolio, particularly in the corporate and commercial real estate sectors, under current economic conditions. If some of the positive economic trends observed during the second quarter of 2012 were not to continue, the Company would expect its income from 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 66.1% of total loans at June 30, 2012, an adverse change in market conditions in that geographic area could result in a decrease in our income from residential and commercial 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.

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 beginning on page 58. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown beginning on page 56.

Comparison of the Three Months Ended June 30, 2012 and 2011

The Company reported net income available to common shareholders for the three months ended June 30, 2012 of \$4.9 million, representing \$0.16 per share calculated on a diluted basis, compared to \$2.5 million, or \$0.08 per share calculated on a diluted basis, for the second quarter of 2011. The increase in net income available to common shareholders was primarily due to a \$1.5 million increase in net interest income, a \$0.2 million decrease in provision for loan losses, a \$0.3 million increase in noninterest income and a \$1.4 million decrease in dividend and accretion on the preferred shares, resulting from the repurchase in the second quarter of 2011 of all of the preferred shares and the warrant issued under the TARP Capital Purchase Program. Those benefits were partially offset by a \$0.4 million increase in noninterest expenses and a \$0.7 million increase in provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, was \$23.8 million for the second quarter of 2012 compared to \$22.2 million for the corresponding 2011 period. Net interest income benefitted from higher average loan balances, lower average balances for interest-bearing liabilities and lower cost of interest-bearing deposits. Net interest income also benefitted from the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Those benefits were partially offset by the impact of lower yields on loans and investment securities, lower average investment securities balances and a higher cost for borrowings. The net interest margin, on a tax-equivalent basis, was 4.04% for the second quarter of 2012 compared to 3.90% for the corresponding 2011 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 \$26.5 million for the second quarter of 2012, up \$1.1 million from the corresponding 2011 period as the benefit of higher average loan balances more than offset the impact of lower average investment securities balances and lower yields. Total interest earning assets increased to \$2,363.5 million for the second quarter of 2012 compared to \$2,295.3 million in the prior year period. The tax-equivalent yield on interest-earning assets was 4.52% for the second quarter of 2012 compared to 4.48% for the corresponding 2011 period.

Interest earned on the loan portfolio increased to \$20.0 million for the second quarter of 2012 from \$18.1 million in the prior year period. Average loan balances amounted to \$1,515.1 million for the second quarter of 2012, an increase of \$190.9 million from an average of \$1,324.2 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a \$2.7 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.39% for the second quarter of 2012 from 5.61% for the corresponding 2011 period, which 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, decreased to \$6.3 million for the second quarter of 2012 from \$7.2 million in the corresponding 2011 period. Average outstandings decreased to \$804.0 million (34.0% of average earning assets) for the second quarter of 2012 from \$922.8 million (40.2% of average earning assets) in the second quarter of 2011. The average yield on investment securities increased to 3.15% for the second quarter of 2012 from 3.10% in the corresponding 2011 period. The decrease in balances and increase in yield reflect the Company's decision to replace a portion of medium term (approximate 5 year original maturities), lower yielding U.S. Government Agency Securities that were called by the issuer with longer term (approximate 10-15 year original maturities) U.S. Government Agency securities having approximately the same or slightly higher yield thereby maintaining a pool of pledgable collateral. Management's Asset/Liability strategy continues to be designed to maintain a portfolio of corporate securities with a relatively short-term average life positioning the Company for higher interest rates in future periods. This strategy was implemented through the sale of available for sale securities, principally longer dated corporate securities and selected obligations of states and political subdivisions with longer average lives.

Total interest expense decreased by \$0.4 million for the second quarter of 2012 from \$3.2 million for the corresponding 2011 period, primarily due to the impact of lower rates paid for interest-bearing deposit balances and lower rates paid for those funds lower balances.

Interest expense on deposits decreased to \$1.7 million for the second quarter of 2012 from \$2.1 million for the corresponding 2011 period, due to decreases in the cost of those funds coupled with the impact of lower balances. The average rate paid on interest-bearing deposits was 0.53%, which was 11 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") and various listing services which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were \$1,258.2 million for the second quarter of 2012 compared to \$1,297.3 million for the prior year period, reflecting the impact of the Company's business development activities as well as funds received from CDARS and various listing services.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" beginning on page 48), the provision for loan losses for the second quarter of 2012 was \$2.8 million, compared to \$3.0 million in the prior year period. Factors affecting the provision for the second quarter of 2012 included current economic conditions during the quarter and a lower level of net charge-offs and lower nonaccrual loan balances.

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 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.

As of June 30, 2012, the allowance for loan losses increased \$1.1 million from \$20.0 million at December 31, 2011, primarily due to an increase in the level of special mention and substandard loans partially offset by a lower level of nonaccrual loans, primarily in the equipment finance portfolio.

Noninterest Income

Noninterest income increased to \$10.7 million for the second quarter of 2012 from \$10.4 million in the corresponding 2011 period. The increase was principally due to higher mortgage banking income, service charges on deposit accounts and other income partially offset by lower accounts receivable management/factoring commissions and other

related fees and security gains. Mortgage banking income increased principally due to higher volume of loans sold. Noninterest income was negatively impacted by the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Accounts receivable management/factoring commissions and other related fees was also negatively impacted by the level and mix of sales volume and by lower trade finance volume.

Noninterest Expense

Noninterest expenses were \$23.8 million for the second quarter of 2012, compared to \$23.4 million for the prior year period. Higher compensation, reflecting the Company's continued investment in the franchise, and higher professional fees were partially offset by a reduction in deposit insurance premiums.

Provision for Income Taxes

Reflecting an increase in pre-tax income of \$1.7 million, the provision for income taxes for the second quarter of 2012 was \$2.1 million, reflecting an effective tax rate of 30.4%, compared with \$1.4 million for the second quarter of 2011, reflecting an effective tax rate of 26.1%. The increase in the effective tax rate was primarily due to a higher level of pre-tax income in the 2012 period compared to the 2011 period.

Comparison of the Six Months Ended June 30, 2012 and 2011

The Company reported net income available to common shareholders for the six months ended June 30, 2012 of \$9.5 million, representing \$0.31 per share calculated on a diluted basis, compared to \$5.8 million, or \$0.20 per share calculated on a diluted basis, for the first six months of 2011. The increase in net income available to common shareholders was primarily due to a \$4.1 million increase in net interest income a \$0.2 million decrease in provision for loan losses and a \$2.1 million decrease in dividend and accretion on the preferred shares, resulting from the repurchase in the second quarter of 2011 of all of the preferred shares and the warrant issued under the TARP Capital Purchase Program. Those benefits were partially offset by a \$0.3 million decrease in noninterest income, a \$1.1 million increase in noninterest expenses and a \$1.3 million increase in provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, was \$47.0 million for the first six months of 2012 compared to \$42.9 million for the corresponding 2011 period. Net interest income benefitted from higher average loan balances, lower interest-bearing liabilities balances and lower cost of funding. Net interest income also benefitted from the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Those benefits were partially offset by the impact of lower yields on loans and lower average investment securities balances. The net interest margin, on a tax-equivalent basis, was 4.09% for the first six months of 2012 compared to 3.93% for the corresponding 2011 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 \$52.6 million for the first six months of 2012, up \$3.2 million from the corresponding 2011 period as the benefit of higher average loan balances more than offset the impact of lower investment securities balances and lower yields. Total interest earning assets increased to \$2,327.9 million for the first six months of 2012 compared to \$2,227.0 million in the prior year period. The tax-equivalent yield on interest-earning assets was 4.59% for the first quarter of 2012 compared to 4.54% for the corresponding 2011 period.

Interest earned on the loan portfolio increased to \$39.7 million for the first six months of 2012 from \$35.3 million in the prior year period. Average loan balances amounted to \$1,478.5 million for the first six months of 2012, an increase of \$189.0 million from an average of \$1,289.5 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a \$5.5 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.54% for the first six months of 2012 from 5.71% for the corresponding 2011 period, which 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, decreased to \$12.6 million for the first six months of 2012 from \$14.0 million in the corresponding 2011 period. Average outstandings decreased to \$784.4 million (33.7% of average earning assets) for the first six months of 2012 from \$882.6 million (39.6% of average earning assets) in the first six months of 2011. The average yield on investment securities increased to 3.22% for the first six months of 2012 from 3.16% in the corresponding 2011 period. The decrease in balances and increase in yield reflect the Company's decision to replace a portion of medium term (approximate 5 year original maturities), lower yielding U.S. Government Agency Securities that were called by the issuer with longer term (approximate 10-15 year original maturities) U.S. Government Agency securities having approximately the same or slightly higher yield thereby maintaining a pool of pledgable collateral. Management's Asset/Liability strategy continues to be designed to maintain a portfolio of corporate securities with a relatively short-term average life positioning the Company for higher interest rates in future periods. This strategy was implemented through the sale of available for sale securities, principally longer dated corporate securities and selected obligations of states and political subdivisions with longer average lives.

Total interest expense decreased by \$0.9 million for the first six months of 2012 from \$6.5 million for the corresponding 2011 period, due to the impact of lower balances and rates paid for interest-bearing liabilities.

Interest expense on deposits decreased to \$3.4 million for the first six months of 2012 from \$4.1 million for the corresponding 2011 period, due to decreases in the cost of those funds, coupled with the impact of change in the mix. The average rate paid on interest-bearing deposits was 0.55%, which was 12 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") and various listing services which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were \$1,234.2 million for the first six months of 2012 compared to \$1,239.7 million for the prior year period.

Interest expense on borrowings decreased to \$2.2 million for the first six months of 2012 from \$2.4 million for the corresponding 2011 period, primarily due to lower average balances. Average borrowings decreased to \$216.4 million for the first six months of 2012 from \$241.4 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" beginning on page 48), the provision for loan losses for the first six months of 2012 was \$5.8 million, compared to \$6.0 million in the prior year period. Factors affecting the provision for the first six months of 2012 included current economic conditions during the quarter and a lower level of net charge-offs and lower nonaccrual loan balances.

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 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.

As of June 30, 2012, the allowance for loan losses increased \$1.1 million from \$20.0 million at December 31, 2011, primarily due to an increase in the level of special mention and substandard loans partially offset by a lower level of nonaccrual loans, primarily in the equipment finance portfolio.

Noninterest Income

Noninterest income decreased to \$21.1 million for the first six months of 2012 from \$21.4 million in the corresponding 2011 period. The decrease principally resulted from lower accounts receivable management/factoring commissions and other related fees and security gains partially offset by higher mortgage banking income.

Noninterest income was negatively impacted by the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Accounts receivable management/factoring commissions and other related fees was also negatively impacted by the level and mix of sales volume and by lower trade finance volume. Mortgage banking income increased principally due to higher volume of loans sold.

Noninterest Expense

Noninterest expenses were \$47.0 million for the first six months of 2012, compared to \$45.9 million for the prior year period. Higher compensation reflecting the Company's continued investment in the franchise and professional fees, were partially offset by reductions in deposit insurance premiums.

Provision for Income Taxes

Reflecting an increase in pre-tax income of \$2.9 million, the provision for income taxes for the first six months of 2012 was \$4.2 million, reflecting an effective tax rate of 30.6%, compared with \$2.9 million for the first six months of 2011, reflecting an effective tax rate of 26.7%. The increase in the effective tax rate was primarily due to a higher level of pre-tax income in the 2012 period compared to the 2011 period.

BALANCE SHEET ANALYSIS*Securities*

At June 30, 2012, the Company's portfolio of securities totaled \$727.4 million, of which obligations of U.S. government corporations and government sponsored enterprises amounted to \$276.0 million, which is approximately 37.9% of the total portfolio. The Company has the intent and ability to hold to maturity securities classified as held to maturity, at which time it expects to 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 \$16.7 million and \$0.1 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 related to either interest rates or market conditions and therefore temporary. Available for sale securities included gross unrealized gains of \$4.2 million and gross unrealized losses of \$2.9 million. As of June 30, 2012, management does not have the intent to sell any of the securities classified as available for sale in the table on page 9 and management believes that it is not more likely than not that the Company would be required to sell any such securities before a recovery of cost.

In connection with an asset-liability management strategy described under Net Interest Income on page 42, during the second quarter 2012, the Company sold approximately \$47.2 million of securities with a weighted average life of about 1.9 years. A significant portion of the proceeds was used to fund loan growth.

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

June 30, 2012	Weighted Average Life		Weighted Average Yield	
	AFS	HTM	AFS	HTM
Residential mortgage-backed securities	2.0 Years	3.2 Years	1.34 %	4.50 %
Agency notes (with original call dates ranging between 3 and 36 months)	2.0 Years	4.1 Years	1.33 %	1.48 %
Corporate debt securities	1.4 Years	—	2.11 %	— %
Obligations of state and political subdivisions – New York Bank Qualified	5.5 Years	6.2 Years	5.75 % ^[1]	5.80 % ^[1]

^[1] tax equivalent

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

	June 30, 2012		December 31, 2011		
	Balances	% of Total	Balances	% of Total	
U.S. Treasury securities	\$5,989	0.82	% \$—	—	%
Obligations of U.S. government corporations and government sponsored enterprises					
Residential mortgage-backed securities					
CMOs (Federal National Mortgage Association)	2,784	0.38	3,942	0.58	
CMOs (Federal Home Loan Mortgage Corporation)	32,242	4.43	28,213	4.16	
CMOs (Government National Mortgage Association)	4,755	0.65	5,667	0.84	
Federal National Mortgage Association	41,184	5.66	49,148	7.25	
Federal Home Loan Mortgage Corporation	18,762	2.58	23,719	3.50	
Government National Mortgage Association	3,825	0.53	4,230	0.62	
Total residential mortgage-backed securities	103,552	14.23	114,919	16.95	
Agency notes					
Federal National Mortgage Association	63,678	8.76	105,482	15.56	
Federal Home Loan Bank	68,709	9.45	45,094	6.65	
Federal Home Loan Mortgage Corporation	40,071	5.51	35,374	5.22	
Federal Farm Credit Bank	—	—	251	0.04	
Total obligations of U.S. government corporations and government sponsored enterprises	276,010	37.95	301,120	44.42	
Obligations of state and political institutions-New York Bank Qualified	156,029	21.45	160,503	23.68	
Single-issuer, trust preferred securities	31,815	4.37	27,059	3.99	
Other preferred securities	5,339	0.74	—	—	
Corporate debt securities	235,218	32.34	173,307	25.57	
Equity and other securities	16,978	2.33	15,882	2.34	
Total	\$727,378	100.00%	\$677,871	100.00%	

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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. Approximately 66.1% of loans are to borrowers located in the New York metropolitan area.

The Company's commercial and industrial loan and factored receivables portfolios represent approximately 48.5% of all loans. Loans in this category are typically made to small- and medium-sized businesses, primarily located in the New York metropolitan area, and range between \$250 thousand and \$15 million. The Company's real estate mortgage portfolio, which represents approximately 22.8% of all loans, is comprised of mortgages secured by real property located principally in the New York metropolitan area. The Company's leasing portfolio, which consists of finance leases, to lessees primarily located in the New York metropolitan area for various types of business equipment, represents approximately 9.7% of all loans. Primarily as the result of the Company's new mortgage warehouse lending product, loans to nondepository financial institutions, primarily located in the New York metropolitan area, represent 18.2% 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, 2012		December 31, 2011	
	Balances	% of Total	Balances	% of Total
Domestic				
Commercial and industrial	\$616,322	38.62 %	\$624,124	41.15 %
Loans to nondepository financial institutions	290,544	18.21	246,587	16.26
Factored receivables	157,506	9.87	171,831	11.33
Equipment financing receivables	154,685	9.69	150,782	9.94
Real estate—residential mortgage Portfolio	172,659	10.82	170,153	11.22
HFS	30,287	1.90	43,372	2.86
Real estate—commercial mortgage	148,694	9.32	85,825	5.66
Real estate—construction	12,833	0.80	13,621	0.90
Loans to individuals	12,337	0.77	10,376	0.68
Loans to depository institutions	—	—	10	—
Loans, net of unearned discounts	\$1,595,867	100.00 %	\$1,516,681	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.

While the domestic economy continued to show moderate improvement during the 2012 second quarter, the pace was not consistent month-to-month and the rate of expansion also varied across regions of the country. Nonaccrual loans decreased by \$0.8 million at June 30, 2012 compared to December 31, 2011, primarily reflecting a \$0.7 million decrease in real estate – commercial mortgage loans and a \$0.3 million decrease in commercial and industrial loans, partially offset by a \$0.3 million increase in real estate – residential mortgage loans. Net charge-offs for the second quarter of 2012 were \$1.7 million, compared to \$2.5 million for the corresponding 2011 period, reflecting lower net charge-offs of \$1.0 million in equipment financing receivables and \$0.7 million in commercial and industrial loans, partially offset by higher net charge-offs of \$0.7 million in real estate – commercial mortgage loans and \$0.1 million in real estate – residential mortgage loans. Nevertheless, a worsening of existing economic conditions will likely result in levels of charge-offs and nonaccrual loans that will be higher than those in prior periods.

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 days and are still accruing because they are both well secured or guaranteed by financially responsible third parties and are in the process of collection.

	June 30, 2012	December 31, 2011
Gross loans	\$1,613,501	\$1,534,779
Nonaccrual loans		
Commercial and industrial	\$504	\$834
Factored receivables	—	—
Equipment financing receivables	376	370
Real estate-residential mortgage	2,268	1,991
Real estate-commercial mortgage	2,453	3,124
Real estate-construction and land development	—	—
Loans to individuals	—	39
Total nonaccrual loans	\$5,601	\$6,358
Other real estate owned	1,547	1,929
Total non-performing assets	\$7,148	\$8,287
Loans past due 90 days or more and still accruing	\$664	\$165

At June 30, 2012, commercial and industrial nonaccruals represented 0.08% of commercial and industrial loans. There were 3 loans ranging between \$26 thousand and \$450 thousand made to borrowers located in 2 states.

At June 30, 2012, equipment financing nonaccruals represented 0.22% of lease financing receivables. The lessees of the equipment are located in 7 states. There were 9 leases ranging between approximately \$5.9 thousand and \$95.8 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.

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At June 30, 2012, residential real estate nonaccruals represented 1.31% of residential real estate loans held in portfolio. There were 16 loans ranging between approximately \$8.3 thousand and \$658.0 thousand secured by properties located in 4 states.

At June 30, 2012, commercial real estate nonaccruals represented 1.65% of commercial mortgage real estate loans. There were 2 loans for \$745.3 thousand and \$1.7 million, respectively, secured by properties located in New York State.

At June 30, 2012, other real estate owned consisted of 8 properties with values ranging between \$6.0 thousand to \$554.6 thousand located in 4 states.

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The Company's allowance for loan losses methodology includes allowance allocations calculated in accordance with FASB Codification Topic 310, *Receivables* and allowance allocations calculated in accordance with FASB Codification Topic 450, *Contingencies*. Accordingly, the methodology is based on historical experience by type of credit and internal risk grade, specific homogenous pools and specific loss allocations, with adjustments for current events and conditions. 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 trends related to nonaccrual loans, past due loans, potential problem loans, classified and criticized loans and net charge-offs or recoveries, among other factors. The provision for loan losses also reflects the totality of actions taken on all loans for a particular period. In other words, the amount of the provision reflects not only the necessary increases in the allowance for loan losses related to newly identified criticized loans, but it also reflects actions taken related to other loans including, among other things, any necessary increases or decreases in required allowance for specific loans or loan pools. See Note 3-Loans and Allowance for Loan Losses in the accompanying notes to consolidated financial statements included elsewhere in this report for further details regarding the methodology for estimating the appropriate level of the allowance for loan losses.

At June 30, 2012, the ratio of the allowance to loans held in portfolio, net unearned discounts, was 1.35% and the allowance was \$21.1 million. Loans 90 days past due and still accruing amounted to \$664 thousand. At such date, the Company's nonaccrual loans amounted to \$5.6 million; \$3.6 million of such loans were judged to be impaired within the scope of FASB Codification Topic 310, *Receivables*, and had a valuation allowance totalling \$0.6 million, which is included within the overall allowance for loan losses. Based on the foregoing, as well as management's judgment as to the current risks inherent 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, 2012. 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 different from the provision taken in the first six months of 2012. 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 \$-0- at June 30, 2012 and 2011, respectively.

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

	Three Months Ended		Six Months Ended		
	June 30, 2012	2011	June 30, 2012	2011	
Average loans held in portfolio, net of unearned discounts, during period	\$ 1,483,436	\$ 1,301,005	\$ 1,444,353	\$ 1,264,853	
Allowance for loan losses:					
Balance at beginning of period	\$ 20,105	\$ 18,040	\$ 20,029	\$ 18,238	
Charge-offs:					
Commercial and industrial	140	719	2,009	888	
Lease financing receivables	731	2,329	1,833	6,105	
Factored receivables	223	36	340	168	
Real estate - residential mortgage	326	210	416	458	
Real estate - commercial mortgage	671	—	671	—	
Real estate - construction and land development	—	—	—	—	
Loans to individuals	—	—	87	—	
Total charge-offs	2,091	3,294	5,356	7,619	
Recoveries:					
Commercial and industrial	117	10	151	30	
Lease financing receivables	223	773	561	1,696	
Factored receivables	45	11	51	32	
Real estate - residential mortgage	1	—	2	163	
Real estate - commercial mortgage	—	—	—	—	
Real estate - construction and land development	—	—	—	—	
Loans to individuals	7	—	10	—	
Total recoveries	393	794	775	1,921	
Subtract:					
Net charge-offs	1,698	2,500	4,581	5,698	
Provision for loan losses	2,750	3,000	5,750	6,000	
Less losses on transfers to other real estate owned	22	5	63	5	
Balance at end of period	\$ 21,135	\$ 18,535	\$ 21,135	\$ 18,535	
Ratio of annualized net charge-offs to average loans held in portfolio, net of unearned discounts	0.46	% 0.77	% 0.63	% 0.90	%

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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, 2012		December 31, 2011		
	Amount	% of loans in each category to total loans held in portfolio	Amount	% of loans in each category to total loans held in portfolio	
Domestic					
Commercial and industrial	\$7,644	39.37	% \$7,647	42.36	%
Loans to depository institutions	—	—	—	—	
Loans to nondepository financial institutions	1,627	18.56	1,369	16.74	
Factored receivables	1,509	10.06	1,450	11.66	
Equipment financing receivables	3,533	9.88	3,515	10.24	
Real estate - residential mortgage	3,956	11.03	3,490	11.55	
Real estate - commercial mortgage	2,382	9.49	2,151	5.83	
Real estate - construction and land development	150	0.82	165	0.92	
Loans to individuals	141	0.79	104	0.70	
Unallocated	193	—	138	—	
Total	\$21,135	100.00	% \$20,029	100.00	%

As of June 30, 2012, the allowance for loan losses increased \$1.1 million from \$20.0 million at December 31, 2011, primarily due to an increase in the allowance allocated to real estate residential mortgage (\$0.5 million), loans to nondepository financial institutions (\$0.3 million) and real estate commercial mortgage (\$0.2 million). The allowance allocated to real estate residential mortgage increased primarily due to higher nonaccrual loan balances. The increases in the allowance allocated to loans to nondepository financial institutions and real estate commercial mortgage were primarily due to higher loan balances in those categories.

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; there were no foreign deposits at either date:

	June 30, 2012		December 31, 2011	
	Balances	% of Total	Balances	% of Total
Demand	\$786,359	38.49 %	\$765,800	38.50 %
NOW	202,265	9.90	177,495	8.93
Savings	22,212	1.09	18,566	0.93
Money Market	414,393	20.28	369,362	18.57
Time deposits	617,817	30.24	657,848	33.07
Total deposits	\$2,043,046	100.00%	\$1,989,071	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 beginning on page 56.

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 60. 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 and 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 parent company. At June 30, 2012, the parent 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, past and current economic conditions, the global financial crisis and the likelihood, as described in the 2011 Form 10-K, of increased formal capital requirements for banking organizations. In light of the foregoing, the parent company and the bank expect that they will maintain capital ratios substantially in excess of the “well capitalized” ratios.

In June 2012, our primary federal regulator, the Federal Reserve, published two notices of proposed rulemaking (the “2012 Capital Proposals”) that would substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including parent company and the bank, compared to the current U.S. risk-based capital rules, which are based on the international capital accords of the Basel Committee on Banking Supervision (the “Basel Committee”) generally referred to as “Basel I.” One of the 2012 Capital Proposals (the “Basel III Proposal”) deals with the components of capital and other issues affecting the numerator in banking institutions’ regulatory capital ratios and would implement the Basel Committee’s December 2010 framework known as “Basel III” for strengthening international capital standards. The other proposal (the “Standardized Approach Proposal”) deals with risk weights and other issues affecting the denominator in banking institutions’ regulatory capital ratios and would replace the existing Basel I-derived risk weighting approach with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee’s 2004 “Basel II” capital accords. The 2012 Capital Proposals would also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies’ rules. As proposed, the Basel III Proposal and the Standardized Approach Proposal would come into effect on January 1, 2013 and January 1, 2015, respectively.

The federal banking agencies have not proposed rules implementing the final liquidity framework of Basel III and have not determined to what extent they will apply to U.S. banks that are not large, internationally active banks.

Basel III Proposal

The Basel III Proposal is generally consistent with the final Basel III capital framework, as described in our Annual Report on Form 10-K under “Item 1. Business—Supervision and Regulation—Capital Adequacy.” Although the Basel III Proposal does not specify an effective date or implementation date, it contemplates that implementation will coincide with the international Basel III implementation schedule, which commences on January 1, 2013.

In addition to the requirements of the Basel III final capital framework, the Basel III Proposal, among other things requires the phase-out of certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies in equal installments between 2013 and 2016, consistent with Section 171 of the Dodd-Frank Act.

With respect to the bank, the Basel III Proposal would also revise the “prompt corrective action” regulations pursuant to Section 38 of the Federal Deposit Insurance Act, including by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be well capitalized.

Standardized Approach Proposal

The federal banking agencies in 2008 proposed, as an option for banking institutions that are not subject to the advanced risk-weighting approaches of Basel II, an approach based upon the Basel II standardized risk-weighting approach, but the agencies never proceeded with it. The Standardized Approach Proposal expands upon the initial U.S. Basel II approach from 2008 but would be mandatory and, because of Dodd-Frank’s prohibition on the use of credit ratings, would substitute non-ratings-based alternatives for Basel II’s heavy reliance on credit ratings.

This proposal would expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories, including many residential mortgages and certain

commercial real estate. Specifics include:

- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;
- for residential mortgage exposures, the current approach of a 50% risk weight for high-quality seasoned mortgages and a 100% risk-weight for all other mortgages is replaced with a risk weight of between 35% and 200% depending upon the mortgage's loan-to-value ratio and whether the mortgage is a "category 1" or "category 2" residential mortgage exposure (based on eight criteria that include the term, use of negative amortization, balloon payments and certain rate increases)
- assigning a 150% risk weight to exposures (other than residential mortgage exposures) that are 90 days past due;
- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%);
- providing for a 100% risk weight for claims on securities firms; and
- eliminating the current 50% cap on the risk weight for OTC derivatives.

In addition, the Standardized Approach Proposal also provides more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increases the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management is currently evaluating the potential impact the parent company and the bank of all capital adequacy requirements under the Basel III and Standardized Approach Proposals on a fully phased-in basis. There can be no guarantee that the Basel III and the Standardized Approach Proposals will be adopted in their current form, what changes may be made before adoption, or when ultimate adoption will occur.

During the first quarter of 2011, we completed an underwritten public offering of 4,025,000 shares of our common shares at an offering price of \$9.60 per share, which resulted in net proceeds of \$36.5 million after underwriting discounts and expenses. The proceeds from the issuance of shares were intended to be used for general corporate purposes, which could include the financing of possible acquisitions of complementary businesses or assets, including FDIC-assisted transactions, the extension of credit to, or the funding of the investments in, our subsidiaries, or the repurchase of Series A Preferred Shares, separately or together with the warrant for 516,817 common shares held by the U.S. Treasury, subject to the receipt of any required regulatory approval.

On April 27, 2011, after obtaining regulatory approvals, the parent company repurchased from the U.S. Treasury all of the issued and outstanding Fixed Rate Cumulative Perpetual Preferred Shares, Series A, for an aggregate purchase price of \$42,420,000, which includes accrued and unpaid dividends. The repurchase was funded with a combination of the proceeds from the March 2011 and March 2010 offerings of common shares.

On May 18, 2011, the parent company completed the repurchase of the warrant to purchase 516,817 common shares of the parent company from the U.S. Treasury. The parent company paid approximately \$0.95 million to the U.S. Treasury to repurchase the warrant. The parent company's repurchase of the warrant concluded its participation in the TARP Capital Purchase Program.

For a discussion of the Company's liquidity risks and management's assessment thereof and certain information regarding the Company's contractual obligations, see "Item 3. Quantitative and Qualitative Disclosures about Market Risk" below.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information regarding recently issued accounting pronouncements and their 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, as amended (the “Exchange Act”). 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, and 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); U.S. and foreign governmental budget deficits (including, with respect to the United States, at federal, state and municipal level) and default by governments on sovereign or other governmental debt; changes in accounting principles, policies and guidelines; any acquisitions of assets or businesses by us and our ability to successfully integrate acquired assets or businesses; continued improvement in U.S. economy and our ability to prudently expand our loan portfolio under then-current economic conditions; our intention and ability to hold investment securities held to maturity until maturity and our ability not to sell investment securities available for sale before a recovery of cost; our and the bank’s ability to maintain capital ratios in excess of the “well capitalized” thresholds; the adequacy of our and the bank’s borrowing capacity upon any dramatic change in market conditions; the risks and uncertainties described in “Risk Factors” in the 2011 Form 10-K; 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)

	2012			2011		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-bearing deposits with other banks	\$35,962	\$18	0.20 %	\$39,502	\$22	0.23 %
Investment Securities						
Available for sale - taxable	398,737	2,465	2.47	419,513	2,558	2.44
Held to maturity - taxable	249,691	1,441	2.31	347,142	2,170	2.50
Tax-exempt [2]	155,561	2,431	6.25	156,130	2,428	6.22
Total investment securities	803,989	6,337	3.15	922,785	7,156	3.10
FRB and FHLB stock [2]	8,405	136	6.46	8,736	145	6.63
Loans, net of unearned discounts [3]	1,515,099	20,044	5.39	1,324,237	18,110	5.61
TOTAL INTEREST-EARNING ASSETS	2,363,455	26,535	4.52 %	2,295,260	25,433	4.48 %
Cash and due from banks	36,644			38,479		
Allowance for loan losses	(21,678)			(19,330)		
Goodwill	22,901			22,901		
Other assets	132,117			132,375		
TOTAL ASSETS	\$2,533,439			\$2,469,685		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Domestic						
Savings	\$20,812	1	0.02 %	\$17,916	3	0.05 %
NOW	212,453	64	0.12	209,021	102	0.20
Money market	414,279	593	0.58	357,904	595	0.67
Time	610,651	1,012	0.67	712,431	1,382	0.78
Total interest-bearing deposits	1,258,195	1,670	0.53	1,297,272	2,082	0.64
Borrowings						
Securities sold under agreements to repurchase - customers	42,151	38	0.36	44,691	52	0.47

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Securities sold under agreements to repurchase - dealers	5,604	15	1.04	5,744	17	1.15	
Federal funds purchased	11,592	6	0.20	24,978	7	0.12	
Commercial paper	15,306	10	0.29	14,123	10	0.30	
Short-term borrowings - other	—	—	—	4,579	1	0.12	
Advances - FHLB	122,181	518	1.70	128,577	500	1.56	
Long-term borrowings - sub debt	25,774	524	8.38	25,774	524	8.38	
Total borrowings	222,608	1,111	2.01	248,466	1,111	1.80	
TOTAL INTEREST-BEARING LIABILITIES	1,480,803	2,781	0.75 %	1,545,738	3,193	0.83 %	
Noninterest-bearing deposits	767,170			553,516			
Total including noninterest-bearing demand deposits	2,247,973	2,781	0.51 %	2,099,254	3,193	0.61 %	
Other liabilities	59,932			140,563			
Total liabilities	2,307,905			2,239,817			
Shareholders' equity	225,534			229,868			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,533,439			\$2,469,685			
Net interest income/spread		23,754	3.77 %		22,240	3.65 %	
Net yield on interest-earning assets (margin)			4.04 %			3.90 %	
Less: Tax equivalent adjustment		852			852		
Net interest income		\$22,902			\$21,388		

The average balances of assets, liabilities and shareholders' equity are computed on the basis of daily [1] 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)

	2012			2011		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-bearing deposits with other banks	\$56,530	\$64	0.23 %	\$46,010	\$57	0.25 %
Investment Securities						
Available for sale - taxable	362,549	4,636	2.56	394,396	4,746	2.41
Held to maturity - taxable	265,034	3,074	2.32	331,716	4,357	2.63
Tax-exempt [2]	156,790	4,898	6.25	156,497	4,852	6.20
Total investment securities	784,373	12,608	3.22	882,609	13,955	3.16
FRB and FHLB stock [2]	8,440	217	5.13	8,938	168	3.76
Loans, net of unearned discounts [3]	1,478,535	39,730	5.54	1,289,482	35,285	5.71
TOTAL INTEREST-EARNING ASSETS	2,327,878	52,619	4.59 %	2,227,039	49,465	4.54 %
Cash and due from banks	37,125			37,712		
Allowance for loan losses	(21,631)			(19,572)		
Goodwill	22,901			22,901		
Other assets	130,471			129,169		
TOTAL ASSETS	\$2,496,744			\$2,397,249		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Domestic						
Savings	\$19,889	2	0.02 %	\$18,935	5	0.05 %
NOW	217,081	143	0.13	207,414	173	0.17
Money market	397,565	1,157	0.59	350,082	1,222	0.70
Time	599,646	2,075	0.70	663,281	2,742	0.83
Total interest-bearing deposits	1,234,181	3,377	0.55	1,239,712	4,142	0.67
Borrowings						
Securities sold under agreements to repurchase - customers	40,962	74	0.36	42,989	100	0.47

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Securities sold under agreements to repurchase - dealers	5,302	31	1.16	5,374	33	1.21	
Federal funds purchased	7,032	7	0.19	14,961	9	0.12	
Commercial paper	14,943	21	0.29	14,885	22	0.30	
Short-term borrowings - other	—	—	—	3,590	1	0.08	
Advances - FHLB	122,337	1,037	1.70	133,868	1,164	1.75	
Long-term borrowings - sub debt	25,774	1,047	8.38	25,774	1,047	8.38	
Total borrowings	216,350	2,217	2.06	241,441	2,376	1.98	
TOTAL INTEREST-BEARING LIABILITIES	1,450,531	5,594	0.78 %	1,481,153	6,518	0.89 %	
Noninterest-bearing deposits	763,058			545,868			
Total including noninterest-bearing demand deposits	2,213,589	5,594	0.53 %	2,027,021	6,518	0.65 %	
Other liabilities	59,546			139,592			
Total liabilities	2,273,135			2,166,613			
Shareholders' equity	223,609			230,636			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,496,744			\$2,397,249			
Net interest income/spread		47,025	3.81 %		42,947	3.65 %	
Net yield on interest-earning assets (margin)			4.09 %			3.93 %	
Less: Tax equivalent adjustment		1,716			1,700		
Net interest income		\$45,309			\$41,247		

The average balances of assets, liabilities and shareholders' equity are computed on the basis of daily [1] 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, 2012 to June		
	30, 2011		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	\$(2)	\$(2)	\$(4)
Investment Securities			
Available for sale - taxable	(124)	31	(93)
Held to maturity - taxable	(574)	(155)	(729)
Tax-exempt [2]	(9)	12	3
Total investment securities	(707)	(112)	(819)
FRB and FHLB stock	(5)	(4)	(9)
Loans, net of unearned discounts [3]	2,662	(728)	1,934
TOTAL INTEREST INCOME	\$1,948	\$(846)	\$1,102
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	\$—	\$(2)	\$(2)
NOW	2	(40)	(38)
Money market	85	(87)	(2)
Time	(186)	(184)	(370)
Total interest-bearing deposits	(99)	(313)	(412)
Borrowings			
Securities sold under agreements to repurchase - customers	(3)	(11)	(14)
Securities sold under agreements to repurchase - dealers	—	(2)	(2)
Federal funds purchased	(5)	4	(1)
Commercial paper	—	—	—
Short-term borrowings - other	(1)	—	(1)
Advances - FHLB	(26)	44	18
Long-term borrowings - sub debt	—	—	—
Total borrowings	(35)	35	—

TOTAL INTEREST EXPENSE	\$ (134)	\$ (278)	\$ (412)
NET INTEREST INCOME	\$ 2,082	\$ (568)	\$ 1,514

[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 short-term borrowings-other 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.

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STERLING BANCORP AND SUBSIDIARIES

Rate/Volume Analysis [1]

(Unaudited)

	Increase/(Decrease)		
	Six Months Ended		
	June 30, 2012 to June 30,		
	2011		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	\$12	\$(5)	\$7
Investment Securities			
Available for sale - taxable	(385)	275	(110)
Held to maturity - taxable	(799)	(484)	(1,283)
Tax-exempt [2]	22	24	46
Total investment securities	(1,162)	(185)	(1,347)
FRB and FHLB stock	(9)	58	49
Loans, net of unearned discounts [3]	5,545	(1,100)	4,445
TOTAL INTEREST INCOME	\$4,386	\$(1,232)	\$3,154
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	\$—	\$(3)	\$(3)
NOW	9	(39)	(30)
Money market	151	(216)	(65)
Time	(244)	(423)	(667)
Total interest-bearing deposits	(84)	(681)	(765)
Borrowings			
Securities sold under agreements to repurchase - customers	(4)	(22)	(26)
Securities sold under agreements to repurchase - dealers	—	(2)	(2)
Federal funds purchased	(6)	4	(2)
Commercial paper	—	(1)	(1)
Short-term borrowings - other	(1)	—	(1)
Advances - FHLB	(94)	(33)	(127)
Long-term borrowings - sub debt	—	—	—
Total borrowings	(105)	(54)	(159)

TOTAL INTEREST EXPENSE	\$ (189)	\$ (735)	\$ (924)
NET INTEREST INCOME	\$ 4,575	\$ (497)	\$ 4,078

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

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 [2] change due solely to each. The change in interest expense for short-term borrowings-other has been allocated entirely to the volume variance. The effect of the extra day in 2012 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

	Actual		For Capital Adequacy Minimum		To Be Well Capitalized	
As of June 30, 2012	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital(to Risk-Weighted Assets):						
The Company	\$262,364	12.89%	\$162,838	8.00%	\$203,548	10.00%
The bank	247,607	12.25	161,764	8.00	202,205	10.00
Tier 1 Capital(to Risk-Weighted Assets):						
The Company	240,449	11.81	81,419	4.00	122,129	6.00
The bank	225,692	11.16	80,882	4.00	121,323	6.00
Tier 1 Leverage Capital(to Average Assets):						
The Company	240,449	9.58	100,419	4.00	125,523	5.00
The bank	225,692	9.06	99,666	4.00	124,583	5.00
As of December 31, 2011						
Total Capital(to Risk-Weighted Assets):						
The Company	\$256,526	13.71%	\$149,738	8.00%	\$187,173	10.00%
The bank	234,737	12.63	148,732	8.00	185,915	10.00
Tier 1 Capital(to Risk-Weighted Assets):						
The Company	235,947	12.61	74,869	4.00	112,304	6.00
The bank	214,159	11.52	74,366	4.00	111,549	6.00
Tier 1 Leverage Capital(to Average Assets):						
The Company	235,947	9.02	104,593	4.00	130,741	5.00
The bank	214,159	8.30	103,148	4.00	128,935	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. For the six months ended June 30, 2012, the Company did not hold any instrument entered into for trading purposes.

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, 2012, presented on page 64, 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.

As of June 30, 2012, 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, deposit 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, 2011, 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 2.4% (\$2.8 million) and a 5.0% (\$6.0 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 0.8% (\$0.9 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of December 31, 2011 was considered to be remote given then-current interest rate levels. As of June 30, 2012, 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 2.4% (\$2.9 million) and a 4.6% (\$5.6 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, 2012 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 2012.

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.

The parent company 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, 2012, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately \$13.4 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating \$40.2 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.

The following table sets forth information regarding the Company's obligations and commitments to make future payments under contract as of June 30, 2012:

Contractual obligations (1)	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt	\$147,776	\$21,410	\$592	\$100,000	\$25,774
Operating Leases	42,600	3,925	9,639	7,853	21,183
Total Contractual Cash Obligations	\$190,376	\$25,335	\$10,231	\$107,853	\$46,957

(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, 2012:

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	\$64,981	\$64,981	\$—	\$—	\$—
Commercial Loans	22,055	20,281	1,774	—	—
Total Loans	87,036	85,262	1,774	—	—
Standby Letters of Credit	25,052	21,732	3,320	—	—
Other Commercial Commitments	53,248	53,141	—	—	107
Total Commercial Commitments	\$165,336	\$160,135	\$5,094	\$—	\$107

INFORMATION AVAILABLE ON OUR WEB SITE

Our investor relations our web site is located at www.sterlingbancorp.com. 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 Exchange Act 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 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	
ASSETS							
Interest-bearing deposits with other banks	\$39,517	\$—	\$—	\$—	\$—	\$—	\$39,517
Investment securities	114,614	147,804	190,921	40,955	233,084	—	727,378
Commercial and industrial loans	478,334	38,404	100,291	657	910	(2,274)	616,322
Lease financing receivables	470	8,720	156,062	4,644	—	(15,211)	154,685
Factored receivables	157,655	—	—	—	—	(149)	157,506
Real estate-residential mortgage	53,908	43,907	39,002	35,971	30,158	—	202,946
Real estate-commercial mortgage	9,004	26,329	87,078	24,687	1,596	—	148,694
Real estate-construction and land development	4,489	8,344	—	—	—	—	12,833
Loans to individuals	8,648	658	2,806	225	—	—	12,337
Loans to nondepository financial institutions	255,611	25,842	9,037	—	54	—	290,544
Noninterest-earning assets & allowance for loan losses	—	—	—	—	—	188,934	188,934
Total Assets	1,122,250	300,008	585,197	107,139	265,802	171,300	2,551,696
LIABILITIES AND SHAREHOLDERS' EQUITY							
Interest-bearing deposits Savings [1]	—	—	22,212	—	—	—	22,212

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NOW [1]	—	—	202,265	—	—	—	202,265
Money market [1]	267,745	—	146,648	—	—	—	414,393
Time	197,801	353,430	66,586	—	—	—	617,817
Securities sold under agreement to repurchase - customers	43,199	—	—	—	—	—	43,199
Federal funds purchased	5,000	—	—	—	—	—	5,000
Commercial paper	12,455	—	—	—	—	—	12,455
Advances - FHLB	120,368	1,043	591	—	—	—	122,002
Long-term borrowings - subordinated debentures	—	—	—	—	25,774	—	25,774
Noninterest-bearing liabilities & shareholders' equity	—	—	—	—	—	1,086,579	1,086,579
Total Liabilities and Shareholders' Equity	646,568	354,473	438,302	—	25,774	1,086,579	2,551,696
Net Interest Rate Sensitivity Gap	\$475,682	\$(54,465)	\$146,895	\$107,139	\$240,028	\$(915,279)	\$—
Cumulative Gap June 30, 2012	\$475,682	\$421,217	\$568,112	\$675,251	\$915,279	\$—	\$—
Cumulative Gap June 30, 2011 [2]	\$362,533	\$202,561	\$313,712	\$464,017	\$784,784	\$—	\$—
Cumulative Gap December 31, 2011 [2]	\$425,764	\$399,400	\$478,582	\$602,894	\$901,522	\$—	\$—

Historically, balances in non-maturity deposit accounts have remained relatively stable despite changes in [1]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 amended) 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 Exchange Act 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 Exchange Act, occurred during the fiscal quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 first six months of 2012. At June 30, 2012, 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.

Item 5. Other Information

On May 3, 2012, Sterling Bancorp (the "Company") held its Annual Shareholders Meeting (the "Meeting"). In view of the voting at the meeting, the Board of Directors of the Company has determined that the advisory vote on executive

compensation will be submitted to shareholders on an annual basis until the next required advisory vote on the frequency of stockholder votes on executive compensation.

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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 on 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) 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.
- 101.INS* XBRL Instance Document.
- 101.SCH* XBRL Taxonomy Extension Schema.
- 101.CAL* XBRL Taxonomy Extension Calculation Label Linkbase.
- 101.LAB* XBRL Taxonomy Extension Label Linkbase.
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase.
- 101DEF* XBRL Taxonomy Definition Linkbase.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.



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 7, 2012

/s/ Louis J. Cappelli
Louis J. Cappelli
Chairman and Chief
Executive Officer

Date: August 7, 2012

/s/ John W. Tietjen
John W. Tietjen
Executive Vice
President and
Chief Financial
Officer

STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page No.
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* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.