STERLING BANCORP
Form 10-K
March 31, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2004 Commission File No. 1-5273-1

STERLING BANCORP
(Exact name of registrant as specified in its charter)

New York	13-2565216
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification No.)
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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Shares, $1 par value per share, and attached Preferred Stock Purchase Rights	New York Stock Exchange
Cumulative Trust Preferred Securities 8.375% (Liquidation Amount $10 per Preferred Security) of Sterling Bancorp Trust I and Guarantee of Sterling Bancorp with respect thereto	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.|X|

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 under the Act). Yes |X| No |_|

On March 23, 2005, the aggregate market value of the common equity held by non-affiliates of the Registrant was $393,267,497.

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: The Registrant has one class of common stock, of which 18,290,641 shares were outstanding at March 23, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of Sterling Bancorp's definitive Proxy Statement to be filed pursuant to Regulation 14A are incorporated by reference in Part III.

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PART I

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

Certain statements contained or incorporated by reference in this annual report on Form 10-K, 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, and other statements contained herein regarding matters that are not historical facts, are "forward-looking statements" as defined in the Securities Exchange Act of 1934. These statements are not historical facts but instead are subject to numerous assumptions, risks and uncertainties, and represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Any forward-looking statements we may make speak only as of the date on which such statements are made. Our actual results and financial position may differ materially from the anticipated results and financial condition indicated in or implied by these forward-looking statements.

Factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, market and monetary fluctuations; geopolitical developments including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes, particularly declines, in general economic conditions and in the local economies in which the Company operates; the financial condition of the Company's borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); changes in accounting principles, policies and guidelines; the success of the Company at managing the risks involved in the foregoing as well as other risks and uncertainties detailed from time to time in press releases and other public filings. 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.

ITEM 1. BUSINESS

Sterling Bancorp ("the parent company" or "the Registrant") is a bank holding company and a financial holding company as defined by the Bank Holding Company Act of 1956, as amended (the "BHCA"), which was organized in 1966. Throughout the report, the terms "the Company" or "Sterling" refer to Sterling Bancorp and its subsidiaries. Sterling provides a full range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/ accounts receivable management services, trade financing, equipment leasing, deposit services, trust and estate administration and investment management services. The Company has operations in New York, Virginia and North Carolina and conducts business throughout the United States.

The parent company owns, directly or indirectly, all of the outstanding shares of Sterling National Bank ("the bank"), its principal subsidiary, and all of the outstanding shares of Sterling Banking Corporation, Sterling Financial Services Company, Inc.("Sterling Financial") and Sterling Real Estate Abstract Holding Company, Inc. ("the finance subsidiaries") and Sterling Bancorp Trust I

("trust"). Sterling National Mortgage Company, Inc. ("SNMC"), Sterling National Servicing, Inc. ("SNS-Virginia"), Sterling Factors Corporation ("Factors"), Sterling Trade Services, Inc. ("Trade Services") and Sterling Holding Company of Virginia, Inc. are wholly-owned subsidiaries of the bank. Trade Services owns all of the outstanding common shares of Sterling National Asia Limited, Hong Kong; both companies commenced operations as of July 2, 2001. Sterling Holding Company of Virginia, Inc. owns all of the outstanding common shares of Sterling Real Estate Holding Company, Inc.. Sterling Bancorp Trust I was formed as of February 4, 2002. Sterling Real Estate Abstract Holding Company, Inc., which commenced operations as of January 16, 2003, owns 51% of the outstanding common shares of SBC Abstract Company, LLC, which commenced operations as of January 17, 2004.

Segment information appears in Note 22 of the Company's consolidated financial statements filed in Item 8 hereof.

INFORMATION AVAILABLE ON OUR WEB SITE

Our Internet address is www.sterlingbancorp.com and the investor relations section of our web site is located at www.sterlingbancorp.com/ir/investor.cfm. We make available free of charge, on or through the investor relations section of our web site, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section

13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Also posted on our web site, and available in print upon request of any shareholder to our Investor Relations Department, are the Charters for our Board of Directors' Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee, our Corporate Governance Guidelines, our Method for Interested Persons to Communicate with Non-Management Directors 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.

GOVERNMENT MONETARY POLICY

The Company is affected by the credit policies of monetary authorities, including the Board of Governors of the Federal Reserve System. An important element of the Federal Reserve System is to regulate the national supply of bank credit. Among the instruments of monetary policy used by the Federal Reserve are open market operations in U.S. Government securities, changes in the discount rate, reserve requirements on member bank deposits, and funds availability regulations. The monetary policies of the Federal Reserve have in the past had a significant effect on operations of financial institutions, including the bank, and will continue to do so in the future. Changing conditions in the national economy and in the money markets make it difficult to predict future changes in interest rates, deposit levels, loan demand or their effects on the business and earnings of the Company. Foreign activities of the Company are not considered to be material.

BUSINESS OPERATIONS

The Bank

Sterling National Bank was organized in 1929 under the National Bank Act and commenced operations in New York City. The bank maintains ten offices in New York, eight offices in New York City (four branches and an international banking facility in Manhattan and three branches in Queens), one branch in Nassau County in Great Neck, New York and one branch in Yonkers, New York. The executive office is located at 650 Fifth Avenue, New York, New York.

The bank provides a broad range of banking and financial products and services, including business and consumer lending, asset-based financing, factoring/accounts receivable management services, equipment leasing, commercial and residential mortgage lending and brokerage, international trade financing, deposit services, trust and estate administration, investment management and investment services. Business lending, depository and related financial services are furnished to a wide range of customers in diverse industries, including commercial, industrial and financial companies, and government and non-profit entities.

For the year ended December 31, 2004, the bank's average earning assets represented approximately 97% of the Company's average earning assets. Loans represented 56% and investment securities represented 43% of the bank's average earning assets in 2004.

Commercial Lending, Asset-Based Financing and Factoring/ Accounts Receivable Management. The bank provides loans to small and medium-sized businesses. The businesses are diversified across industries, and the loans generally range in size from $250,000 to $10 million. Business loans can be tailored to meet customers' specific long- and short-term needs, and include secured and unsecured lines of credit, business installment loans, business lines of credit, and debtor-in-possession financing. Our loans are often collateralized by assets, such as accounts receivable, inventory, marketable securities, other liquid collateral, equipment and other assets. Through its factoring subsidiary, the bank provides accounts receivable management services. Factors purchases clients' accounts receivable, assumes credit risk on approved orders and handles credit, collection and bookkeeping. Income for these services is derived from commission charges for receivables serviced and interest charged on advances to the client. The accounts receivable factored are for clients primarily engaged in the apparel and textile industries. As of December 31, 2004, the outstanding loan balance for commercial and industrial lending was $595.2 million, representing approximately 56% of the bank's total loan portfolio.

Equipment Leasing. The bank offers equipment leasing services in the New York metropolitan area and across the United States through direct leasing programs, third party sources and vendor programs. The bank finances small and medium-sized equipment leases with an average term of 24 to 30 months. At December 31, 2004, the outstanding loan balance for equipment leases was $163.0 million, and equipment leases comprised approximately 15% of the bank's total loan portfolio.

Residential and Commercial Mortgages. The bank's real estate loan portfolio consists of real estate loans on one-to-four family residential properties and commercial properties. The residential mortgage banking and brokerage business is conducted through SNMC offices located principally in New York, North Carolina and other mid-Atlantic states. The mortgage company originates conforming residential mortgage loans throughout the tri-state metropolitan

area, as well as in Virginia and other mid-Atlantic states, for resale, and non-conforming residential mortgage loans, for its own portfolio and for resale. Commercial real estate financing is offered on income-producing investor properties and owner-occupied properties, professional co-ops and condos through our real estate lending department. At December 31, 2004, the outstanding loan balance for real estate mortgage loans was $263.3 million, representing approximately 25% of the bank's total loans outstanding.

International Trade Finance. Through its international division, international banking facility and Hong Kong trade services subsidiary, the bank offers financial services to its customers and correspondents in the world's major financial centers. These services consist of financing import and export transactions, issuance of letters of credit and creation of banker's acceptances. In addition to its direct worldwide correspondent banking relationships, active bank account relationships are maintained with leading foreign banking institutions in major financial centers.

Trust Services. The bank's trust department provides a variety of fiduciary, investment management, custody and advisory and corporate agency services to individuals, corporations and foundations. The bank acts as trustee for pension, profit-sharing, 401(k) and other employee benefit plans and personal trusts and estates. For corporations, the bank acts as trustee, transfer agent, registrar and in other corporate agency capacities.

There are no industry concentrations exceeding 10% of gross loans, in the commercial and industrial loan portfolio. Approximately 64% of the bank's loans are to borrowers located in the metropolitan New York area. The bank has no foreign loans.

The composition of income from the operations of the bank and its subsidiaries for the three most recent fiscal years was as follows:

Years Ended December 31,	2004	2003	2002
Interest and fees on loans	48%	49%	45%
Interest and dividends on investment securities	25	25	31
Other	27	26	24
	100%	100%	100%

At December 31, 2004, the bank and its subsidiaries had 481 employees, consisting of 175 officers and 306 supervisory and clerical employees. The bank considers its relations with its employees to be satisfactory.

Parent Company and Sterling Financial

The parent company, through Sterling Financial, makes loans that are secured by personal property, accounts receivable or other collateral; occasionally, unsecured advances are provided to its customers.

Dealer Receivable Financing. Through Sterling Financial, we provide loans to independent dealers who market products, such as housewares, appliances, automobiles and educational material to consumers on an installment basis with repayment terms between 12 and 48 months. We administer these installment contracts for the dealer by providing billing, payment processing and other bookkeeping services. We generally lend up to 80% of the value of the borrower's collateral. More than 65% of the payments are received electronically.

The composition of income (excluding equity in undistributed net income of the bank) of the parent company and its finance subsidiaries for the three most

recent fiscal years was as follows:

Years Ended December 31,	2004	2003	2002
Interest and fees on loans	18%	26%	23%
Dividends, interest and service fees	80	69	70
Other	2	5	7
	100%	100%	100%

At December 31, 2004, the parent company and Sterling Financial employed 34 persons, consisting of 2 officers with the balance of the employees performing supervisory and clerical functions. The parent company and its finance subsidiaries consider employee relations to be satisfactory.

COMPETITION

There is intense competition in all areas in which the Company conducts its business. As a result of the deregulation of the financial services industry under the Gramm-Leach-Bliley Act of 1999 ("GLB Act"), the Company competes with banks and other financial institutions, including savings and loans 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.

SUPERVISION AND REGULATION

General

The banking industry is highly regulated. Statutory and regulatory controls are designed primarily for the protection of depositors and the banking system, and not for the purpose of protecting the shareholders of the parent company. The following discussion is not intended to be a complete list of all the activities regulated by the banking laws or of the impact of such laws and regulations on the bank. It is intended only to briefly summarize some material provisions.

Sterling Bancorp is a bank holding company and a financial holding company under the BHCA and is subject to supervision, examination and reporting requirements of the Board of Governors of the Federal Reserve System ("Federal Reserve Board").

As a national bank, the bank is principally subject to the supervision, examination and reporting requirements of the Office of the Comptroller of the Currency ("OCC"), as well as the Federal Deposit Insurance Corporation ("FDIC"). Insured banks, including the bank, are subject to extensive regulation of many aspects of their business. These regulations, among other things, relate to: (a) the nature and amount of loans that may be made by the bank and the rates of interest that may be charged; (b) types and amounts of other investments; (c) branching; (d) permissible activities; (e) reserve requirements; and (f) dealings with officers, directors and affiliates.

Sterling Banking Corporation is subject to supervision and regulation by the

Banking Department of the State of New York.

Bank Holding Company Regulation

The BHCA requires the prior approval of the Federal Reserve Board for the acquisition by a bank holding company of more than 5% of the voting stock or substantially all of the assets of any bank or bank holding company. Also, under the BHCA, bank holding companies are prohibited, with certain exceptions, from engaging in, or from acquiring more than 5% of the voting stock of any company engaging in, activities other than (1) banking or managing or controlling banks, (2) furnishing services to or performing services for their subsidiaries, or (3) activities that the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

As discussed below under "Financial Holding Company Regulation," the Gramm-Leach-Bliley Act of 1999 amended the BHCA to permit a broader range of activities for bank holding companies that qualify as "financial holding companies."

Financial Holding Company Regulation

Effective as of March 11, 2000, the Gramm-Leach-Bliley Act:

- allows bank holding companies, the depository institution subsidiaries of which meet management, capital and CRA standards, to engage in a substantially broader range of nonbanking financial activities than was previously permissible, including (a) insurance underwriting and agency, (b) making merchant banking investments in commercial companies, (c) securities underwriting, dealing and market making, and (d) sponsoring mutual funds and investment companies;

- allows insurers and other financial services companies to acquire banks; and

- establishes the overall regulatory structure applicable to bank holding companies that also engage in insurance and securities operations.

In order for a bank holding company to engage in the broader range of activities that are permitted by the Gramm-Leach-Bliley Act, (1) all of its depository subsidiaries must be and remain well-capitalized and well-managed and have received at least a satisfactory CRA rating, and (2) it must file a declaration with the Federal Reserve Board that it elects to be a "financial holding company."

Requirements and standards to remain "well-capitalized" are discussed below. To maintain financial holding company status, the bank must have at least a "satisfactory" rating under the Community Reinvestment Act (the "CRA"). Under the CRA, during examinations of the bank, the OCC is required to assess the bank's record of meeting the credit needs of the communities serviced by the bank, including low- and moderate-income communities. Banks are given one of four ratings

under the CRA: "outstanding," "satisfactory," "needs to improve" or "substantial noncompliance." The bank received a rating of outstanding on the most recent exam completed by the OCC.

Pursuant to an election made under the Gramm-Leach-Bliley Act, the parent

company has been designated as a financial holding company. As a financial holding company, Sterling Bancorp may conduct, or acquire a company (other than a U.S. depository institution or foreign bank) engaged in, activities that are "financial in nature," as well as additional activities that the Federal Reserve determines (in the case of incidental activities, in conjunction with the Department of the Treasury) are incidental or complementary to financial activities, without the prior approval of the Federal Reserve. Under the Gramm-Leach-Bliley Act, activities that are financial in nature include insurance, securities underwriting and dealing, merchant banking, and sponsoring mutual funds and investment companies. Under the merchant banking authority added by the Gramm-Leach-Bliley Act, financial holding companies may invest in companies that engage in activities that are not otherwise permissible "financial" companies, subject to certain limitations, including that the financial holding company makes the investment with the intention of limiting the investment duration and does not manage the company on a day-to-day basis.

Generally, financial holding companies must continue to meet all the requirements for financial holding company status in order to maintain the ability to undertake new activities or acquisitions that are financial in nature and the ability to continue those activities that are not generally permissible for bank holding companies. If the parent company ceases to so qualify it would be required to obtain the prior approval of the Federal Reserve to engage in non-banking activities or to acquire more than 5% of the voting stock of any company that is engaged in non-banking activities. With certain exceptions, the Federal Reserve can only provide prior approval to applications involving activities that it had previously determined, by regulation or order, are so closely related to banking as to be properly incident thereto. Such activities are more limited than the range of activities that are deemed "financial in nature."

Payment of Dividends and Transactions with Affiliates

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

Various legal restrictions limit the extent to which the bank can fund the parent company and its nonbank subsidiaries. All national banks are limited in the payment of dividends without the approval of the OCC to an amount not to exceed the net profits (as defined) for that year to date combined with its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends that would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan losses. Under the foregoing restrictions, and without adversely affecting its "well capitalized" status, the bank could pay aggregate dividends of approximately $43 million to the parent company, without obtaining affirmative governmental approvals, at December 31, 2004. This is not necessarily indicative of amounts that may be paid or are available to be paid in future periods.

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a depository institution, such as the bank, may not pay dividends if payment would cause it to become undercapitalized or if it is already undercapitalized. The payment of dividends by the parent company and the bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital.

Federal laws strictly limit the ability of banks to engage in transactions with their affiliates, including their bank holding companies. Such transactions between a subsidiary bank and its parent company or the nonbank subsidiaries of the bank holding company are limited to 10% of a bank subsidiary's capital and

surplus and, with respect to such parent company and all such nonbank subsidiaries, to an aggregate of 20% of the bank subsidiary's capital and surplus. Further, loans and extensions of credit generally are required to be secured by eligible collateral in specified amounts. Federal law also requires that all transactions between a bank and its affiliates be on terms only as favorable to the bank as transactions with non-affiliates.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. Also, the terms of such extensions of credit may not involve more than the normal risk of repayment or present

other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital.

Banks are subject to prohibitions on certain tying arrangements. A depository institution is prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Capital Adequacy

The Company and the bank are subject to risk-based capital regulations which quantitatively measure capital against risk-weighted assets, including 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% to 5%), which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill).

In addition, the Company and the bank are subject to the provisions of FDICIA that impose a number of mandatory supervisory measures and establish a system of prompt corrective action to resolve the problems of undercapitalized institutions. Among other matters, FDICIA establishes five capital categories of "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." Such classifications are used by regulatory agencies to determine, in part, a bank's deposit insurance premium, and to consider applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Banks that are not adequately capitalized are subject to significant restrictions and requirements that increase as capital levels deteriorate, and may not accept brokered deposits.

Under FDICIA, a "well capitalized" institution must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. At December 31, 2004, the capital ratios for the Company and the bank exceeded the requirements for "well capitalized" institutions.

The table presenting capital and ratios for the Company and the bank as of December 31, 2004 and 2003 appears in Note 21 of the Company's consolidated

financial statements filed in Item 8 hereof.

BIS Guidelines

The U.S. federal bank regulatory agencies' risk-capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines that each country's supervisors can use to determine the supervisory policies they apply. In January 2001 the BIS released a proposal to replace the 1988 capital accord with a new capital accord that would set capital requirements for operational risk and refine the existing capital requirements for credit risk and market risk exposures. Operational risk is defined to mean the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The 1988 capital accord does not include separate capital requirements for operational risk. The U.S. federal regulatory agencies are currently expected to release proposed rules to implement the BIS's new capital accord in mid-year 2005. It is currently anticipated that these agencies will release final rules in mid-year 2006, and that the final rules will become effective in January 2008. The parent Company cannot predict the timing or final form of the United States rules implementing the new capital accord and their impact on the Company. The new capital requirements that may arise from the final rules could increase the minimum capital requirements applicable to the Company.

Support of the bank

The Federal Reserve Board has stated that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks. As a result, the Federal Reserve Board may require the parent company to stand ready to use its resources to provide adequate capital funds to its banking subsidiaries during periods of financial stress or adversity. This support may be required at times by the Federal Reserve Board even though not expressly required by regulation. In addition, any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits to certain other indebtedness of such subsidiary banks. The BHCA provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment. Furthermore, under the National Bank Act, if the capital stock of the bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the parent company. If the assessment is not paid within three months, the OCC could order a sale of the capital stock of the bank held by the parent company to make good the deficiency.

FDIC Insurance

Under the FDIC's risk-related insurance assessment system, insured depository institutions may be required to pay annual assessments to the FDIC based on the institution's risk classification. An institution's risk classification is based on the FDIC's assignment of the institution to one of three capital groups and to one of three supervisory groups. The three supervisory groups are Group "A" financially solid institutions with only a few minor weaknesses, Group "B" institutions with weaknesses which, if uncorrected, could cause substantial deterioration of the institution and increased risk to the insurance fund, and Group "C" institutions with a substantial probability of loss to the fund absent effective corrective action.

The three capital categories are well capitalized, adequately capitalized, and undercapitalized. These three categories are substantially the same as the prompt corrective action categories previously described, with the undercapitalized category including institutions that are undercapitalized, significantly undercapitalized, and critically undercapitalized for prompt corrective action purposes. A bank's capital and supervisory subgroup is confidential and may not be disclosed. Assessment rates for deposit insurance currently range from zero basis points to 27 basis points per $100 of deposits. Any increase in insurance assessments could have an adverse impact on the earnings of insured institutions, including the bank. Because of favorable loss experience and a healthy reserve ratio in the Bank Insurance Fund maintained by the FDIC, well capitalized and well managed banks, including the bank, have in recent years paid no premiums for FDIC insurance. In the future, even well capitalized and well managed banks may be required to pay premiums on deposit insurance. The amount of any such premiums will depend on the outcome of legislative and regulatory initiatives as well as Bank Insurance Fund loss experience and other factors.

In addition, the bank is required to make payments for the servicing of obligations of the Financing Corporation ("FICO") issued in connection with the resolution of savings and loan associations, so long as such obligations remain outstanding. The current FICO annual assessment rate is 1.54 cents per $100 of deposits.

Under the Federal Deposit Insurance Act ("FDIA"), insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

In addition, the Federal Deposit Insurance Act provides that a depository institution insured by the FDIC can be held liable by the FDIC for any loss incurred or reasonably expected to be incurred in connection with the default of a commonly controlled FDIC-insured depository institution or in connection with any assistance provided by the FDIC to a commonly controlled institution "in danger of default" (as defined).

In its resolution of the problems of an insured depository institution in default or in danger of default, the FDIC is generally required to satisfy its obligations to insured depositors at the least possible cost to the deposit insurance fund. In addition, the FDIC may not take any action that would have the effect of increasing the losses to the deposit insurance fund by protecting depositors for more than the insured portion of deposits (generally $100,000) or creditors other than depositors. The Omnibus Budget Reconciliation Act of 1993 provided for a domestic depositor preference upon liquidation or dissolution of an insured bank.

Depositor Preference

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Liability of Commonly Controlled Institutions

FDIC-insured depository institutions can be held liable for any loss incurred, or reasonably expected to be incurred, by the FDIC due to the default of an FDIC-insured depository institution controlled by the same holding company.

Community Reinvestment Act

The Community Reinvestment Act of 1977 ("CRA") requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHCA, or to acquire any company engaged in any new activity permitted by the BHCA,

each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. Furthermore, banking regulators take into account CRA ratings when considering approval of a proposed transaction.

Financial Privacy

In accordance with the GLB Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA Patriot Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued a number of implementing regulations which apply to various requirements of the USA Patriot Act to financial institutions such as the Company. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Legislative Initiatives

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could

change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company could have a material effect on the business of the Company.

Safety and Soundness Standards

Federal banking agencies promulgate safety and soundness standards relating to, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees, and benefits. With respect to internal controls, information systems and internal audit systems, the standards describe the functions that adequate internal controls and information systems must be able to perform, including: (i) monitoring adherence to prescribed policies; (ii) effective risk management; (iii) timely and accurate financial, operations, and regulatory reporting; (iv) safeguarding and managing assets; and (v) compliance with applicable laws and regulations. The standards also include requirements that: (i) those performing internal audits be qualified and independent; (ii) internal controls and information systems be tested and reviewed; (iii) corrective actions be adequately documented; and (iv) results of an audit be made available for review of management actions.

SELECTED CONSOLIDATED STATISTICAL INFORMATION

I. Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential

The information appears on pages 21 and 22 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof on pages 23 and 24 of the Company's quantitative and qualitative disclosures about market risk.

II. Investment Portfolio

A summary of the Company's investment securities by type with related carrying values at the end of each of the three most recent fiscal years appears on page 17 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof. Information regarding book values and range of maturities by type of security and weighted average yields for totals of each category is presented on pages 40, 41 and 42 of the Company's consolidated financial statements filed in Item 8 hereof.

III. Loan Portfolio

A table setting forth the composition of the Company's loan portfolio, net of unearned discounts, at the end of each of the five most recent fiscal years appears on page 17 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof.

A table setting forth the maturities and sensitivity to changes in interest rates of the Company's commercial and industrial loans at December 31, 2004 appears on page 18 of the 2004 Company's management discussion and analysis of

financial condition and results of operations filed in Item 7 hereof.

It is the policy of the Company to consider all customer requests for extensions of original maturity dates (rollovers), whether in whole or in part, as though each was an application for a new loan subject to standard approval criteria, including credit evaluation. The information appears in the Company's management and discussion and analysis of financial condition and results of operations filed in Item 7 hereof beginning on page 17 under the caption "Loan Portfolio" and in Note 6 and in Note 1 under the caption "Loans" of the Company's consolidated financial statements filed in Item 8 hereof.

A table setting forth the aggregate amount of domestic non-accrual, past due and restructured loans of the Company at the end of each of the five most recent fiscal years appears on page 18 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof; there were no foreign loans accounted for on a nonaccrual basis and there were no troubled debt restructurings for any types of loans. Loans contractually past due 90 days or more as to principal or interest and still accruing are loans which are both well-secured or guaranteed by financially responsible third parties and are in the process of collection.

IV. Summary of Loan Loss Experience

The information appears in Note 7 of the Company's consolidated financial statements filed in Item 8 hereof and beginning on page 18 under the caption "Asset Quality" of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof. A table setting forth certain information with respect to the Company's loan loss experience for each of the five most recent fiscal years appears on page 19 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof.

The Company considers its allowance for loan losses to be adequate based upon the size and risk characteristics of the outstanding loan portfolio at December 31, 2004. Net losses within the loan portfolio are not, however, statistically predictable and are subject to various external factors that are beyond the control of the Company. Consequently, changes in conditions in the next twelve months could result in future provisions for loan losses varying from the level taken in 2004.

To comply with a regulatory requirement to provide an allocation of the allowance for possible loan losses, a table presenting the Company's allocation of the allowance appears on page 20 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof. This allocation is based on estimates by management that may vary based on management's evaluation of the risk characteristics of the loan portfolio. The amount allocated to a particular loan category may not necessarily be indicative of actual future charge-offs in that loan category.

V. Deposits

Average deposits and average rates paid for each of the three most recent years are presented on page 21 of the Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof.

Outstanding time certificates of deposit issued from domestic and foreign offices and interest expense on domestic and foreign deposits are presented in Note 8 of the Company's consolidated financial statements for the fiscal year ended December 31, 2004 filed in Item 8 hereof.

The table providing selected information with respect to the Company's deposits for each of the three most recent fiscal years appears on page 20 of the

Company's management discussion and analysis of financial condition and results of operations filed in Item 7 hereof.

Interest expense for the three most recent fiscal years is presented in Note 8 of the Company's consolidated financial statements filed in Item 8 hereof.

VI. Return on Assets and Equity

The Company's returns on average total assets and average shareholders' equity, dividend payout ratio and average shareholders' equity to average total assets for each of the five most recent years is presented on page 12 under the caption "Selected Financial Data" filed in Item 6 hereof.

VII. Short-Term Borrowings

Balance and rate data for significant categories of the Company's Short-Term Borrowings for each of the three most recent years is presented in Note 9 of the Company's consolidated financial statements filed in Item 8 hereof.

ITEM 2. PROPERTIES

The principal offices of the Company occupy one floor at 650 Fifth Avenue, New York, N.Y., consisting of approximately 14,400 square feet. The lease for these premises expires April 30, 2016. Rental commitments to the expiration date approximate $9,957,525.

The bank also maintains operating leases for nine branch offices, the International Banking Facility, an Operations Center, and additional office space in New York City, Nassau, Suffolk and Westchester counties (New York), in Charlotte (North Carolina) and in Richmond (Virginia) with an aggregate of approximately 135,300 square feet. The aggregate office rental commitments for these premises approximates $19,760,430. The leases have expiration dates ranging from 2005 through 2018 with varying renewal options. The bank owns free and clear (not subject to a mortgage) a building in which it maintains a branch located in Forest Hills, Queens.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business there are various legal proceedings pending against the Company. Management, after consulting with counsel, is of the opinion that there should be no material liability with respect to such proceedings, and accordingly no provision has been made in the accompanying consolidated financial statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders in the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

This information is included pursuant to Instruction 3 to Item 401 (b) of Regulation S-K:

Name of Executive	Title	Age

Louis J. Cappelli	Chairman of the Board and Chief Executive Officer, Director	74
John C. Millman	President, Director	62
John W. Tietjen	Executive Vice President, Treasurer and Chief Financial Officer	60
John A. Aloisio	Senior Vice President	62
Howard M. Applebaum	Senior Vice President	46

All executive officers are elected annually by the Board of Directors and serve at the pleasure of the Board. There are no arrangements or understandings between any of the foregoing officers and any other person or persons pursuant to which he was selected as an executive officer.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

See the information appearing on page 25 under the caption "MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS." All such information should be read in conjunction with the consolidated financial statements and notes thereto, filed in Item 8 hereof. As of March 23, 2005, there were 1,691 shareholders of record of our common shares.

During the fiscal years ended December 31, 2003 and 2004, the following dividends were declared on our common shares on the dates indicated: February 20, 2003: $.12; May 15, 2003: $.13; August 21, 2003: $.16; November 20, 2003: $.16; February 19, 2004: $.16; May 20, 2004: $.16; August 19, 2004: $.16; and November 18, 2004: $.19. The foregoing amounts of dividends per share have been adjusted to reflect the effect of the stock splits referred to in the next paragraph.

The Company effected a five-for-four stock split in the form of a stock dividend on September 10, 2003 and effected a six-for-five stock split in the form of a stock dividend on December 8, 2004.

For information regarding securities authorized for issuance under the Company's equity compensation plan, see Item 12 hereof.

ITEM 6. SELECTED FINANCIAL DATA

The information appears on page 12. All such information should be read in conjunction with the consolidated financial statements and notes thereto, filed in Item 8 hereof.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information appears on pages 13-26. Supplementary data appears in Note 25 of the Company's consolidated financial statements for the fiscal year ended December 31, 2004 filed in Item 8 hereof. All such information should be read in conjunction with the consolidated financial statements and the notes thereto, filed in Item 8 hereof.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information appears on pages 23-25 under the caption "ASSET/LIABILITY MANAGEMENT." All such information should be read in conjunction with the consolidated financial statements and notes thereto, filed in Item 8 hereof.

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Sterling Bancorp
SELECTED FINANCIAL DATA

(dollars in thousands except per share data)	2004	2003	Resta 2002
SUMMARY OF OPERATIONS			
Total interest income	$ 97,799	$ 91,583	$ 94,197
Total interest expense	19,583	17,591	21,210
Net interest income	78,216	73,992	72,987
Provision for loan losses	9,965	8,740	10,771
Net securities gains	1,256	551	996
Noninterest income, excluding net securities gains[1]	33,461	32,127	28,289
Noninterest expenses[1]	65,613	59,275	57,350
Income before taxes[1]	37,355	38,655	34,151
Provision for income taxes[1]	12,751	14,752	12,310
Net income[1]	24,604	23,903	21,841
Per common share--basic[1][2]	1.35	1.33	1.21
--diluted[1][2]	1.29	1.26	1.15
Dividends per common share[2]	0.67	0.57	0.46
YEAR END BALANCE SHEETS			
Investment securities	680,220	683,118	588,774
Loans held for sale	37,059	40,557	54,685
Loans held in portfolio, net of unearned discounts	1,022,286	900,556	791,315
Total assets[1]	1,871,112	1,759,824	1,563,165
Noninterest-bearing deposits	511,307	474,092	401,568
Interest-bearing deposits	832,544	737,649	645,540
Long-term debt	135,774	135,774	140,774
Shareholders' equity[1]	148,704	143,262	129,220
AVERAGE BALANCE SHEETS			
Investment securities	689,569	593,005	589,390
Loans held for sale	46,395	71,779	37,459
Loans held in portfolio, net of unearned discounts	891,107	785,575	708,656
Total assets	1,777,720	1,587,623	1,466,922
Noninterest-bearing deposits	415,664	370,554	315,757
Interest-bearing deposits	830,950	683,748	676,296
Long-term debt	135,774	139,870	140,153
Shareholders' equity	142,536	134,150	126,274
RATIOS			
Return on average total assets[1]	1.38%	1.51%	1.49%
Return on average tangible shareholders' equity[1][3]	20.27	21.15	20.78
Return on average shareholders' equity[1]	17.26	17.82	17.30
Dividend payout ratio	44.92	41.77	34.77
Average shareholders' equity to average total assets	8.02	8.45	8.61
Net interest margin (tax-equivalent basis)	5.02	5.33	5.74
Loans/assets, year end[1][4]	56.62	53.48	54.12
Net charge-offs/loans, year end[5]	0.79	0.85	1.39
Nonperforming loans/loans, year end[4]	0.29	0.36	0.21
Allowance/loans, year end[5]	1.60	1.61	1.71

[1] Prior periods have been restated for reasons described in Note 2 on page 38. The following previously reported information is provided:

(dollars in thousands except per share data)	2001	2000
Net income	$19,388	$16,559
Per common share-basic[2]	1.06	0.91
-diluted[2]	1.02	0.89
Shareholders' equity, year end	128,477	117,016

[2] Prior period amounts have been restated to reflect the six-for-five stock split in the form of a stock dividend effected on December 8, 2004.

[3] Average tangible shareholders' equity is average shareholders' equity less average goodwill.

[4] The term "loans" includes loans held for sale and loans held in portfolio.

[5] The term "loans" includes loans held in portfolio.

Sterling Bancorp
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following commentary presents management's discussion and analysis of the financial condition and results of operations of Sterling Bancorp ("the parent company"), a financial holding company under the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank ("the bank"). Throughout this discussion and analysis, the term "the Company" refers to Sterling Bancorp and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and selected financial data contained elsewhere in this annual report. As described in Note 2 to the consolidated financial statements, the financial statements for each of the years 2002 and 2003 (a) have been restated to correct the accounting for employee benefits expense so as to comply with APB Opinion No. 12, as amended by Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and FASB Technical Bulletin 85-4, Accounting for Purchases of Life Insurance, and (b) also reflect other accounting revisions and adjustments, which were made after March 16, 2005, the date of filing of the Company's Form 8-K dated March 15, 2005. In addition, certain reclassifications have been made to prior years' financial data to conform to current financial statement presentations as well as to reflect the effect of the six-for-five stock split in the form of a stock dividend effected on December 8, 2004.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The accounting and reporting policies followed by the Company conform, in all material respects, to accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management has made estimates, judgments and assumptions that affect the reported amount of assets and liabilities as of the date of the consolidated statements of condition and results of operations for the periods indicated. Actual results could differ significantly from those estimates.

The Company's accounting policies are fundamental to understanding management's discussion and analysis of financial condition and results of operations. The most significant accounting policies followed by the Company are presented in Note 1 beginning on page 34. The Company has identified its policies on the allowance for loan losses and income tax liabilities to be critical because management has to make subjective and/or complex judgments about matters that are inherently uncertain and could be most subject to revision as new information becomes available. Additional information on these policies can be found in Note 1.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The methodology used to determine the allowance for loan losses is outlined in Note 1 and a discussion of the factors driving changes in the amount of the allowance for loan losses is included under "Asset Quality" beginning on page 18.

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns.

Fluctuations in the actual outcome of these future tax consequences could impact the Company's consolidated financial condition or results of operations. Additional discussion on the accounting for income taxes is presented in Note 1 beginning on page 34 and in Note 18 on page 54.

OVERVIEW

The Company provides a broad range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, deposit services, trade financing, equipment leasing, deposit services, trust and estate administration, and investment management services. The Company has operations in the metropolitan New York area, Virginia and North Carolina, and conducts business throughout the United States. The general state of the U.S. economy and, in particular, economic and market conditions in the metropolitan New York 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.

In 2004, the bank's average earning assets represented approximately 97% of the Company's average earning assets. Loans represented 56% and investment securities represented 43% of the bank's average earning assets in 2004.

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.

INCOME STATEMENT ANALYSIS

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets ("net interest margin") is calculated by dividing tax equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analysis shown on page 22. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on page 21.

COMPARISON OF YEARS 2004 AND 2003

The Company reported net income for the year ended December 31, 2004 of $24.6 million, representing $1.29 per share, calculated on a diluted basis, compared to $23.9 million, or $1.26 per share calculated on a diluted basis, for 2003. This increase reflects continued growth in both net interest income and noninterest income and a lower provision for income taxes, which more than offset increases in the provision for loan losses and noninterest expenses.

Net interest income, on a tax-equivalent basis, increased $4.0 million to $79.0 million for 2004 from $75.0 million for 2003, due to higher average earning assets outstanding coupled with lower average cost of funding partially offset by a lower yield on earning assets and higher average interest-bearing deposit balances. The net interest margin, on a tax-equivalent basis, was 5.02% for 2004 compared to 5.33% for 2003. The decrease in the net interest margin was primarily the result of changes in the mix of earning assets and of deposits,

partially offset by the higher rate environment in 2004.

Total interest income, on a tax-equivalent basis, aggregated $98.6 million for 2004, from $92.5 million for 2003. The tax-equivalent yield on interest-earning assets was 6.26% in 2004 compared to 6.58% for 2003.

Interest earned on the loan portfolio amounted to $65.8 million for 2004, up $4.2 million from a year ago. Average loan balances amounted to $937.5 million, up $80.2 million from an average of $857.3 million in the prior year. The increase in the average loans (across virtually all segments of the Company's loan portfolio), primarily due to the Company's business development activities and the ongoing consolidation of banks in the Company's marketing area, accounted for the increase in interest earned on loans. The decrease in the yield on the domestic loan portfolio to 7.56% for 2004 from 7.68% for 2003 was primarily attributable to changes in the mix of outstanding balances on average among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, increased to $32.7 million for 2004 from $30.8 million in the prior year. Average outstandings increased to $689.6 million from $593.0 in the prior year period. The average life of the securities portfolio was approximately 4.0 years at December 31, 2004 compared to 3.8 years at December 31, 2003, reflecting the impact of purchases made primarily in the first and second quarters of 2004. The decrease in yields on the securities portfolio reflects the impact of purchases made during the lower rate environment on average in the first and second quarters of the 2004 period and of the principal prepayments primarily in the second quarter of 2004.

Total interest expense increased to $19.6 million for 2004 from $17.6 million for 2003 primarily due to higher average balances for interest-bearing deposits.

Interest expense on deposits increased to $11.2 million for 2004 from $8.9 million for 2003 primarily due to an increase in average balances. Average interest-bearing deposit balances increased to $831.0 million for 2004 from $683.7 in 2003 primarily as a result of branching initiatives and other business development activities. Average rate paid on interest-bearing deposits was 1.34% which was 4 basis points higher than the prior year period.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" below), the provision for loan losses for 2004 increased to $10.0 million from $8.7 million for the prior year period. Factors affecting the level of provision for loan losses included the growth in the loan portfolios, changes in general economic conditions and the amount of nonaccrual loans.

Noninterest Income

Noninterest income increased to $34.7 million for 2004 from $32.7 million in 2003, primarily due to increased income from mortgage banking, principally the result of a change in the mix of loans sold due to a broader array of loan products and an increased focus on higher margin mortgage loans, and from factoring activities, from bank owned life insurance and from gains on sales of available for sale securities. Partially offsetting these increases were lower revenues from fees for deposit, trade finance and various other services.

Noninterest Expenses

Noninterest expenses increased $6.3 million for 2004 when compared to 2003. The increase was primarily due to investments in the Sterling franchise, including the new branches, and regulatory compliance costs, with higher expenses related to salaries and employee benefits, advertising and marketing, and professional fees.

Provision for Income Taxes

The provision for income taxes decreased $2.0 million for 2004 when compared to 2003. The lower provision for taxes in the 2004 period was primarily due to the resolution, during the second quarter of 2004, of certain state tax issues for tax years 1999-2001.

COMPARISON OF YEARS 2003 AND 2002

The Company reported net income for the year ended December 31, 2003 of $23.9 million, representing $1.26 per share, calculated on a diluted basis, compared to $21.8 million, or $1.15 per share, calculated on a diluted basis, for 2002. This increase reflected continued growth in both net interest income and noninterest income, which together with a lower provision for loan losses, more than offset increases in noninterest expenses and the provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, increased $1.0 million to $75.0 million for 2003 from $74.0 million for 2002, due to higher average earning assets outstanding coupled with lower average cost of funding partially offset by a lower yield on earning assets. The net interest margin, on a tax-equivalent basis, was 5.33% for 2003 compared to 5.74% for 2002. The decrease in the net interest margin was primarily the result of the impact of the lower interest rate environment in 2003, partially offset by the impact of an increase in average loan outstandings.

Total interest income, on a tax-equivalent basis, aggregated $92.5 million for 2003, down $2.7 million from $95.2 million for 2002. The tax-equivalent yield on interest-earning assets was 6.58% in 2003 compared to 7.39% for 2002.

Interest earned on the loan portfolio amounted to $61.6 million for 2003, up $3.7 million from a year ago. Average loan balances amounted to $857.3 million, up $111.2 million from an average of $746.1 million in the prior year. The increase in the average loans (across virtually all segments of the Company's loan portfolio), primarily due to the Company's business development activities and the ongoing consolidation of banks in the Company's marketing area, accounted for the increase in interest earned on loans. The decrease in the yield on the domestic loan portfolio to 7.68% for 2003 from 8.52% for 2002 was primarily attributable to the mix of outstanding balances on average among the components of the loan portfolio and lower interest rate environment in 2003.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $30.8 million for 2003 from $37.0 million in the prior year. Average outstandings increased to $593.0 million from $589.4 million in the prior year. The average life of the securities portfolio was approximately 3.8 years at December 31, 2003 compared to 2.75 years at December 31, 2002, reflecting the impact of purchases made in 2003 and of greater principal prepayments, which increased to $383.1 million for 2003 from $232.9 million in 2002. The decrease in yields on most of the securities portfolio reflected the

impact of purchases made during the lower rate environment on average in 2003 and of greater principal prepayments during 2003.

Total interest expense decreased $3.6 million to $17.6 million for 2003 from $21.2 million for 2002, primarily due to lower average rates paid partially offset by higher average balances principally for customer and dealer repurchase agreements and other short-term debt.

Interest expense on deposits decreased $3.6 million for 2003 to $8.8 million from $12.4 million for 2002 due to the decrease in the cost of funds. Average rate paid on interest-bearing deposits was 1.30% which was 54 basis points lower than the prior year. The decrease in average cost of deposits reflected the lower interest rate environment during 2003 compared to 2002.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" below), the provision for loan losses for 2003 decreased to $8.7 million from $10.8 million for the prior year. The provision for 2002 was impacted by the charge-off of a $5.4 million loan to a corporate borrower which had become the subject of an involuntary bankruptcy. Other factors affecting the level of provision included the growth in the loan portfolios, changes in general economic conditions and the amount of nonaccrual loans.

Noninterest Income

Noninterest income increased $3.4 million for 2003 when compared to 2002, primarily due to increased income from mortgage banking, as a result of an increase in residential loans sold to $709.6 million for 2003 from $490.6 million for 2002. Partially offsetting that increase were lower revenues from factoring activities, from fees for various other services, from gains on sales of available for sale securities, and from a bank owned life insurance program.

Noninterest Expenses

Noninterest expenses increased $1.9 million for 2003 when compared to 2002, primarily due to increased salary expenses, pension and other employee benefit costs, equipment, mortgage tax, and various other expenses incurred to support growing levels of business activity and continued investment in the business franchise. Partially offsetting these increases were reductions in fees for professional services, occupancy, advertising and marketing, stationery and printing and various other expenses.

Provision for Income Taxes

The provision for income taxes increased $2.4 million for 2003 when compared to 2002, principally as the result of higher pre-tax income in 2003. In addition, during the second quarter of 2002, New York State completed an examination of Sterling's tax returns through 1998 and issued a no change finding. As a result, based on management's review of required tax reserves with outside professionals, approximately $1.0 million in excess reserves was adjusted through the provision that quarter.

BALANCE SHEET ANALYSIS

Securities

The Company's securities portfolios are composed principally of U.S. government and U.S. government corporation and agency guaranteed mortgage-backed securities along with other debt and equity securities. At December 31, 2004, the Company's portfolio of securities totaled $680.2 million, of which U.S. government corporation and agency guaranteed mortgage-backed securities and collateralized

mortgage obligations having an average life of approximately 4.4 years amounted to $573.6 million. The Company has the intent and ability to hold to maturity securities classified as "held to maturity." 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 $4.3 million and $2.6 million, respectively. Securities classified as "available for sale" may be sold in the future, prior to maturity. These securities are carried at market value. Net aggregate unrealized gains or losses on these securities are included in a valuation allowance account and are shown net of taxes, as a component of shareholders' equity. "Available for sale" securities included gross unrealized gains of $2.4 million and gross unrealized losses of $2.1 million. Given the generally high credit quality of the portfolio, management expects to realize all of its investment upon the maturity of such instruments, and thus believes that any market value impairment is temporary.

Information regarding book values and range of maturities by type of security and weighted average yields for totals of each category is presented in Note 5 beginning on page 40.

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The following table sets forth the composition of the Company's investment securities by type, with related carrying values at the end of each of the three most recent fiscal years:

December 31,	2004		2003	
	Balances	% of Total	Balances	T
			(dollars in thou	
U.S. Treasury securities	$ 2,492	0.37%	$ 2,496	
Obligations of U.S. government corporations and agencies				
--mortgage-backed securities	469,456	69.02	513,321	7
--collateralized mortgage obligations	104,137	15.31	115,874	1
--other securities	64,748	9.52	--	
Obligations of states and political subdivisions	27,471	4.04	32,816	
Trust preferred securities	3,023	0.44	3,654	
Debt securities issued by foreign governments	1,250	0.18	1,250	
Other debt securities	--	--	4,001	
Federal Reserve Bank and other equity securities	7,643	1.12	9,706	
Total	$680,220	100.00%	$683,118	10

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 the origination of loans in markets with which the Company is familiar.

The Company's commercial and industrial loan portfolio represents approximately

56% of all loans. Loans in this category are typically made to individuals, small and medium-sized businesses and range between $250,000 and $10 million. The Company's leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 15% of all loans. The leasing and commercial and industrial loan portfolios are included in corporate lending for segment reporting purposes as presented in Note 22 beginning on page 58. The Company's real estate loan portfolio, which represents approximately 25% of all loans, is secured by mortgages on real property located principally in the states of New York, New Jersey, Virginia and North Carolina. Sources of repayment are from the borrower's operating profits, cash flows and liquidation of pledged collateral. Based on underwriting standards, loans and leases may be secured 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 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, net of unearned discounts, at the end of each of the five most recent fiscal years:

December 31,	2004		2003		200
	Balances	% of Total	Balances	% of Total	Balances
				(dollars in thousands)	
Domestic					
Commercial and industrial	$ 595,229	56.19%	$563,799	59.91%	$500,311
Lease financing	162,961	15.38	148,737	15.80	128,749
Real estate--mortgage	263,320	24.86	201,911	21.46	185,412
Real estate--construction	2,320	0.22	2,368	0.25	2,400
Installment--individuals	15,515	1.46	14,298	1.52	9,128
Loans to depository institutions	20,000	1.89	10,000	1.06	20,000
Foreign government and official institutions	--	--	--	--	--
Total	$1,059,345	100.00%	$941,113	100.00%	$846,000

December 31,	2000	
	Balances	% of Total
	(dollars in thousands)	
Domestic		
Commercial and industrial	$499,984	66.59%
Lease financing	98,349	13.10
Real estate--mortgage	122,272	16.28
Real estate--construction	--	--
Installment--individuals	9,506	1.27
Loans to depository institutions	20,000	2.66
Foreign government and official institutions	777	0.10
Total	$750,888	100.00%

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The following table sets forth the maturities of the Company's commercial and industrial loans, as of December 31, 2004:

	Due One Year or Less	Due One to Five Years	Due After Five Years	Total Gross Loans
		(in thousands)		
Commercial and industrial	$ 586,462	$ 9,220	$ 7	$ 595,689

All loans due after one year have predetermined interest rates.

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 be increased. 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 expected economic conditions, the financial condition of borrowers, the realization of collateral, and the credit management process.

The following table sets forth the amount of domestic nonaccrual and past due loans of the Company at the end of each of the five most recent fiscal years; there were no foreign loans accounted for on a nonaccrual basis and there were no troubled debt restructurings for any types of loans. Loans contractually past due 90 days or more as to principal or interest and still accruing are loans that are both well-secured or guaranteed by financially responsible third parties and are in the process of collection.

December 31,	2004	2003	2002	2001	2000
			(dollars in thousands)		
Nonaccrual loans					
Commercial and industrial	$1,035	$2,022	$ 405	$ --	$ 470
Lease financing	1,304	783	275	311	495
Real estate--mortgage	704	489	949	1,392	938
Installment--individuals	72	49	155	45	92
Total nonaccrual loans	3,115	3,343	1,784	1,748	1,995
Past due 90 days or more (other than the above)	1,672	127	286	200	162
Total	$4,787	$3,470	$2,070	$1,948	$2,157
Interest income that would have been earned on nonaccrual loans outstanding	$ 233	$ 196	$ 136	$ 153	$ 168
Applicable interest income actually realized on nonaccrual loans outstanding	$ 133	$ 141	$ 83	$ 92	$ 110

Nonaccrual and past due loans as a percentage of total gross loans	0.45%	0.37%	0.25%	0.24%	0.28%

Management views the allowance for loan losses as a critical accounting policy due to its subjectivity. The allowance for loan losses is maintained through the provision for loan losses, which is a charge to operating earnings. The adequacy of the provision and the resulting allowance for loan losses is determined by a management evaluation process of the loan portfolio, including identification and review of individual problem situations that may affect the borrower's ability to repay, review of overall portfolio quality through an analysis of current charge-offs, delinquency and nonperforming loan data, estimates of the value of any underlying collateral, an assessment of current and expected economic conditions and changes in the size and character of the loan portfolio. Other data utilized by management in determining the adequacy of the allowance for loan losses includes, but is not limited to, the results of regulatory reviews, the amount of, trend of and/or borrower characteristics on loans that are identified as requiring special attention as part of the credit review process, and peer group comparisons. The impact of this other data might result in an allowance which will be greater than that indicated by the evaluation process previously described. The allowance reflects management's evaluation both of loans presenting identified loss potential and of the risk inherent in various components of the portfolio, including loans identified as impaired as required by SFAS No. 114.

Thus, an increase in the size of the portfolio or in any of its components could necessitate an increase in the allowance even though there may not be a decline in credit quality or an increase in potential problem loans. A significant change in any of the evaluation factors described above could result in future additions to the allowance. At December 31, 2004, the ratio of the allowance to loans held in portfolio, net of unearned discounts, was 1.60% and the allowance was $16.3 million. At such date, the Company's nonaccrual loans amounted to $3.1 million; $1.3 million of such loans was judged to be impaired within the scope of SFAS No. 114. Nonaccrual loans and loans 90 days past due and still accruing include leases, in the amount of $0.7 million and $1.6 million, respectively, of telecommunications equipment from a company that went into bankruptcy in July 2004. The service provider to the lessees discontinued service, resulting in the failure of certain lessees to make payments. While pursuing collection of the lease payments, past due amounts accrue. Legal action is typically commenced against lessees whose accounts are not paid within 180 days and are placed in nonaccrual status. Lessees remain unconditionally obligated to make payments. All are creditworthy and personally guaranteed; the reported delinquencies are not due to credit issues. 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 reasonably anticipated losses on specifically known and other possible credit risks associated with the portfolio as of December 31, 2004. Net losses within loans held in portfolio are not statistically predictable and changes in conditions in the next twelve months could result in future provisions for loan losses varying from the level taken in 2004. 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 $1.2 million and $1.3 million at December 31, 2004 and 2003, respectively.

The following table sets forth certain information with respect to the Company's

loan loss experience for each of the five most recent fiscal years:

December 31,	2004	2003	2002	2001	
			(dollars in thousands)		
Average loans held in portfolio, net of unearned discounts, during year	$891,107	$785,575	$708,656	$674,310	$615
Allowance for loan losses:					
Balance at beginning of year	$ 14,459	$ 13,549	$ 14,038	$ 12,675	$ 11
Charge-offs:					
Commercial and industrial	6,116	6,571	10,205	4,899	4
Lease financing	2,447	1,155	930	1,528	1
Real estate	8	547	856	269	
Installment	9	38	58	103	
Total charge-offs	8,580	8,311	12,049	6,799	5
Recoveries:					
Commercial and industrial	917	552	871	589	
Lease financing	44	25	69	84	
Real estate	--	--	16	--	
Installment	43	61	69	88	
Total recoveries	1,004	638	1,025	761	
Subtract:					
Net charge-offs	7,576	7,673	11,024	6,038	5
Provision for loan losses	9,965	8,741	10,771	7,401	6
Loss on loans transferred to held for sale	520	158	236	--	
Balance at end of year	$ 16,328	$ 14,459	$ 13,549	$ 14,038	$ 12
Ratio of net charge-offs to average loans held in portfolio, net of unearned discounts, during year	0.85%	0.98%	1.56%	0.90%	

To comply with a regulatory requirement to provide an allocation of the allowance for loan losses, the following table presents the Company's allocation of the allowance. This allocation is based on estimates by management and may vary from year to year 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 a loan category.

December 31,	2004		2003		2002	
	Amount	% of Loans	Amount	% of Loans	Amount	% of Loans
					(dollars in thousands)	
Domestic						
Commercial and industrial	$ 9,636	1.62%	$ 8,637	1.53%	$ 7,977	1.59%
Loans to depository institutions	120	0.60	80	0.80	150	0.75
Lease financing	4,073	2.50	2,686	1.80	1,961	1.52
Real estate--mortgage	2,184	0.97	2,310	1.43	2,000	1.37
Real estate--construction	15	0.65	24	1.01	23	0.96
Installment--individuals	100	0.64	14	0.10	10	0.11
Unallocated	200	--	708	--	1,428	--
Total	$16,328	1.60%	$14,459	1.61%	$13,549	1.71%

Deposits

A significant source of funds are customer 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 at the end of each of the three most recent fiscal years:

December 31,	2004		2003		2002
	Balances	% of Total	Balances	% of Total	Balances
			(dollars in thousands)		
Domestic					
Demand	$ 511,307	38.0%	$ 474,092	39.1%	$ 401,568
NOW	136,616	10.2	134,122	11.1	111,869
Savings	28,168	2.1	30,105	2.5	27,307
Money Market	192,483	14.3	177,187	14.6	148,157
Time deposits by remaining maturity					
Within 3 months	163,408	12.2	168,687	13.9	201,103
After 3 months but within 1 year	162,198	12.1	148,565	12.3	87,160
After 1 year but within 2 years	137,074	10.2	70,479	5.8	48,708
After 2 years but within 3 years	7,755	0.6	2,727	0.2	12,005
After 3 years but within 4 years	1,449	0.1	2,021	0.2	806
After 4 years but within 5 years	336	--	748	0.1	5,339
After 5 years	50	--	8	--	86
Total domestic deposits	1,340,844	99.8	1,208,741	99.8	1,044,108
Foreign					
Time deposits by remaining maturity					
Within 3 months	1,645	0.1	1,645	0.1	1,820
After 3 months but within 1 year	1,362	0.1	1,355	0.1	1,180
Total foreign deposits	3,007	0.2	3,000	0.2	3,000

Total deposits	$1,343,851	100.0%	$1,211,741	100.0%	$1,047,108

Fluctuations of balances in total or among categories at any date can 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 for the three most recent fiscal years is presented on page 21.

Sterling Bancorp
CONSOLIDATED AVERAGE BALANCE SHEETS AND
ANALYSIS OF NET INTEREST EARNINGS[1]

Years Ended December 31,	2004			2	
	Average Balance	Interest	Average Rate	Average Balance	In
			(dollars in thousands)		
ASSETS					
Interest-bearing deposits with other banks	$ 3,120	$ 21	0.70%	$ 3,473	$
Investment securities					
Available for sale	266,823	11,729	4.36	188,876	
Held to maturity	392,869	18,829	4.79	372,213	
Tax-exempt[2]	29,877	2,135	7.14	31,916	
Federal funds sold	10,943	132	1.21	5,759	
Loans, net of unearned discounts[3]					
Domestic	937,502	65,779	7.56	857,354	
TOTAL INTEREST-EARNING ASSETS	1,641,134	98,625	6.26%	1,459,591	
Cash and due from banks	60,281			58,350	
Allowance for loan losses	(15,906)			(14,720)	
Goodwill	21,158			21,158	
Other	71,053			63,244	
TOTAL ASSETS	$ 1,777,720			$ 1,587,623	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing deposits					
Domestic					
Savings	$ 31,203	120	0.38%	$ 27,554	
NOW	134,096	622	0.46	119,730	
Money market	213,331	1,280	0.60	165,666	
Time	449,319	9,118	2.03	367,798	
Foreign					
Time	3,001	33	1.09	3,000	
Total interest-bearing deposits	830,950	11,173	1.34	683,748	
Borrowings					
Securities sold under agreements to repurchase--customers	84,559	1,020	1.21	71,648	
Securities sold under agreements to					

repurchase--dealers	29,601	398	1.35	46,219
Federal funds purchased	9,946	146	1.47	5,463
Commercial paper	30,069	364	1.21	23,819
Other short-term debt	12,629	243	1.93	31,853
Long-term borrowings	135,774	6,239	4.62	139,870
Total borrowings	302,578	8,410	2.79	318,872
Total Interest-Bearing Liabilities	1,133,528	19,583	1.73%	1,002,620
Noninterest-bearing demand deposits	415,664	--		370,554
Total including noninterest-bearing demand deposits	1,549,192	19,583	1.26%	1,373,174
Other liabilities	85,992			80,299
Total Liabilities	1,635,184			1,453,473
Shareholders' equity	142,536			134,150
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,777,720			$ 1,587,623
Net interest income/spread		79,042	4.53%	
Net yield on interest-earning assets			5.02%	
Less: Tax-equivalent adjustment		826		
Net interest income		$78,216		$

Years Ended December 31, 2002

	Average Balance	Interest	Average Rate
	(dollars in thousands)		
ASSETS			
Interest-bearing deposits with other banks	$ 3,494	$ 33	1.20%
Investment securities			
Available for sale	238,947	14,748	6.17
Held to maturity	316,864	19,759	6.24
Tax-exempt[2]	33,579	2,489	7.41
Federal funds sold	16,704	277	1.66
Loans, net of unearned discounts[3]			
Domestic	746,115	57,914	8.52
TOTAL INTEREST-EARNING ASSETS	1,355,703	95,220	7.39%
Cash and due from banks	49,994		
Allowance for loan losses	(13,986)		
Goodwill	21,158		
Other	54,053		
TOTAL ASSETS	$ 1,466,922		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Interest-bearing deposits			

Domestic			
Savings	$ 25,882	154	0.60%
NOW	112,301	880	0.78
Money market	164,578	1,321	0.80
Time	370,536	10,053	2.71
Foreign			
Time	2,999	58	1.94
Total interest-bearing deposits	676,296	12,466	1.84
Borrowings			
Securities sold under agreements to repurchase--customers	63,540	1,163	1.83
Securities sold under agreements to repurchase--dealers	6,960	129	1.85
Federal funds purchased	2,613	45	1.72
Commercial paper	31,885	655	2.06
Other short-term debt	23,885	573	2.40
Long-term borrowings	140,153	6,178	4.41
Total borrowings	269,036	8,743	3.25
Total Interest-Bearing Liabilities	945,332	21,209	2.24%
Noninterest-bearing demand deposits	315,757	--	
Total including noninterest-bearing demand deposits	1,261,089	21,209	1.68%
Other liabilities	79,559		
Total Liabilities	1,340,648		
Shareholders' equity	126,274		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,466,922		
Net interest income/spread		74,011	5.15%
Net yield on interest-earning assets			5.74%
Less: Tax-equivalent adjustment		1,023	
Net interest income		$72,988	

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

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

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

Sterling Bancorp
CONSOLIDATED RATE/VOLUME ANALYSIS[1]

Increase (Decrease) from Years Ended,	December 31, 2003 to December 31, 2004			Decem Dec
	Volume	Rate	Total[2]	Volume
	(in thousands)			
INTEREST INCOME				
Interest-bearing deposits with other banks	$ (3)	$ (1)	$ (4)	$ --
Investment securities				
Available for sale	3,540	(1,017)	2,523	(2,753)
Held to maturity	1,078	(1,518)	(440)	3,157
Tax-exempt	(150)	(85)	(235)	(119)
Total	4,468	(2,620)	1,848	285
Federal funds sold	63	5	68	(143)
Loans, net of unearned discounts[3]				
Domestic	5,350	(1,193)	4,157	9,777
TOTAL INTEREST INCOME	$ 9,878	$ (3,809)	$ 6,069	$ 9,919
INTEREST EXPENSE				
Interest-bearing deposits				
Domestic				
Savings	$ 14	$ 8	$ 22	$ 10
NOW	72	(36)	36	54
Money market	262	226	488	9
Time	1,638	110	1,748	(73)
Foreign				
Time	--	(8)	(8)	--
Total interest-bearing deposits	1,986	300	2,286	--
Borrowings				
Securities sold under agreements to repurchase--customers	150	(7)	143	135
Securities sold under agreements to repurchase--dealers	(222)	54	(168)	495
Federal funds purchased	63	18	81	37
Commercial paper	75	25	100	(138)
Other short-term debt	(364)	62	(302)	162
Long-term borrowings	(206)	58	(148)	(12)
Total borrowings	(504)	210	(294)	679
TOTAL INTEREST EXPENSE	$ 1,482	$ 510	$ 1,992	$ 679
NET INTEREST INCOME	$ 8,396	$ (4,319)	$ 4,077	$ 9,240

[1] Amounts are presented on a tax-equivalent basis.

[2] The change in interest income and interest expense due to both rate and volume has been allocated to change due to rate and the change due to volume in proportion to the relationship of the absolute dollar amounts of the changes in each. The effect of the extra day in 2004 has been included in the change in volume.

[3] Nonaccrual loans have been included in the amounts outstanding and income has been included to the extent earned.

ASSET/LIABILITY MANAGEMENT

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

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

Market Risk

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

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

A traditional gap analysis is prepared based on the maturity and repricing characteristics of interest-earning assets and interest-bearing liabilities for selected time bands. The mismatch between repricings or maturities within a time band is commonly referred to as the "gap" for that period. A positive gap (asset sensitive) where interest rate sensitive assets exceed interest rate sensitive liabilities generally will result in the net interest margin increasing in a rising rate environment and decreasing in a falling rate environment. A negative gap (liability sensitive) will generally have the opposite result on the net

interest margin. However, the traditional gap analysis does not assess the relative sensitivity of assets and liabilities to changes in interest rates and other factors that could have an impact on interest rate sensitivity or net interest income. The Company utilizes the gap analysis to complement its income simulations modeling, primarily focusing on the longer-term structure of the balance sheet.

The Company's balance sheet structure is primarily short-term in nature with a substantial portion of assets and liabilities repricing or maturing within one year. The Company's gap analysis at December 31, 2004, presented on page 26, 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. During 2004, the Company did not enter into any derivative contracts to hedge its interest rate risk. At December 31, 2004 and 2003, the Company was not a party to any derivative contracts to hedge its interest rate risk.

The Company utilizes income simulation models to complement its traditional gap analysis. While the Asset/Liability Committee routinely monitors simulated net interest income sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk. The income simulation models measure the Company's net interest income volatility or sensitivity to interest rate changes utilizing statistical techniques that allow the Company to consider various factors which impact net interest income. These factors include actual maturities, estimated cash flows, repricing

characteristics, deposits growth/retention and, most importantly, the relative sensitivity of the Company's assets and liabilities to changes in market interest rates. This relative sensitivity is important to consider as the Company's core deposit base has not been subject to the same degree of interest rate sensitivity as its assets. The core deposit costs are internally managed and tend to exhibit less sensitivity to changes in interest rates than the Company's adjustable rate assets whose yields are based on external indices and generally change in concert with market interest rates.

The Company's interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company's assets and the rates that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management projects the impact of changes in interest rates on net interest margin. The Company has established certain policy limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of December 31, 2004, the model indicated the impact of a 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 3.17% ($2.6 million) increase in net interest income, while the impact of a 200 basis point decline in rates over the same

period would approximate a 3.79% ($3.1 million) decline from an unchanged rate environment.

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 customer 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 shape could adversely affect the Company's results in 2005.

Liquidity Risk

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

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

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

At December 31, 2004, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $26.0 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $34.9 million. The parent company also has back-up credit lines with banks of $24.0

million. Since 1979, the parent company has had no need to use available back-up lines of credit.

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The following table sets forth information regarding the Company's obligations and commitments to make future payments under contracts as of December 31, 2004:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Long-Term Debt	$ 135,774	$ --	$ 25,774	$ 10,000	$ 100,000
Operating Leases	29,718	3,536	6,744	6,446	12,992
Total Contractual Cash Obligations	$ 165,492	$ 3,536	$ 32,518	$ 16,446	$ 112,992

The following table sets forth information regarding the Company's obligations under other commercial commitments as of December 31, 2004:

	Amount of Commitment Expiration Per Period				
Other Commercial Commitments	Total Amounts Committed	Less than 1 Year	1-3 Years	4-5 Years	Over 5 Years
	(in thousands)				
Residential loans	$ 45,195	$ 45,195	$ --	$ --	$
Commercial loans	32,301	19,692	7,014	3,095	2,5
Total loans	77,496	64,887	7,014	3,095	2,5
Standby Letters of Credit	26,564	23,574	2,990	--	
Other Commercial Commitments	11,519	11,512	--	--	
Total Commercial Commitments	$ 115,579	$ 99,973	$ 10,004	$ 3,095	$ 2,5

While the past performance is no guarantee of the future, management believes that the Company's funding sources (including dividends from all its subsidiaries) and the bank's funding sources will be adequate to meet their liquidity requirements in the future.

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 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% to 5%), 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 at December 31, 2004 and December 31, 2003, is presented in Note 21 beginning on page 57. In addition, the bank is subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a "well capitalized" bank must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the Company. At December 31, 2004, the Company and the bank exceeded the requirements for "well capitalized" institutions.

MARKET FOR THE COMPANY'S COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

The parent company's common stock is traded on the New York Stock Exchange under the symbol STL. Information regarding the quarterly prices of the common stock is presented in Note 25 on page 63. Information regarding the average common shares outstanding and dividends per common share is presented in the Consolidated Statements of Income on page 29. Information regarding legal restrictions on the ability of the bank to pay dividends is presented in Note 14 on page 48. Although such restrictions do not apply to the payment of dividends by the parent company to its shareholders, such dividends may be limited by other factors, such as the requirement to maintain adequate capital under the risk-based capital regulations described in Note 21 beginning on page 57. Information related to the parent company's preferred stock is presented in Note 11 on page 47.

Sterling Bancorp
CONSOLIDATED 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. Amounts are presented in thousands.

	Repricing Date			
	3 Months or Less	More than 3 Months to 1 Year	1 Year to 5 Years	Over 5 Years
ASSETS				
Interest-bearing deposits with other banks	$ 1,329	$ --	$ --	$ --

Investment securities	3,053	48,769	90,094	530,661
Loans, net of unearned discounts				
Commercial and industrial	585,927	535	9,220	7
Loans to depository institutions	20,000	--	--	--
Lease financing	3,122	14,833	158,856	9,050
Real estate	97,618	9,548	122,513	35,962
Installment	13,172	82	2,253	10
Noninterest-earning assets and allowance for loan losses	--	--	--	--
Total Assets	724,221	73,767	382,936	575,690
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits				
Savings[1]	--	--	28,168	--
NOW[1]	--	--	136,616	--
Money market[1]	157,741	--	34,742	--
Time--domestic	163,408	162,198	146,614	50
--foreign	1,645	1,362	--	--
Securities sold under agreements to repurchase--customers	55,934	--	--	--
Securities sold under agreements to repurchase--dealers	33,882	--	--	--
Federal funds purchased	32,500	--	--	--
Commercial paper	25,991	--	--	--
Other short-term borrowings	2,517	--	--	--
Long-term borrowings	--	--	10,000	100,000
Noninterest-bearing liabilities and shareholders' equity	--	--	--	--
Total Liabilities and Shareholders' Equity	473,618	163,560	356,140	100,050
Net Interest Rate Sensitivity Gap	$ 250,603	$ (89,793)	$ 26,796	$ 475,640
Cumulative Gap at December 31, 2004	$ 250,603	$ 160,810	$ 187,606	$ 663,246
Cumulative Gap at December 31, 2003	$ 230,662	$ 77,756	$ 46,397	$ 595,450
Cumulative Gap at December 31, 2002	$ 260,814	$ 167,170	$ 98,271	$ 522,344

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Company's consolidated financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004, and the statements of condition of Sterling National Bank as of December 31, 2004 and 2003, notes thereto and Report of Independent Registered Public Accounting Firm thereon appear on pages 28-64.

Sterling Bancorp
CONSOLIDATED BALANCE SHEETS

December 31,	2004
ASSETS	
Cash and due from banks	$ 48,842,41
Interest-bearing deposits with other banks	1,329,10
Securities available for sale (at estimated fair value; pledged: $64,933,098 in 2004 and $117,250,082 in 2003)	233,762,17
Securities held to maturity (pledged: $122,309,904 in 2004 and $166,910,347 in 2003) (estimated fair value: $448,173,450 in 2004 and $374,977,771 in 2003)	446,457,56
Total investment securities	680,219,73
Loans held for sale	37,058,67
Loans held in portfolio, net of unearned discounts	1,022,286,47
Less allowance for loan losses	16,328,52
Loans, net	1,005,957,95
Customers' liability under acceptances	628,96
Goodwill	21,158,44
Premises and equipment, net	10,674,70
Other real estate	766,62
Accrued interest receivable	5,604,78
Bank owned life insurance	26,553,14
Other assets	32,317,22
	$ 1,871,111,76
LIABILITIES AND SHAREHOLDERS' EQUITY	
Noninterest-bearing deposits	$ 511,307,01
Interest-bearing deposits	832,544,09
Total deposits	1,343,851,11
Securities sold under agreements to repurchase--customers	55,934,17
Securities sold under agreements to repurchase--dealers	33,882,00
Federal funds purchased	32,500,00
Commercial paper	25,991,03
Other short-term borrowings	2,517,37
Acceptances outstanding	628,96
Accrued expenses and other liabilities	91,329,50
Long-term borrowings	135,774,00
Total liabilities	1,722,408,16
Shareholders' Equity	
Preferred stock, $5 par value	-
Common stock, $1 par value. Authorized 50,000,000 and 20,000,000 shares, respectively; issued 19,880,521 and 19,275,964 shares, respectively	19,880,52

Capital surplus	145,310,74
Retained earnings	28,664,56
Accumulated other comprehensive loss	(1,921,06
	191,934,77
Common stock in treasury at cost, 1,642,996 and 1,306,587 shares, respectively	(42,939,96
Unearned compensation	(291,21
Total shareholders' equity	148,703,59
	$ 1,871,111,76

See Notes to Consolidated Financial Statements.

Sterling Bancorp
CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2004	Restated 2003	Restat 200
INTEREST INCOME			
Loans	$65,778,789	$61,621,929	$57,913
Investment securities			
Available for sale	13,038,461	10,601,611	16,213
Held to maturity	18,828,800	19,269,037	19,758
Federal funds sold	132,405	64,435	276
Deposits with other banks	20,969	25,464	33
Total interest income	97,799,424	91,582,476	94,196
INTEREST EXPENSE			
Deposits	11,173,017	8,887,090	12,466
Securities sold under agreements to repurchase--customers	1,020,157	876,790	1,162
Securities sold under agreements to repurchase--dealers	398,415	565,552	129
Federal funds purchased	146,109	65,407	45
Commercial paper	363,918	264,254	655
Other short-term borrowings	243,492	544,722	572
Long-term borrowings	6,238,750	6,387,024	6,178
Total interest expense	19,583,858	17,590,839	21,209
Net interest income	78,215,566	73,991,637	72,987
Provision for loan losses	9,965,000	8,740,400	10,770
Net interest income after provision for loan losses	68,250,566	65,251,237	62,216
NONINTEREST INCOME			
Factoring income	6,840,856	5,947,029	6,155
Mortgage banking income	15,300,971	14,606,494	10,254
Service charges on deposit accounts	4,722,011	4,905,900	4,961
Trade finance income	2,267,970	2,337,480	2,574
Trust fees	697,560	646,979	664
Other service charges and fees	1,843,603	1,922,590	1,846

Bank owned life insurance income	1,225,628	1,041,577	1,290
Securities gains	1,256,370	550,505	996
Other income	562,726	719,397	541
Total noninterest income	34,717,695	32,677,951	29,285
NONINTEREST EXPENSES			
Salaries	30,103,160	27,022,023	25,993
Employee benefits	9,032,770	8,462,987	6,166
Total personnel expense	39,135,930	35,485,010	32,160
Occupancy expense, net	4,916,240	4,720,731	4,869
Equipment expense	3,063,136	2,854,169	2,657
Advertising and marketing	3,350,565	3,160,122	3,308
Professional fees	5,567,847	3,121,771	3,738
Data processing fees	1,124,441	1,012,309	1,270
Stationery and printing	801,625	903,915	1,052
Communications	1,530,476	1,580,678	1,626
Other expenses	6,122,393	6,435,872	6,664
Total noninterest expenses	65,612,653	59,274,577	57,349
Income before income taxes	37,355,608	38,654,611	34,151
Provision for income taxes	12,751,535	14,751,366	12,310
Net income	$24,604,073	$23,903,245	$21,841
Average number of common shares outstanding			
Basic	18,241,567	17,914,855	17,978
Diluted	19,113,625	18,915,660	18,951
Earnings per average common share			
Basic	$ 1.35	$ 1.33	$
Diluted	1.29	1.26	
Dividends per common share	.67	.57	

See Notes to Consolidated Financial Statements.

Sterling Bancorp
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

Years Ended December 31,	2004	Restated 2003
Net income	$ 24,604,073	$ 23,903,245
Other comprehensive (loss) income, net of tax:		
Unrealized gains on securities:		
Unrealized holding (losses) gains arising during the year	(886,698)	(995,551)
Reclassification adjustment for gains included in net income	(679,696)	(297,823)
Minimum pension liability adjustment	777,137	(501,359)
Other comprehensive (loss) income	(789,257)	(1,794,733)

Comprehensive income	$ 23,814,816	$ 22,108,512

See Notes to Consolidated Financial Statements.

Sterling Bancorp
CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31,	2004	Restated 2003
PREFERRED STOCK		
Balance at beginning of year	$ 2,244,320	$ 2,322,060
Conversions of Series B and Series D shares	(2,244,320)	(77,740)
Balance at end of year	$ --	$ 2,244,320
COMMON STOCK		
Balance at beginning of year	$ 19,275,964	$ 19,138,420
Conversions of preferred shares into common shares	428,304	12,799
Common shares issued under stock incentive plan	176,253	124,745
Common shares issued in connection with stock dividend	--	--
Balance at end of year	$ 19,880,521	$ 19,275,964
CAPITAL SURPLUS		
Balance at beginning of year restated	$ 141,179,832	$ 138,872,374
Conversions of preferred shares into common shares	1,816,016	64,941
Common shares issued under stock incentive plan and related tax benefits	2,340,933	2,274,875
Common shares issued in connection with stock dividend	--	--
Issuance of shares under incentive compensation plan	--	--
Common stock issued in connection with acquisition	--	--
Stock split--cash paid in lieu	(26,036)	(32,358)
Balance at end of year	$ 145,310,745	$ 141,179,832
RETAINED EARNINGS		
Balance at beginning of year restated	$ 16,166,517	$ 2,498,606
Net income	24,604,073	23,903,245
Cash dividends paid--common shares	(12,106,022)	(10,110,315)
--preferred shares	--	(125,019)
Stock dividend paid--common shares	--	--
--cash in lieu	--	--
Balance at end of year	$ 28,664,568	$ 16,166,517
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME		
Balance at beginning of year restated	$ (1,131,803)	$ 662,930

Unrealized holding (losses) gains arising during the period:		
Before tax	(1,638,997)	(1,840,208)
Tax effect	752,299	844,657
Net of tax	(886,698)	(995,551)
Reclassification adjustment for gains included in net income:		
Before tax	(1,256,370)	(550,505)
Tax effect	576,674	252,682
Net of tax	(679,696)	(297,823)
Minimum pension liability adjustment:		
Before tax	1,436,482	(926,726)
Tax effect	(659,345)	425,367
Net of tax	777,137	(501,359)
Balance at end of year	$ (1,921,060)	$ (1,131,803)
TREASURY STOCK		
Balance at beginning of year	$ (33,577,847)	$ (32,400,952)
Purchase of common shares	(8,310,004)	(256,007)
Issuance of shares under incentive compensation plan	--	--
Surrender of shares issued under incentive compensation plan	(1,052,118)	(920,888)
Common shares issued in connection with acquisition	--	--
Balance at end of year	$ (42,939,969)	$ (33,577,847)
UNEARNED COMPENSATION		
Balance at beginning of year	$ (894,976)	$ (1,873,926)
Issuance of shares under incentive compensation plan	--	--
Amortization of unearned compensation	603,764	978,950
Balance at end of year	$ (291,212)	$ (894,976)
TOTAL SHAREHOLDERS' EQUITY		
Balance at beginning of year	$ 143,262,007	$ 129,219,512
Net changes during the year	5,441,586	14,042,495
Balance at end of year	$ 148,703,593	$ 143,262,007

See Notes to Consolidated Financial Statements.

Sterling Bancorp
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2004	Resta 20

OPERATING ACTIVITIES		
Net income	$ 24,604,073	$ 23,
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	9,965,000	8,
Depreciation and amortization of premises and equipment	1,839,782	1,
Securities gains	(1,256,370)	(
Income from bank owned life insurance	(1,225,628)	(1,
Deferred income tax benefit	(729,908)	(
Net change in loans held for sale	3,497,707	14,
Amortization of unearned compensation	603,764	
Amortization of premiums on investment securities	1,456,202	2,
Accretion of discounts on investment securities	(568,608)	(1,
(Increase) Decrease in accrued interest receivable	(535,358)	(
Increase in accrued expenses and other liabilities	12,724,867	1,
Increase in other assets	(5,257,201)	(5,
Other, net	(490,871)	(1,
Net cash provided by operating activities	44,627,451	42,
INVESTING ACTIVITIES		
Purchase of premises and equipment	(3,288,307)	(1,
Net decrease (increase) in interest-bearing deposits with other banks	327,235	1,
Decrease in Federal funds sold	--	5,
Net increase in loans held in portfolio	(129,825,687)	(117,
Decrease (Increase) in other real estate	63,236	
Purchase of bank owned life insurance	(4,000,000)	
Proceeds from sales of securities	94,314,559	24,
Proceeds from prepayments, redemptions or maturities of securities--held to maturity	131,720,726	253,
Purchases of securities--held to maturity	(208,471,931)	(255,
Proceeds from prepayments, redemptions or maturities--available for sale	123,946,777	367,
Purchases of securities--available for sale	(141,857,433)	(486,
Net cash used in investing activities	(137,070,825)	(210,
FINANCING ACTIVITIES		
Net increase in noninterest-bearing deposits	37,215,128	72,
Net increase in interest-bearing deposits	94,895,167	92,
Increase in Federal funds purchased	22,500,000	10,
Net decrease in securities sold under agreements to repurchase	(4,002,636)	(7,
Net (decrease) increase in commercial paper and other short-term borrowings	(57,162,001)	19,
(Decrease) Increase in long-term borrowings	--	(5,
Purchase of treasury shares	(8,310,004)	(
Proceeds from exercise of stock options	4,334,474	1,
Cash dividends paid on preferred and common shares	(12,106,022)	(10,
Cash paid in lieu of fractional shares in connection with stock dividend/split	(26,036)	
Net cash provided by financing activities	77,338,070	173,
Net (decrease) increase in cash and due from banks	(15,105,304)	5,
Cash and due from banks--beginning of year	63,947,722	58,
Cash and due from banks--end of year	$ 48,842,418	$ 63,
Supplemental disclosure of cash flow information:		
Interest paid	$ 19,199,800	$ 17,

Income taxes paid	11,554,100	12,

See Notes to Consolidated Financial Statements.

Sterling National Bank
CONSOLIDATED STATEMENTS OF CONDITION

December 31,	2004	
ASSETS		
Cash and due from banks	$ 47,910,092	$
Interest-bearing deposits with other banks	1,329,103	
Securities available for sale (at estimated fair value; pledged: $64,933,098 in 2004 and $117,250,082 in 2003)	233,697,551	
Securities held to maturity (pledged: $122,309,904 in 2004 and $166,910,347 in 2003) (estimated fair value: $448,173,450 in 2004 and $374,977,771 in 2003)	446,457,563	
Total investment securities	680,155,114	
Loans held for sale	37,058,673	
Loans held in portfolio, net of unearned discounts	968,681,575	
Less allowance for loan losses	16,063,068	
Loans, net	952,618,507	
Receivables from affiliates	--	
Customers' liability under acceptances	628,965	
Premises and equipment, net	10,645,195	
Other real estate	766,620	
Accrued interest receivable	5,603,374	
Bank owned life insurance	26,553,145	
Other assets	25,825,748	
	$1,789,094,536	$
LIABILITIES AND SHAREHOLDER'S EQUITY		
Noninterest-bearing deposits	$ 526,366,101	$
Interest-bearing deposits	833,069,913	
Total deposits	1,359,436,014	
Securities sold under agreements to repurchase--customers	55,934,170	
Securities sold under agreements to repurchase--dealer	33,882,000	
Federal funds purchased	32,500,000	
Other short-term borrowings	2,517,375	
Acceptances outstanding	628,965	
Accrued expenses and other liabilities	78,088,892	
Long-term borrowings--FHLB	110,000,000	

Total liabilities	1,672,987,416	
Commitments and contingent liabilities		
Shareholder's Equity		
Common stock, $50 par value		
Authorized and issued, 358,526 shares	17,926,300	
Surplus	19,762,560	
Undivided profits	77,573,022	
Accumulated other comprehensive income:		
Net unrealized appreciation on securities available for sale, net of tax	845,238	
Total shareholder's equity	116,107,120	
	$1,789,094,536	$

See Notes to Consolidated Financial Statements.

Sterling Bancorp
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Sterling companies provide a full range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, trade financing, leasing, deposit services, trust and estate administration and investment management services. Sterling has operations principally in New York and conducts business throughout the United States. As discussed in Note 2, the Company has restated prior period financial statements.

The following summarizes the significant accounting policies of Sterling Bancorp and its subsidiaries.

Basis of Presentation

The consolidated financial statements include the accounts of the parent company and its subsidiaries, principally Sterling National Bank ("the bank"), after elimination of intercompany transactions.

The Company effected a six-for-five stock split on December 8, 2004. All capital and share amounts as well as basic and diluted average number of shares outstanding and earnings per share information for all prior reporting periods have been restated.

General Accounting Policies

The Company follows accounting principles generally accepted in the United States of America ("U.S. GAAP") and prevailing practices within the banking industry. The preparation of financial statements in accordance with U.S. GAAP

requires management to make assumptions and estimates that 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. Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the current presentation.

New Accounting Standards and Interpretations

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer" ("SOP 03-3"). SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. The statement requires that acquired loans within its scope be recorded at fair value and prohibits the carrying over or the creation of valuation allowances in the initial accounting for any loans acquired in a transfer that have evidence of deterioration in credit quality since inception, when it is probable that the purchaser will be unable to collect all contractual cash flows. In addition, SOP 03-3 prohibits the recognition of the excess of contractual cash flows over the cash receipts expected to be collected as an adjustment of yield, loss accrual or valuation allowance at the time of purchase; requires that subsequent increases in expected cash flows be recognized prospectively through an adjustment of yield; and requires that subsequent decreases in expected cash flows be recognized as an impairment. The adoption of SOP 03-3 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) is effective as of the first interim or annual reporting period beginning after June 15, 2005 with early adoption encouraged. SFAS No. 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 123(R) requires public entities to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is requested to provide service in exchange for the award--the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. SFAS No. 123(R) applies to all awards granted after the required effective date and to awards modified, repurchased or cancelled after that date. The cumulative effect of initially applying SFAS No. 123(R), if any, is recognized as of the required effective date. As of the required effective date, all public entities and those nonpublic entities that used the fair-value-based method for either recognition or disclosure under SFAS No. 123 will apply this Statement using a modified version of prospective application. Under that transition method, compensation cost is recognized on or after the required effective date for the portion of outstanding awards for which the requisite service has not yet been rendered, based on the grant-date fair value of those awards calculated under SFAS No. 123 for either recognition or pro forma disclosures. For periods before the required effective date, those entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by SFAS No. 123. The Company has not yet determined which transition method it will apply upon adoption of SFAS No. 123(R). The impact on the Company's consolidated financial statements will depend on the transition method selected.

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets an

amendment of APB Opinion No. 29" ("SFAS No. 153"). SFAS No. 153 eliminates the exception contained in APB Opinion No. 29 to fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance. Under SFAS No. 153, a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for transactions occurring in reporting periods beginning after June 15, 2005. The adoption of SFAS No. 153 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2003, FASB issued Interpretation No. 46 (revised), "Consolidation of Variable Interests Entities" ("FIN 46R"), which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and, accordingly, should consolidate the variable interest entity ("VIE"). FIN 46R replaces FASB Interpretation No. 46 that was issued in January 2003. The Company is required to apply FIN 46R to variable interests generally as of March 31, 2004 and to special-purpose entities as of December 31, 2003. For any VIEs that must be consolidated under FIN 46R that were created before January 1, 2004, the assets, liabilities and non-controlling interest of the VIE initially would be measured at their carrying amounts, and any difference between the net amount added to the balance sheet and any previously recognized interest would be recorded as a cumulative effect of an accounting change. If determining the carrying amounts is not practicable, fair value at the date FIN 46R first applies may be used to measure the assets, liabilities and non-controlling interest of the VIE. The Company had an interest in a special-purpose entity as of December 31, 2003. Upon adoption of FIN 46R as of December 31, 2003, the Company's interest in Sterling Bancorp Trust I (see Note 10) required the deconsolidation of this entity in the Company's consolidated financial statements.

Investment Securities

Securities are designated as available for sale or held to maturity at the time of acquisition. Securities that the Company will hold for indefinite periods of time and that might be sold in the future as part of efforts to manage interest rate risk or in response to changes in interest rates, changes in prepayment risk, changes in market conditions or changes in economic factors, are classified as available for sale and carried at estimated market values. Net aggregate unrealized gains or losses are included in a valuation allowance account and are reported, net of taxes, as a component of shareholders' equity. Securities that the Company has the positive intent and ability to hold to maturity are designated as held to maturity and are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts over the period to maturity. Gains and losses realized on sales of securities are determined on the specific identification method and are reported in noninterest income as net securities gains.

Securities pledged as collateral are reported separately in the consolidated balance sheets if the secured party has the right by contract or custom to sell or repledge the collateral. Securities are pledged by the Company to secure trust and public deposits, securities sold under agreements to repurchase, advances from the Federal Home Loan Bank of New York and for other purposes required or permitted by law.

A periodic review is conducted by management to determine if the decline in the fair value of any security appears to be other than temporary. Factors considered in determining whether the decline is other-than-temporary include, but are not limited to: the length of time and the extent to which fair value has been below cost; the financial condition and near-term prospects of the issuer; and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery. If the decline is

deemed to be other than temporary, the security is written down to a new cost basis and the resulting loss is reported in non-interest income.

Loans

Loans, other than those held for sale, are reported at their principal amount outstanding, net of unearned discounts and unamortized nonrefundable fees and direct costs associated with their origination or acquisition. Interest earned on loans without discounts is credited to income based on loan principal amounts outstanding at appropriate interest rates. Material origination fees net of direct costs and discounts on loans are credited to income over the terms of the loans using a method that results in an approximate level rate of return.

Mortgage loans held for sale, including deferred fees and costs, are reported at the lower of cost or market value as determined by outstanding commitments from investors or current investor yield requirements calculated on the aggregate loan basis and are included under the caption "Loans held for sale" in the Consolidated Balance Sheets. Net unrealized losses, if any, are recognized in a valuation allowance by a charge to income. Mortgage loans are sold, including servicing rights, without recourse. Gains or losses resulting from sales of mortgage loans, net of unamortized deferred fees and costs, are recognized when the proceeds are received from investors and are included under the caption "Mortgage banking income" in the Consolidated Statements of Income. In connection with its mortgage banking activities, the Company had commitments to fund loans held-for-sale and commitments to sell loans which are considered derivative instruments under SFAS No. 133, "Accounting for

Derivative Instruments and Hedging Activities." The fair values of these free-standing derivative instruments were immaterial at December 31, 2004 and 2003, respectively.

Nonaccrual loans are those on which the accrual of interest has ceased. Loans, including loans that are individually identified as being impaired under SFAS No. 114, 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. However, 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 only when interest and principal payments are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses, which is available for losses incurred in the loan portfolio, is increased by a provision charged to expense and decreased by charge-offs, net of recoveries.

Under the provisions of SFAS No. 114 and SFAS No. 118, individually identified impaired loans are measured based on the present value of payments expected to be received, using the historical effective loan rate as the discount rate. Alternatively, measurement may also be based on observable market prices; or, for loans that are solely dependent on the collateral for repayment, measurement may be based on the fair value of the collateral. Loans that are to be

foreclosed are measured based on the fair value of the collateral. If the recorded investment in the impaired loan exceeds fair value, a valuation allowance is required as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses.

The adequacy of the allowance for loan losses is reviewed regularly by management. The allowance for loan losses is maintained through the provision for loan losses, which is a charge to operating earnings. The adequacy of the provision and the resulting allowance for loan losses is determined by management's continuing review of the loan portfolio, including identification and review of individual problem situations that may affect the borrower's ability to repay, review of overall portfolio quality through an analysis of current charge-offs, delinquency and nonperforming loan data, estimates of the value of any underlying collateral, review of regulatory examinations, an assessment of current and expected economic conditions and changes in the size and character of the loan portfolio. The allowance reflects management's evaluation both of loans presenting identified loss potential and of the risk inherent in various components of the portfolio, including loans identified as impaired as required by SFAS No. 114. Thus, an increase in the size of the portfolio or in any of its components could necessitate an increase in the allowance even though there may not be a decline in credit quality or an increase in potential problem loans. A significant change in any of the evaluation factors described above could result in future additions to the allowance.

Goodwill

Goodwill reflected in the consolidated balance sheets arose from the Company's acquisition of the bank, under the purchase method of accounting in 1968. Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Under the provisions of SFAS No. 142, goodwill is deemed to have an indefinite useful life and the Company is required to complete an annual assessment by segment for any impairment of goodwill, which would be treated as an expense in the income statement. There was no impairment expense recorded in 2004, 2003 or 2002. Prior to the adoption of SFAS No. 142, the Company was not amortizing goodwill.

Goodwill is tested for impairment using a two-step approach that involves the identification of "reporting units" and the estimation of their respective fair values. An impairment loss is recognized as a charge to expense for any excess of the goodwill carrying amount over implied fair value.

Premises and Equipment

Premises and equipment, excluding land, are stated at cost less accumulated depreciation or amortization as applicable. Land is reported at cost. Depreciation is computed on a straight-line basis and is charged to noninterest expense over the estimated useful lives of the related assets. Amortization of leasehold improvements is charged to noninterest expense over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter. Maintenance, repairs and minor improvements are charged to noninterest expenses as incurred.

Bank Owned Life Insurance

The bank invested in Bank Owned Life Insurance ("BOLI") policies to fund certain future employee benefit costs. The cash surrender value of the BOLI policies is recorded in the Consolidated Balance Sheets under the caption "Bank owned life insurance." Changes in the cash surrender value are recorded in the Consolidated Statements of Income under the caption "Bank owned life insurance income."

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Deferred income tax expense (benefit) is determined by recognizing deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The realization of deferred tax assets is assessed and a valuation allowance provided for that portion of the assets for which it is more likely than not that it will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates and will be adjusted for the effects of future changes in tax laws or rates, if any.

For income tax purposes, the Company files: a consolidated Federal income tax return; combined New York City and New York State income tax returns; and separate state income tax returns for its out-of-state subsidiaries. The parent company, under tax sharing agreements, either pays or collects on account of current income taxes to or from its subsidiaries.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks.

Stock Incentive Plan

At December 31, 2004, the Company had a stock-based employee compensation plan, which is described more fully in Note 15. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. All options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant and, therefore, no option related stock-based employee compensation cost is reflected in net income. Stock-based employee compensation cost related to restricted stock is included in compensation expense as discussed more fully in Note 15. In accordance with SFAS No. 123, the following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to the stock-based employee compensation plans.

Years Ended December 31,	2004	2003[1]
Net income available for common shareholders	$24,604,073	$23,778,226
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(236,349)	(422,709
Pro forma net income	$24,367,724	$23,355,517
Earnings per share:		
Basic--as reported	$ 1.35	$ 1.33
Basic--pro forma	1.34	1.30
Diluted--as reported	1.29	1.26
Diluted--pro forma	1.27	1.23

[1] Restated; see "Basis of Presentation" above and Note 2.

Employee stock options generally expire ten years from the date of grant and become non-forfeitable one year from date of grant, although if necessary to qualify to the maximum extent possible as incentive stock options, these options become exercisable in annual installments. Director nonqualified stock options generally expire five years from the date of grant and become non-forfeitable and become exercisable in four annual installments starting one year from date of grant. In prior years, the stock-based compensation expense was calculated based on when the options become exercisable. The Company has determined that it is proper to calculate the stock-based compensation expense over the period from date of grant to the date on which the options become non-forfeitable. The stock-based compensation expense presented in the table above reflects this change; prior periods have been recalculated.

Earnings Per Average Common Share

Basic earnings per share are computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

NOTE 2.

RESTATEMENT OF FINANCIAL STATEMENTS

The consolidated financial statements for the years ended December 31, 2002 and 2003 have been restated to correct the accounting for employee benefits expense so as to comply with Accounting Principles Board Opinion No. 12, as amended by Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and FASB Technical Bulletin 85-4, Accounting for Purchases of Life Insurance, and, accordingly, these consolidated financial statements supersede the Company's previously issued audited consolidated financial statements for the years ended December 31, 2002 and 2003. The adjustment to the accounting for employee benefits expense involved (a) the expensing of premiums paid for split-dollar life insurance policies on the lives of certain executive officers of the Company, (b) the expensing of the Company's obligations to pay future premiums on split-dollar life insurance policies issued as part of a transaction in which an executive officer relinquishes his right to receive pension payments in exchange for the insurance policy, (c) the expensing of the Company's obligation to pay future post-retirement premiums on certain split-dollar life insurance policies and (d) the crediting of increases in the cash surrender values of these various policies. These changes comprise the restatement adjustments for employee benefits expense set forth below.

The Company also restated for certain other less significant items. Accordingly, the restated consolidated financial statements for the years ended December 31, 2002 and 2003 also correct the accounting for (i) other income and unrealized holding (losses) gains (and thus other comprehensive (loss) income) so as to comply with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities (changes to other income relate to the recognition of earnings on assets held in a trust established by the Company and changes to unrealized holding (losses) gains relate to the inclusion of unrealized holding (losses) gains on assets held in the trust), (ii) occupancy expense so as to comply with

SFAS No. 13, Accounting for Leases (changes required to properly straight-line rent incentives), (iii) income tax benefit arising from the exercise of nonqualified stock options and the vesting of restricted stock so as to comply with SFAS No. 109, Accounting for Income Taxes (changes relate to the amounts credited directly to capital surplus), and (iv) minimum pension liability adjustment (and thus other comprehensive (loss) income) so as to comply with SFAS No. 87, Employers' Accounting for Pensions (changes relate to the timing of adjustments).

The table below shows the impact of these restatements on the bank and the parent company for other income, employee benefits expense, occupancy expense, net income and basic and diluted earnings per share and on other comprehensive (loss) income:

Years ended December 31,	2003	2002
Other income:		
Other income as previously reported	$ 597,410	$ 511,7
Restatement adjustment (bank)	121,987	29,3
Other income as restated	$ 719,397	$ 541,1
Employee benefits expense:		
Employee benefits expense as previously reported	$ 8,031,099	$ 6,161,2
Restatement adjustment:		
Impact on bank	383,768	151,6
Impact on parent company	48,120	(146,1
Total	431,888	5,5
Employee benefits expense as restated	$ 8,462,987	$ 6,166,7
Occupancy expense, net:		
Occupancy expense, net as previously reported	$ 4,788,150	$ 4,920,3
Restatement adjustment (bank)	(67,419)	(50,4
Occupancy expense, net as restated	$ 4,720,731	$ 4,869,9
Net income:		
Net income as previously reported	$ 24,203,654	$ 21,777,7
Restatement adjustment:		
Impact on bank	(252,289)	(82,4
Impact on parent company	(48,120)	146,1
Total	(300,409)	63,7
Net income as restated	$ 23,903,245	$ 21,841,4

Years ended December 31, 2003 2002

Basic earnings per share:		
Net income attributable to commons stock as previously reported[1]	$ 1.34	$ 1.
Restatement adjustment	(.01)	
Net income attributable to common stock as restated	$ 1.33	$ 1.
Diluted earnings per share:		
Net income attributable to common stock as previously reported[1]	$ 1.27	$ 1.
Restatement adjustment	(.01)	.
Net income attributable to common stock as restated	$ 1.26	$ 1.
Other comprehensive (loss) income, net of tax:		
Other comprehensive (loss) income as previously reported	$ (2,307,021)	$ 211,0
Restatement adjustment:		
Unrealized holding (losses) gains arising during the year, net of tax effect of $196,584 and $11,746, respectively (bank)	231,703	13,8
Minimum pension liability adjustment, net of tax effect of $238,058 and $1,263,398, respectively (parent company)	280,585	1,489,1
Total	512,288	1,502,9
Other comprehensive (loss) income as restated	$ (1,794,733)	$ 1,713,9

[1] Restated to reflect the effect of the six-for-five stock split in the form of a stock dividend effected on December 8, 2004; see Note 1.

As part of the restatement of the consolidated financial statements for the year ended December 31, 2002, the cumulative effect on prior periods of the changes has been reflected by adjustments to the opening balances of other assets, accrued expenses and other liabilities, capital surplus, retained earnings and accumulated other comprehensive (loss) income as of January 1, 2002, which resulted in a $2,241,000 increase in other assets, a $5,013,000 increase in accrued expenses and other liabilities and a $747,000 increase in capital surplus, reduced retained earnings by $1,349,000 (net of tax benefit of $222,000), and reduced accumulated other comprehensive (loss) income by $2,170,000 (net of tax benefit of $1,841,000) to $(1,051,000). In addition, at December 31, 2002, other assets increased $1,215,000, accrued expenses and other liabilities increased $1,776,000, capital surplus increased $1,391,000, retained earnings decreased $1,285,000, and accumulated other comprehensive income decreased $667,000. At December 31, 2003, other assets increased $1,079,000, accrued expenses and other liabilities increased $1,002,000, capital surplus increased $1,817,000, retained earnings decreased $1,585,000, and accumulated other comprehensive (loss) increased $(155,000).

NOTE 3.

CASH AND DUE FROM BANKS

The bank is required to maintain average reserves, net of vault cash, on deposit with the Federal Reserve Bank of New York against outstanding domestic deposits and certain other liabilities. The required reserves, which are reported in cash and due from banks, were $21,580,000 and $22,830,000 at December 31, 2004 and 2003, respectively. Average required reserves during 2004 and 2003 were $23,855,000 and $20,247,000, respectively.

NOTE 4.

MONEY MARKET INVESTMENTS

The Company's money market investments include interest-bearing deposits with other banks and Federal funds sold. The following table presents information regarding money market investments.

Years Ended December 31,		2004	2003	2002
Interest-bearing deposits with other banks				
At December 31	--Balance	$ 1,329,103	$ 1,656,338	$ 2,872,710
	--Average interest rate	1.34%	1.00%	0.85%
	--Average original maturity	74 Days	72 Days	66 Days
During the year	--Maximum month-end balance	6,516,030	3,311,594	4,472,980
	--Daily average balance	3,120,000	3,473,000	3,494,000
	--Average interest rate earned	0.70%	0.73%	1.20%
	--Range of interest rates earned	0.35-2.15%	0.29-1.50%	0.55-2.10%
Federal funds sold				
At December 31	--Balance	$ --	$ --	$ 5,000,000
	--Average interest rate	--	--	1.1875%
	--Average original maturity	--	--	1 Day
During the year	--Maximum month-end balance	75,000,000	10,000,000	50,000,000
	--Daily average balance	10,943,000	5,759,000	16,704,000
	--Average interest rate earned	1.21%	1.12%	1.66%
	--Range of interest rates earned	0.875-1.8125%	0.875-1.375%	1.125-1.91%

NOTE 5.

INVESTMENT SECURITIES

The amortized cost and estimated fair value of securities available for sale are as follows:

December 31, 2004	Amortized Cost	Gross Unrealized Gains	Gross Unreali Losse
U.S. Treasury securities	$ 2,491,701	$ 190	$
Obligations of U.S. government corporations and agencies			
--mortgage-backed securities	125,010,951	1,136,167	696
--collateralized mortgage obligations	44,093,452	24,621	1,171
--other securities	24,995,051	--	259
Obligations of state and political institutions	26,588,493	882,414	
Trust preferred securities	2,735,973	287,073	
Federal Reserve Bank and other equity securities	7,623,242	20,178	
Total	$233,538,863	$ 2,350,643	$ 2,127

December 31, 2003			
U.S. Treasury securities	$ 2,496,316	$ 25	$
Obligations of U.S. government corporations and agencies			
--mortgage-backed securities	219,875,124	2,807,751	521
--collateralized mortgage obligations	38,725,153	51	831
Obligations of state and political institutions	30,885,649	1,930,582	
Trust preferred securities	3,221,443	432,625	
Other debt securities	4,001,000	--	
Federal Reserve Bank and other equity securities	9,685,142	21,011	
Total	$308,889,827	$ 5,192,045	$ 1,354

The carrying value and estimated fair value of securities held to maturity are as follows:

December 31, 2004	Carrying Value	Gross Unrealized Gains	Gross Unreali Losse
Obligations of U.S. government corporations and agencies			
--mortgage-backed securities	$344,005,204	$ 4,209,706	$ 1,450
--collateralized mortgage obligations	61,190,692	138,988	968
--other securities	40,011,667	--	213
Debt securities issued by foreign governments	1,250,000	--	
Total	$446,457,563	$ 4,348,694	$ 2,632

December 31, 2003			
Obligations of U.S. government corporations and agencies			
--mortgage-backed securities	$291,159,791	$ 6,054,814	$ 499
--collateralized mortgage obligations	77,980,728	66,885	1,035
Debt securities issued by foreign governments	1,250,000	--	
Total	$370,390,519	$ 6,121,699	$ 1,534

The following table presents information regarding securities available for sale with temporary unrealized losses for the periods indicated at December 31, 2004:

	Less Than 12 Months		12 Months or Longer	
	Fair	Unrealized	Fair	Unrealiz

	Value	Losses	Value	Losses
U.S. Treasury securities	$ 995,312	$ 329	$ --	$
Obligations of U.S. government corporations and agencies				
--mortgage-backed securities	60,972,736	546,124	8,917,870	150,
--collateralized mortgage obligations	21,665,399	593,866	17,182,012	577,
--other securities	24,735,938	259,113	--	
Total	$108,369,385	$ 1,399,432	$26,099,882	$ 727,

The following table presents information regarding securities held to maturity with temporary unrealized losses for the periods indicated at December 31, 2004:

	Less Than 12 Months		12 Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealiz Losses
Obligations of U.S. government corporations and agencies				
--mortgage-backed securities	$126,342,655	$ 1,449,983	$ 19,433	$
--collateralized mortgage obligations	23,923,422	344,707	26,237,313	624,
--other securities	39,798,438	213,229	--	
Total	$190,064,515	$ 2,007,919	$26,256,746	$ 624,

The Company invests principally in U.S. Treasury, U.S. government corporation and agency obligations and A-rated or better investments. The fair value of these investments fluctuates based on several factors, including credit quality and general interest rate changes. The Company has made an evaluation that it has the ability to hold its investments until maturity and therefore, realize the full carrying value of its investment.

The following tables present information regarding securities available for sale and securities held to maturity at December 31, 2004, 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. The average yield is based on the ratio of actual income divided by the average outstanding balances during the year. The average yield on obligations of state and political subdivisions and Federal Reserve Bank securities is stated on a tax-equivalent basis.

Securities available for sale	Amortized Cost	Estimated Fair Value	Average Yield
U.S. Treasury securities			
Due within 1 year	$ 2,491,701	$ 2,491,562	1.31%

Obligations of U.S. government corporations and agencies --mortgage-backed securities	125,010,951	125,450,695	4.80
Obligations of U.S. government corporations and agencies --collateralized mortgage obligations	44,093,452	42,946,603	4.17
Obligations of U.S. government corporations and agencies --other securities			
Due after 1 year but within 5 years	24,995,051	24,735,938	2.73
Obligations of state and political subdivisions			
Due within 1 year	6,332,123	6,405,564	7.34
Due after 1 year but within 5 years	18,810,915	19,522,389	7.07
Due after 5 years	1,445,455	1,542,954	7.34
Total	26,588,493	27,470,907	7.14
Trust preferred securities			
Due after 5 years	2,735,973	3,023,046	8.39
Federal Reserve Bank and other securities	7,623,242	7,643,420	2.55
Total	$233,538,863	$233,762,171	4.69%

Securities held to maturity	Carrying Value	Estimated Fair Value	Average Yield
Obligations of U.S. government corporations and agencies --mortgage-backed securities	$344,005,204	$346,764,233	4.90%
Obligations of U.S. government corporations and agencies --collateralized mortgage obligations	61,190,692	60,360,779	4.31
Obligations of U.S. government corporations and agencies --other securities			
Due within 1 year	5,000,000	4,975,000	2.25
Due after 1 year but within 5 years	35,011,667	34,823,438	2.93
Total	40,011,667	39,798,438	2.85
Debt securities issued by foreign governments			
Due after 1 year but within 5 years	1,250,000	1,250,000	6.86
Total	$446,457,563	$448,173,450	4.79%

Information regarding securities sales from the available for sale portfolio is as follows:

Years Ended December 31,	2004	2003	2002

Proceeds	$94,314,558	$24,208,035	$44,653,909
Gross gains	1,256,370	550,505	996,041

Investment securities are pledged to secure trust and public deposits, securities sold under agreements to repurchase, advances from the Federal Home Loan Bank of New York and for other purposes required or permitted by law.

NOTE 6.

LOANS

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

December 31,	2004	2003
Loans held for sale		
Real estate--mortgage	$ 37,058,673	$ 40,556,380
Loans held in portfolio		
Commercial and industrial	$ 595,689,717	$564,378,943
Lease financing	185,861,868	168,555,202
Real estate--mortgage	226,262,013	161,357,698
Real estate--construction	2,319,808	2,367,574
Installment	15,516,290	14,304,822
Loans to depository institutions	20,000,000	10,000,000
Loans, gross	1,045,649,696	920,964,239
Less unearned discounts	23,363,217	20,408,024
Loans, net of unearned discounts	$1,022,286,479	$900,556,215

There are no industry concentrations (exceeding 10% of loans, gross) in the commercial and industrial loan portfolio. Approximately 64% of loans are to borrowers located in the metropolitan New York area.

Nonaccrual loans at December 31, 2004 and 2003 totaled $3,115,000 and $3,343,000, respectively. There were no reduced rate loans at December 31, 2004 or 2003. The interest income that would have been earned on nonaccrual loans outstanding at December 31, 2004, 2003 and 2002 in accordance with their original terms is estimated to be $233,000, $196,000 and $136,000, respectively, for the years then ended. Applicable interest income actually realized was $133,000, $141,000 and $83,000, respectively, for the aforementioned years, and there were no commitments to lend additional funds on nonaccrual loans.

Loans are made at normal lending limits and credit terms to officers or directors (including their immediate families) of the Company or for the benefit of corporations in which they have a beneficial interest. There were no outstanding balances on such loans in excess of $60,000 to any individual or entity at December 31, 2004 or 2003.

NOTE 7.

ALLOWANCE FOR LOAN LOSSES

Years Ended December 31,	2004	2003	2002
Balance at beginning of year	$ 14,458,951	$ 13,549,297	$ 14,038,322
Provision for loan losses	9,965,000	8,740,400	10,770,900
	24,423,951	22,289,697	24,809,222
Less charge-offs, net of recoveries:			
Charge-offs	8,579,538	8,310,703	12,048,352
Recoveries	(1,003,883)	(637,556)	(1,024,809)
Net charge-offs	7,575,655	7,673,147	11,023,543
Less losses on loans transferred to held for sale	519,768	157,599	236,382
Balance at end of year	$ 16,328,528	$ 14,458,951	$ 13,549,297

The Company follows SFAS No. 114 which establishes rules for calculating certain components of the allowance for loan losses. As of December 31, 2004, 2003 and 2002, $1,319,000, $2,022,000 and $500,000, respectively, of loans were judged to be impaired within the scope of SFAS No. 114 and carried on a cash-basis. The average recorded investment in impaired loans during the years ended December 31, 2004, 2003 and 2002, was approximately $1,295,000, $970,000 and $332,000, respectively. The application of SFAS No. 114 indicated that these loans required valuation allowances totaling $340,000, $890,000 and $230,000 at December 31, 2004, 2003 and 2002, respectively, which are included within the overall allowance for loan losses. The interest income that would have been earned on impaired loans outstanding at December 31, 2004, 2003 and 2002 in accordance with their original

terms is estimated to be $65,000, $108,000 and $71,000, respectively, for the years then ended. Applicable interest income actually realized was $59,000, $91,000 and $60,000, respectively, for the aforementioned years, and there were no commitments to lend additional funds on impaired loans.

NOTE 8.

INTEREST-BEARING DEPOSITS

The following table presents certain information for interest expense on deposits:

Years Ended December 31,	2004	2003	
Interest expense			
Interest-bearing deposits in domestic offices			
Savings	$ 119,601	$ 97,501	$ 1
NOW	622,279	585,954	8

Money Market	1,280,313	791,810	1,3
Time			
Three months or less	3,637,361	3,697,126	5,9
More than three months through twelve months	3,232,313	2,232,482	2,0
More than twelve months through twenty-three months	1,808,934	921,720	1,0
More than twenty-four months through thirty-five months	120,936	192,537	1
More than thirty-six months through forty-seven months	37,368	47,505	
More than forty-eight months through sixty months	274,683	277,596	8
More than sixty months	6,580	1,559	
	11,140,368	8,845,790	12,4
Interest-bearing deposits in foreign offices			
Time			
Three months or less	16,315	20,048	
More than three months through twelve months	16,334	21,252	
Total	$11,173,017	$ 8,887,090	$12,4

Foreign deposits totaled $3,007,000 and $3,000,000 at December 31, 2004 and 2003, respectively.

The aggregate of time certificates of deposit and other time deposits in denominations of $100,000 or more was $298,331,288 at December 31, 2004.

The aggregate of time certificates of deposit and other time deposits by remaining maturity range is presented below:

December 31,	2004	2003	2002
Domestic			
Three months or less	$163,407,607	$168,686,490	$201,10
More than three months through six months	81,769,015	55,924,655	33,20
More than six months through twelve months	80,428,856	92,641,396	53,95
More than twelve months through twenty-three months	137,074,627	70,478,871	48,70
More than twenty-four months through thirty-five months	7,755,291	2,726,759	12,00
More than thirty-six months through forty-seven months	1,448,990	2,020,961	80
More than forty-eight months through sixty months	335,723	748,329	5,33
More than sixty months	50,000	7,649	8
	472,270,109	393,235,110	355,20
Foreign			
Three months or less	1,645,000	1,645,000	1,82
More than three months through six months	1,362,063	1,355,000	1,18
	3,007,063	3,000,000	3,00
Total	$475,277,172	$396,235,110	$358,20

Interest expense related to the aggregate of time certificates of deposit and other time deposits is presented below:

Years Ended December 31,	2004	2003	2002
Interest expense			
Domestic	$9,118,175	$7,370,525	$10,052,768
Foreign	32,649	41,300	58,196
Total	$9,150,824	$7,411,825	$10,110,964

NOTE 9.

SHORT-TERM BORROWINGS

The following table presents information regarding Federal funds purchased, securities sold under agreements to repurchase--customers and dealers, and commercial paper:

Years Ended December 31,		2004	2003	
Federal funds purchased				
At December 31	--Balance	$ 32,500,000	$ 10,000,000	$
	--Average interest rate	2.31%	1.00%	
	--Average original maturity	1 Day	1 Day	
During the year	--Maximum month-end balance	35,000,000	25,000,000	30,
	--Daily average balance	9,946,000	5,463,000	2,
	--Average interest rate paid	1.47%	1.20%	
	--Range of interest rates paid	0.9375-2.50%	1.00-1.50%	1.25
Securities sold under agreements to repurchase--customers				
At December 31	--Balance	$ 55,934,170	$ 42,490,862	$ 60,
	--Average interest rate	1.29%	1.06%	
	--Average original maturity	22 Days	43 Days	
During the year	--Maximum month-end balance	103,595,822	82,006,437	64,
	--Daily average balance	84,559,000	71,648,000	63,
	--Average interest rate paid	1.21%	1.22%	
	--Range of interest rates paid	1.00-2.40%	0.95-1.25%	1.
Securities sold under agreements to repurchase--dealers				
At December 31	--Balance	$ 33,882,000	$ 51,327,944	$ 40,
	--Average interest rate	2.45%	1.16%	
	--Average original maturity	23 Days	26 Days	
During the year	--Maximum month-end balance	68,252,000	78,274,000	40,
	--Daily average balance	29,601,000	46,219,000	6,
	--Average interest rate paid	1.35%	1.22%	
	--Range of interest rates paid	1.08-2.45%	1.00-1.36%	1.
Commercial paper				
At December 31	--Balance	$ 25,991,038	$ 28,799,055	$ 29,
	--Average interest rate	1.37%	1.00%	
	--Average original maturity	63 Days	49 Days	
During the year	--Maximum month-end balance	36,200,700	28,799,055	40,
	--Daily average balance	30,069,000	23,819,000	31,
	--Average interest rate paid	1.21%	1.11%	
	--Range of interest rates paid	0.95-1.60%	0.65-2.25%	0.

The parent company has agreements with its line banks for back-up lines of credit for which it pays a fee at the annual rate of 1/4 of 1% times the line of credit extended. At December 31, 2004, these back-up bank lines of credit totaled $24,000,000; no lines were used at any time during 2004, 2003 or 2002.

Other short-term borrowings include advances from the Federal Home Loan Bank of New York due within one year and treasury tax and loan funds.

At December 31, 2004, there were no borrowings from the Federal Home Loan Bank. At December 31, 2003, Federal Home Loan Bank borrowings included an advance of $20,000,000 payable on January 2, 2004 at a rate of 1.04%, an advance of $20,000,000 payable on January 30, 2004 at a rate of 1.47%, an advance of $10,000,000 payable on May 3, 2004 at a rate of 1.33% and an advance of $5,000,000 payable on August 13, 2004 at a rate of 3.62%.

NOTE 10.

LONG-TERM BORROWINGS

These borrowings represent advances from the Federal Home Loan Bank of New York ("FHLB") and junior subordinated debt securities issued by the parent company.

The following table presents information regarding fixed rate FHLB advances:

Advance Type	Interest Rate	Maturity Date	Initial Call Date	December 31, 2004	December 31, 2003
Callable	5.13%	2/20/08	2/20/01	$ 10,000,000	$ 10,000,000
Callable	4.26	2/14/11	8/13/01	10,000,000	10,000,000
Callable	4.36	2/14/11	2/13/02	10,000,000	10,000,000
Callable	4.70	2/22/11	2/20/03	10,000,000	10,000,000
Callable	3.17	10/24/11	10/22/03	10,000,000	10,000,000
Callable	2.52	11/14/11	11/14/03	10,000,000	10,000,000
Callable	3.66	10/24/11	10/22/04	10,000,000	10,000,000
Callable	3.62	10/17/11	10/15/04	10,000,000	10,000,000
Callable	4.28	10/17/11	10/15/06	10,000,000	10,000,000
Callable	3.33	1/17/12	1/16/04	10,000,000	10,000,000
Callable	2.42	1/17/12	1/16/03	10,000,000	10,000,000
Total				$110,000,000	$110,000,000
Weighted-average interest rate				3.77%	3.77%

Under the terms of a collateral agreement with the FHLB, advances are secured by stock in the FHLB and by certain qualifying assets (primarily mortgage-backed securities) having market values at least equal to 110% of the advances outstanding. After the initial call date, each callable advance is callable by the FHLB quarterly from the initial call date, at par.

In February 2002, the Company completed its issuance of trust capital securities ("capital securities") that raised $25,000,000 ($24,062,500 net proceeds after issuance costs). The 8.375 percent capital securities, due March 31, 2032, were

issued by Sterling Bancorp Trust I ("Trust"), a wholly-owned non-consolidated statutory business trust. The Trust was formed with initial capitalization of common stock and for the exclusive purpose of issuing the capital securities. The Trust used the proceeds from the issuance of the capital securities to acquire $25,774,000 junior subordinated debt securities that pay interest at 8.375 percent ("debt securities") issued by the parent company. The debt securities are due concurrently with the capital securities which may not be redeemed, except under limited circumstances until March 31, 2007, and thereafter at a price equal to their principal amount plus interest accrued to the date of redemption. The Company may also reduce outstanding capital securities through open market purchases. Dividends and interest are paid quarterly.

The Company has the right to defer payments of interest on the debt securities at any time or from time to time for a period of up to 20 consecutive quarterly periods with respect to each deferral period. Under the terms of the debt securities, in the event that under certain circumstances there is an event of default under the debt securities or the Company has elected to defer interest on the debt securities, the Company may not, with certain exceptions, declare or pay any dividends or distributions on its capital stock or purchase or acquire any of its capital stock.

Payments of distribution on the capital securities and payments on redemption of the capital securities are guaranteed by the Company on a limited basis. The Company also entered into an agreement as to expenses and liabilities pursuant to which it agreed, on a subordinated basis, to pay any costs, expenses or liabilities of the Trust other than those arising under the capital securities. The obligations of the Company under the debt securities, the related indenture, the trust agreement establishing the Trust, the guarantee and the agreement as to expenses and liabilities, in the aggregate, constitute a full and unconditional guarantee by the Company of the Trust's obligations under the capital securities.

Despite the fact that the accounts of the Trust are not included in the Company's consolidated financial statements, the $25 million in capital securities issued by the Trust are included in the Tier 1 capital of Sterling for regulatory capital purposes as allowed by the Federal Reserve Board. In March 2005, the Federal Reserve Board adopted a rule that would continue to allow the inclusion of capital securities issued by unconsolidated subsidiary trusts in Tier 1 capital, but with stricter quantitative limits. Under the final rule, after a five-year transition period, the aggregate amount of capital securities and certain other capital elements would be limited to 25% of Tier 1 capital, net of goodwill less any associated deferred tax liability. Based on the final rule, the Company expects to include all of its $25 million in capital securities in Tier 1 capital.

NOTE 11.

PREFERRED STOCK

The parent company is authorized to issue up to 644,389 shares of convertible preferred stock, $5 par value, in one or more series. The following table presents information regarding the parent company's preferred stock:

December 31,	2004	2003

Series D shares. Authorized 300,000 shares; issued and outstanding-- 224,432 shares at liquidation value	$ --	$2,244,320

Series D shares may only be issued to the trustee acting on behalf of an Employee Stock Ownership Plan ("ESOP") or other employee benefit plan of the Company. Each Series D share was convertible as of December 31, 2003 into 1.9084 common shares of the parent company. During 1993, the parent company issued 250,000 shares to the trustee of the Company's ESOP. These shares are entitled to receive cash dividends in the amount of $.6125 per annum (subject to adjustment), payable quarterly. Participants in the Company's ESOP are entitled to vote in accordance with the terms of the ESOP and vote together as one class with the holders of the common shares. The holders of these shares are entitled to receive $10 per share and certain other preferences on liquidation, dissolution or winding up. During 2004, 224,432 shares were converted into common shares. See Note 16 on page 51 for a discussion of the Company's ESOP.

NOTE 12.

COMMON STOCK

December 31,	2004
Number of shares reserved for issuance upon conversion of Series D preferred shares	--
Number of shares outstanding	18,237,525
Number of shareholders	1,664

NOTE 13.

OTHER COMPREHENSIVE INCOME

The following table presents the components of accumulated other comprehensive (loss) income as of December 31, 2004 and 2003 included in shareholders' equity:

	Pre-tax Amount	Tax Effect	After-tax Amount
December 31, 2004			
Net unrealized gain on securities	$ 1,497,029	$ (640,874)	$ 856,155
Minimum pension liability	(5,133,485)	2,356,270	(2,777,215)
Total	$(3,636,456)	$ 1,715,396	$(1,921,060)
December 31, 2003[1]			
Net unrealized gain on securities	$ 4,392,396	$(1,969,847)	$ 2,422,549
Minimum pension liability	(6,569,967)	3,015,615	(3,554,352)
Total	$(2,177,571)	$ 1,045,768	$(1,131,803)

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[1] Restated; see Note 2.

NOTE 14.

RESTRICTIONS ON THE BANK

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 in any year without the approval of the Comptroller of the Currency to an amount not to exceed the net profits (as defined) for that year to date combined with its retained net profits for the preceding two calendar years. In addition, from time to time dividends are paid to the parent company by the finance subsidiaries from their retained earnings without regulatory restrictions.

NOTE 15.

STOCK INCENTIVE PLAN

In April 1992, shareholders approved a Stock Incentive Plan ("the plan") covering up to 100,000 common shares of the parent company. Under the plan, key employees of the parent company and its subsidiaries could be granted awards in the form of incentive stock options ("ISOs"), non-qualified stock options ("NQSOs"), stock appreciation rights ("SARs"), restricted stock or a combination of these. The plan is administered by a committee of the Board of Directors. Since the inception of the plan, shareholders have approved amendments increasing the number of shares covered under the plan; the total number of shares authorized by shareholders through December 31, 2004 was 2,650,000. The plan provides for proportional adjustment to the number of shares covered by the plan and by outstanding awards, and in the exercise price of outstanding stock options, to reflect, among other things, stock splits and stock dividends. After giving effect to stock option and restricted stock awards granted and the effect of the six-for-five stock split in the form of a stock dividend effected December 8, 2004, the five-for-four stock split in the form of a stock dividend effected September 10, 2003, the 20% stock dividend paid in December 2002, the 10% stock dividends paid in December 2001 and December 2000, and the 5% stock dividend paid in December 1999, shares available for grant were 610,931, 669,971 and 711,299 at December 31, 2004, 2003 and 2002, respectively.

Stock Options

The following tables present information on the qualified and non-qualified stock options outstanding (after the effect of the six-for-five stock split effected December 8, 2004, the five-for-four stock split effected September 10, 2003, the 20% stock dividend paid in December 2002, the 10% stock dividends paid in December 2001 and December 2000 and the 5% stock dividend paid in December 1999) as of December 31, 2004, 2003 and 2002 and changes during the years then ended:

	2004		2003	
Qualified Stock Options	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Avera Exercise Pric

Outstanding at beginning of year	816,972	$ 10.38	951,718	$ 10.38
Granted	--	--	--	--
Exercised	(101,917)	9.12	(134,746)	10.38
Forfeited	--	--	--	--
Outstanding at end of year	715,055	10.56	816,972	10.38
Options exercisable at end of year	348,901		344,882	
Weighted-average fair value of options granted during the year	$ --		$ --	

	2004		2003	
Non-Qualified Stock Options	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Avera Exercise Pric
Outstanding at beginning of year	1,326,463	$ 10.99	1,316,174	$ 10.62
Granted	70,848	22.75	61,991	19.13
Exercised	(98,957)	8.18	(51,702)	11.23
Forfeited	--	--	--	--
Outstanding at end of year	1,298,354	11.85	1,326,463	10.99
Options exercisable at end of year	1,111,649		1,096,993	
Weighted-average fair value of options granted during the year	$ 4.36		$ 3.13	

The following table presents information regarding qualified and non-qualified stock options outstanding at December 31, 2004:

	Options Outstanding			
	Range of Exercise Prices	Number Outstanding at 12/31/04	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
Qualified	$6.78-15.31	715,055	5.04 years	$ 10.56
Non-Qualified	6.78-23.02	1,298,354	3.70 years	11.85

Director NQSOs expire five years from the date of the grant and become exercisable in four annual installments, starting one year from the date of the grant, or upon the earlier death or disability of the grantee. Employee stock options generally expire ten years from the date of the grant and vest one year from the date of grant, although, if necessary to qualify to the maximum extent possible as ISOs, these options become exercisable in annual installments. Employee stock options which become exercisable over a period of more than one year are generally subject to earlier exercisability upon the termination of the grantee's employment for any reason more than one year following grant. Amounts received upon exercise of options are recorded as common stock and capital

surplus. The tax benefit received by the Company upon exercise of a NQSO is credited to capital surplus.

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The Company follows the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." The statement encourages, but does not require, companies to use a fair value-based method of accounting for stock-based employee compensation plans, including stock options and stock appreciation rights. Under this method, compensation expense is measured as of the date the awards are granted based on the estimated fair value of the awards, and the expense is generally recognized over the vesting period. If a company elects to continue using the intrinsic value-based method under APB Opinion No. 25, pro forma disclosures of net income and net income per share are required as if the fair value-based method had been applied. Under the intrinsic method, compensation expense is the excess, if any, of the market price of the stock as of the grant date over the amount employees must pay to acquire the stock or over the price established for determining appreciation. Under the Company's current compensation policies, there is no such excess on the date of grant and therefore, no compensation expense is recorded.

The fair value of each option grant is estimated on the date of grant using a Black-Scholes option-pricing model with the following assumptions:

Years Ended December 31,	2004	2003	2002
Dividend yield	2.86%	2.53%	2.95%
Volatility	25%	25%	25%
Expected term			
Qualified	N/A	N/A	4 years
Non-Qualified (Directors)	4 years	4 years	4 years
Non-Qualified (Officers)	N/A	N/A	8 years
Risk-free interest rate	3.92%	2.79%	4.66%

The Company has elected to continue to apply APB Opinion No. 25 and related interpretations in accounting for its stock incentive plan. Accordingly, no compensation expense related to options granted pursuant to the plan has been recognized in the consolidated statements of income. Had compensation expense been determined based on the estimated fair value of the awards at the grant dates, the Company's net income and earnings per share would have been reduced to the pro forma amounts as shown in Note 1 beginning on page 34.

The provisions of SFAS No. 123(R), which are effective for the first interim period beginning after June 15, 2005, are discussed in Note 1 beginning on page 34.

Restricted Stock

On February 11, 2000, 92,500 shares of restricted stock were awarded from Treasury shares. The fair value was $15.8125 per share. These awards vest to recipients over a four-year period at the rate of 25% per year; the initial awards vested on February 11, 2000.

On February 6, 2002, 60,000 shares of restricted stock were awarded from Treasury shares. The fair value was $27.56 per share. These awards vest to recipients over a four-year period at the rate of 25% per year.

The plan calls for the forfeiture of non-vested shares which are restored to the Treasury and become available for future awards. During 2004, 2003 and 2002, there were no shares forfeited. Unearned compensation resulting from these

awards is amortized as a charge to compensation expense over a four-year period; such charges were $603,764, $742,680 and $714,032 in 2004, 2003 and 2002, respectively. The balance of unearned compensation is shown as a reduction of shareholders' equity. For income tax purposes, the Company is entitled to a deduction in an amount equal to the average market value of the shares on vesting date and dividends paid on shares for which restrictions have not lapsed.

NOTE 16.

EMPLOYEE STOCK OWNERSHIP PLAN

On March 5, 1993, the Company established an Employee Stock Ownership Plan ("ESOP"). This plan covers substantially all employees with one or more years of service of at least 1,000 hours who are at least 21 years of age. During 1993, the parent company issued 250,000 shares of Series D preferred stock at a price of $10.00 per share to the Company's ESOP trust. The trust borrowed $2,500,000 from the bank to pay for the shares. The ESOP loan is at a fixed interest rate for a term of ten years with quarterly payments of interest. Quarterly principal payments at an annual rate of $250,000 and $350,000 commenced on March 31, 1996 and March 31, 1999, respectively. The bank match-funded the ESOP loan with collateralized advances from the Federal Home Loan Bank of New York. The ESOP shares, pledged as collateral for the ESOP loan, are held in a suspense account and released for allocation among the participants as principal and interest on the ESOP loan is repaid. Under the terms of the ESOP, participants may vote both allocated and unallocated shares.

The Company makes quarterly contributions to the ESOP equal to the debt service on the ESOP loan less dividends paid on the ESOP shares. All dividends paid are used for debt service. ESOP shares released from the suspense account are allocated among the participants on the basis of salary in the year of allocation. The Company accounts for its ESOP in accordance with Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." Accordingly, the Company initially recorded a deduction from shareholders' equity equal to the purchase price of the shares reflecting such amount as unearned compensation. The consolidated balance sheets report as unearned compensation the remaining shares pledged as collateral. The unearned compensation is reduced as payments are made on the loan and, as shares are released from the suspense account, the Company recognizes compensation expense equal to the current market price of the common shares into which the preferred shares are convertible, and the shares become outstanding for earnings per share computations. Dividends on unallocated ESOP shares are recorded as a reduction of accrued interest payable; dividends on allocated ESOP shares are recorded as a reduction of retained earnings.

Compensation expense was $0, $236,270 and $253,440 for 2004, 2003 and 2002, respectively, with a corresponding reduction in unearned compensation. As of December 31, 2004, 250,000 shares had been allocated; there were no unreleased shares ("unallocated"). The ESOP was terminated effective February 19, 2004. The following table presents interest paid on the ESOP loan and dividends paid on the Series D preferred shares:

Years Ended December 31,	2004	2003	2002
Interest paid	$ --	$ 16,224	$ 42,984
Dividends paid	--	139,491	142,695
Contributions	--	366,224	392,984

NOTE 17.

EMPLOYEE BENEFIT PLAN

The Company has a noncontributory defined benefit pension plan that covers the majority of employees with one or more years of service of at least 1,000 hours who are at least 21 years of age. The benefits are based upon years of credited service, primary social security benefits and a participant's highest average compensation as defined. The funding requirements for the plan are determined annually based upon the amount needed to satisfy the Employee Retirement Income Security Act of 1974 funding standards. The Company also has a supplemental non-qualified, non-funded retirement plan which is designed to supplement the pension plan for key officers.

The following tables set forth the disclosures required for pension benefits:

At or For the Years Ended December 31,	2004	2
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year (PBO)	$ 33,745,854	$ 27,
Service cost	1,562,914	1,
Interest cost	1,986,363	2,
Amendments	--	
Actuarial loss	2,261,865	4,
Settlement	(3,000,000)	
Benefits paid	(793,539)	(1,
Benefit obligation at end of year	$ 35,763,457	$ 33,
CHANGE IN PLAN ASSETS		
Fair value of assets at beginning of year	$ 19,641,142	$ 16,
Actual return on plan assets	943,287	1,
Employer contributions	1,322,088	2,
Benefits paid	(793,539)	(1,
Fair value of assets at end of year	$ 21,112,978	$ 19,
Funded status	$(14,650,479)	$(14,
Unrecognized prior service cost	570,434	
Unrecognized net actuarial loss	12,657,923	12,
Net amount recognized	$ (1,422,122)	$ (1,
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF:		
Prepaid benefit cost	$ 4,579,413	$ 4,
Accrued benefit liability	(11,135,020)	(12,
Accumulated other comprehensive loss (pre-tax)	5,133,485	6,
Net amount recognized	$ (1,422,122)	$ (1,

[1] Restated; see Note 2.

	Discount Rate	
	2004	2003
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE THE BENEFIT OBLIGATION:		
Defined benefit pension plan	6.00%	6.25%
Supplemental retirement plan	6.00	6.25

Years Ended December 31,	2004	2003
COMPONENTS OF NET PERIODIC COST		
Service cost	$ 1,562,914	$ 1,304,504
Interest cost	1,986,363	2,038,372
Expected return on plan assets	(1,678,674)	(1,577,285)
Amortization of prior service cost	77,322	77,323
Recognized actuarial loss	873,768	910,874
Net periodic benefit cost	2,821,693	2,753,788
Additional settlement gain recognized pursuant to SFAS No. 88	(1,331,190)	--
Total	$ 1,490,503	$ 2,753,788

	Discount Rate		Expected on Plan
	2004	2003	2004
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE NET PERIODIC COST:			
Defined benefit pension plan	6.25%	6.75%	8.50%
Supplemental retirement plan	6.25	6.75	N/A

To determine the expected return on plan assets, we consider historical return information on plan assets, the mix of investments that comprise plan assets and the actual income derived from plan assets.

The accumulated benefit obligation for the defined benefit pension plan at December 31, 2004 and 2003 was $20,932,819 and $18,099,716, respectively.

The tables presented on the previous page and above include the supplemental retirement plan which is an unfunded plan. The following information is presented regarding the supplemental retirement plan:

December 31,	2004	2003

Projected benefit obligation	$11,891,590	$12,924,800
Accumulated benefit obligation	11,353,404	12,365,096

The following table sets forth information regarding the assets of the defined benefit pension plan:

December 31,	2004	2003
U.S. government corporation and agency debt obligation	25%	30%
Corporate debt obligation	19	23
Common equity securities	53	40
Other	3	7
Total	100%	100%

The defined benefit pension plan owns common stock of Sterling Bancorp which is included in common equity securities above. At December 31, 2004, the value of Sterling Bancorp common stock was $1,858,669 and represented approximately 9% of plan assets. At December 31, 2003, the value of Sterling Bancorp common stock was $1,562,598 and represented 8% of plan assets.

The overall strategy of the Pension Plan Investment Policy is to have a diverse portfolio that reasonably spans established risk/return levels and preserves liquidity. The strategy allows for a moderate risk approach in order to achieve greater long-term asset growth. The asset mix can vary but is targeted at 50% equity securities, inclusive of up to 10% in Sterling Bancorp common stock, 25% in corporate obligations and 25% in federal and agency obligations. The money market position will vary but will generally be held under 5%. The Plan's allocation to common stock, excluding shares of Sterling Bancorp, will represent investment in those companies from time to time comprising the growth and value Model Portfolio as advised by the trustee's investment advisor.

The Company expects to contribute approximately $3,000,000 to the defined benefit pension plan in 2005.

The following table presents benefit payments expected to be paid, which include the effect of expected future service for the years indicated.

Year(s)	Defined Benefit Plan	Supplemental Retirement Plan	Total Benefit Payments
2005	$ 776,988	$8,878,017	$ 9,655,005
2006	882,317	334,937	1,217,254
2007	1,011,123	234,419	1,245,542
2008	1,105,654	1,057,680	2,163,334
2009	1,231,151	1,089,547	2,320,698
Years 2010-2014	8,645,238	1,577,399	10,222,637

The cash flows shown above are based on the assumptions used in the annual actuarial valuations of the Defined Benefit Plan. The Supplemental Retirement Plan column is computed assuming that any executive who has reached the age upon which full retirement is assumed for actuarial purposes, actually retires in the current year. However, if such an executive does not actually retire in the current year, the obligation will be deferred until a later year. We are not aware of any senior executives who have near-term plans to retire.

The Company currently provides life insurance benefits to certain officers. The coverage provided depends upon years of service with the Company and the employee's date of retirement. The Company's plan for its postretirement benefit obligation is unfunded. The Company's postretirement obligations are not material. Net postretirement benefit cost was $90,000, $80,000 and $64,000 for 2004, 2003 and 2002, respectively.

NOTE 18.

INCOME TAXES

The current and deferred tax provisions (benefits) for each of the last three fiscal years are as follows:

Years Ended December 31,	2004	2003[1]	2002[1]
FEDERAL			
Current	$ 13,469,896	$ 12,302,412	$ 10,838,138
Deferred	(509,086)	(361,058)	(248,462)
Total	$ 12,960,810	$ 11,941,354	$ 10,589,676
STATE AND LOCAL			
Current	$ 11,547	$ 2,835,829	$ 1,982,779
Deferred	(220,822)	(25,817)	(262,078)
Total	$ (209,275)	$ 2,810,012	$ 1,720,701
TOTAL			
Current	$ 13,481,443	$ 15,138,241	$ 12,820,917
Deferred	(729,908)	(386,875)	(510,540)
Total	$ 12,751,535	$ 14,751,366	$ 12,310,377

[1] Restated; see Note 2.

Reconciliations of income tax provisions with taxes computed at Federal statutory rates are as follows:

Years Ended December 31,	2004	2003[1]
Federal statutory rate	35%	35%
Computed tax	$ 13,074,462	$ 13,529,115
(Decrease) Increase in tax resulting from:		
State and local taxes, net of Federal income tax benefit	(136,029)	1,826,508
Tax-exempt income	(862,029)	(828,518)
Other permanent items	675,131	224,261
Total	$ 12,751,535	$ 14,751,366

[1] Restated; see Note 2.

The components of the net deferred tax asset, included in other assets, are as follows:

December 31,		
Deferred tax assets		
Difference between financial statement provision for loan losses and tax bad debt deduction		
Deferred compensation		
Other		
Total deferred tax assets		
Deferred tax liabilities		
Pension and benefit plans		
Other		
Total deferred tax liabilities		
Net deferred tax asset		
SFAS No. 115 deferred tax liability		
Minimum pension liability adjustment		

[1] Restated; see Note 2.

Management believes, based upon current facts, that, more likely than not, there will be sufficient taxable income in future years to realize the deferred tax assets. However, there can be no assurance about the level of future earnings.

NOTE 19.

EARNINGS PER SHARE

Basic EPS is computed by dividing net income less dividends on allocated Series D convertible preferred shares held on behalf of the Employee Stock Ownership Plan ("basic net income"), by the weighted-average common shares outstanding during the year.

Diluted EPS is computed by dividing basic net income by the weighted-average common shares and common equivalent shares outstanding during the year. The common equivalent shares outstanding include the weighted-average number of Series D convertible preferred shares (held on behalf of the Employee Stock Ownership Plan) and the dilutive effect of unexercised stock options using the treasury stock method. When applying the treasury stock method, the average price of the Company's common stock is utilized.

The following table provides a reconciliation of basic and diluted EPS as required by SFAS No. 128:

	For the Year Ended 12/31/04	For the Year Ended 12/

	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator
BASIC EPS					
Net income	$ 24,604,073			$ 23,903,245	
Less preferred dividends	--			125,019	
Net income available for common shareholders	24,604,073	18,241,567	$ 1.35	23,778,226	17,914,855
DILUTED EPS					
Options[2]		837,530			772,434
Convertible preferred stock		34,528			228,371
Net income available for common shareholders plus assumed conversions	$ 24,604,073	19,113,625	$ 1.29	$ 23,778,226	18,915,660

	For the Year Ended 12/31/02[1]		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
BASIC EPS			
Net income	$ 21,841,454		
Less preferred dividends	112,700		
Net income available for common shareholders	21,728,754	17,978,728	$ 1.21
DILUTED EPS			
Options[2]		739,592	
Convertible preferred stock		233,202	
Net income available for common shareholders plus assumed conversions	$ 21,728,754	18,951,522	$ 1.15

[1] Restated; see Notes 1 and 2.

[2] Options issued with exercise prices greater than the average market price of the common shares for each of the years ended December 31, 2004, 2003 and 2002 have not been included in computation of diluted EPS for those respective years. As of December 31, 2004 and 2003, there were no options excluded; as of December 31, 2002, 45,732 options to purchase shares at a price of $23.81 were not included.

NOTE 20.

FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires the Company to disclose the "fair value" of certain financial instruments for which it is practical to estimate "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 and interest rates, all of which are subject to change. With the exception of investment securities and 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.

The following disclosures represent the Company's best estimate of the "fair value" of financial instruments.

Financial Instruments with Carrying Amount Equal to Fair Value

The carrying amount of cash and due from banks, interest-bearing deposits with other banks, Federal funds sold, customers' liabilities under acceptances, accrued interest receivable, Federal funds purchased and securities sold under agreements to repurchase, commercial paper, other short-term borrowings, acceptances outstanding, and other liabilities and accrued expenses, as a result of their short-term nature, is considered to be equal to fair value.

Investment Securities

For investment securities, fair value has been based upon current market quotations, where available. If quoted market prices are not available, fair value has been estimated based upon the quoted price of similar instruments.

Loans Held in Portfolio

The fair value of loans held in portfolio which reprice within 90 days reflecting changes in the base rate approximate their carrying amount. For other loans held in portfolio, the estimated 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 estimated 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 estimated fair value represents book value less a credit risk adjustment based on the Company's historical credit loss experience.

Deposits

SFAS No. 107 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 is clearly greater than that prescribed by SFAS No. 107.

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.

Long-Term Debt

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

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

The notional amount of commitments to extend credit, standby letters of credit, and financial guarantees, is considered equal to 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 notional value of the commitment.

The following is a summary of the carrying amounts and estimated fair values of the Company's financial assets and liabilities:

December 31,	2004		
	Carrying Amount	Estimated Fair Value	
FINANCIAL ASSETS			
Cash and due from banks	$ 48,842,418	$ 48,842,418	$ 6
Interest-bearing deposits with other banks	1,329,103	1,329,103	
Investment securities	680,219,734	681,935,621	68
Loans held for sale	37,058,673	37,058,673	4
Loans held in portfolio, net	1,005,957,951	1,007,217,410	88
Customers' liability under acceptances	628,965	628,965	
Accrued interest receivable	5,604,781	5,604,781	
FINANCIAL LIABILITIES			
Demand, NOW, savings and money market deposits	868,573,943	868,573,943	81
Time deposits	475,277,172	474,670,243	39
Securities sold under agreements to repurchase	89,816,170	89,816,170	9
Federal funds purchased	32,500,000	32,500,000	1
Commercial paper	25,991,038	25,991,038	2
Other short-term borrowings	2,517,375	2,517,375	5
Acceptances outstanding	628,965	628,965	
Accrued expenses and other liabilities	91,329,506[1]	91,329,506[1]	7
Long-term borrowings	135,774,000	138,848,059	13

[1] Restated; see Note 2.

NOTE 21.

CAPITAL MATTERS

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% to 5%) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). In addition, the bank is subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA a "well capitalized" bank must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the Company. At December 31, 2004, the Company and the bank exceeded the requirements for "well capitalized" institutions.

The following tables present information regarding the Company's and the bank's regulatory capital ratios:

	Actual		For Capital Adequacy Minimum		To Be
As of December 31, 2004	Amount	Ratio	Amount	Ratio	Am
			(dollars in thousands)		
Total Capital (to Risk-Weighted Assets):					
The Company	$169,226	14.35%	$ 94,334	8.00%	$117
The bank	129,267	11.56	89,466	8.00	111
Tier 1 Capital (to Risk-Weighted Assets):					
The Company	154,467	13.10	47,167	4.00	70
The bank	115,262	10.31	44,733	4.00	67
Tier 1 Leverage Capital (to Average Assets):					
The Company	154,467	8.49	72,792	4.00	90
The bank	115,262	6.56	70,270	4.00	87
As of December 31, 2003[1]					
Total Capital (to Risk-Weighted Assets):					
The Company	$161,837	14.88%	$ 86,986	8.00%	$108
The bank	121,439	11.68	83,177	8.00	103
Tier 1 Capital (to Risk-Weighted Assets):					
The Company	148,235	13.63	43,493	4.00	65
The bank	108,426	10.43	41,588	4.00	62
Tier 1 Leverage Capital (to Average Assets):					
The Company	148,235	8.88	66,741	4.00	83
The bank	108,426	6.67	65,010	4.00	81

[1] Restated; see Note 2.

NOTE 22.

SEGMENT REPORTING

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related

Information," establishes standards for the way information about operating segments is reported in annual financial statements and establishes standards for related disclosures about an enterprise's products and services, geographic areas, and major customers.

The Company provides a broad range of financial products and services, including commercial loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, trust and estate administration and investment management services. The Company's primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest-bearing liabilities. The Company's 2004 average interest-earning assets were 57.1% loans (corporate lending was 71.7% and real estate lending was 25.4% of total loans, respectively) and 42.0% investment securities and money market investments. There were no industry concentrations (exceeding 10% of loans, gross) in the corporate loan portfolio. Approximately 64% of loans are to borrowers located in the metropolitan New York area. In order to comply with the provisions of SFAS No. 131, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

The following table provides certain information regarding the Company's operating segments:

	Corporate Lending	Real Estate Lending	Company-wide Treasury	Totals
Year Ended December 31, 2004				
Net interest income	$ 35,561,406	$ 16,736,564	$ 23,925,710	$ 76,223,6
Noninterest income	13,213,656	15,640,862	2,594,207	31,448,7
Depreciation and amortization	324,938	404,384	1,229	730,5
Segment profit	15,506,658	16,342,475	30,255,641	62,104,7
Segment assets	698,575,228	313,730,365	812,113,123	1,824,418,7
Year Ended December 31, 2003				
Net interest income	34,506,033	16,365,324	21,408,591	72,279,9
Noninterest income	12,468,121	14,944,227	1,684,023	29,096,3
Depreciation and amortization	232,527	317,086	--	549,6
Segment profit	17,733,173[1]	15,718,397	25,371,959	58,823,5
Segment assets	723,570,456	209,425,056	790,327,841[1]	1,723,323,3
Year Ended December 31, 2002				
Net interest income	30,021,774	13,621,274	27,761,630	71,404,6
Noninterest income	12,787,107	10,298,873	2,382,211	25,468,1
Depreciation and amortization	196,049	205,109	--	401,1
Segment profit	16,121,709[1]	10,951,445	31,974,728	59,047,8
Segment assets	639,918,714	193,458,081	701,590,089[1]	1,534,966,8

[1] Restated; see Note 2

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

Years Ended December 31,	2004	2003	2002
Net interest income:			
Total for reportable operating segments	$ 76,223,680	$ 72,279,948	$ 71,40
Other[1]	1,991,886	1,711,689	1,58
Consolidated net interest income	$ 78,215,566	$ 73,991,637	$ 72,98
Noninterest income:			
Total for reportable operating segments	$ 31,448,725	$ 29,096,371	$ 25,46
Other[1]	3,268,970	3,581,580[2]	3,81
Consolidated noninterest income	$ 34,717,695	$ 32,677,951[2]	$ 29,28
Profit:			
Total for reportable operating segments	$ 62,104,774	$ 58,823,529[2]	$ 59,04
Other[1]	(24,749,166)	(20,168,918)[2]	(24,89
Consolidated income before income taxes	$ 37,355,608	$ 38,654,611[2]	$ 34,151
Assets:			
Total for reportable operating segments	$ 1,824,418,716	$1,723,323,353[2]	$1,534,966
Other[1]	46,693,046	36,500,904[2]	28,198
Consolidated assets	$ 1,871,111,762	$1,759,824,257[2]	$1,563,165

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

[2] Restated; see Note 2.

NOTE 23.

PARENT COMPANY

CONDENSED BALANCE SHEETS

December 31,	2004	2003[1]
ASSETS		
Cash and due from banks		
Banking subsidiary	$ 10,463,497	$ 21,417,062
Other banks	25,000	25,000
Interest-bearing deposits--banking subsidiary	390,309	7,531,623
Investment in subsidiaries		
Banking subsidiary (including goodwill of $21,158,440)	137,265,560	131,995,719
Other subsidiaries	6,180,911	6,105,046

Due from subsidiaries		
Other subsidiaries	54,002,677	38,348,178
Other assets	5,632,504	5,981,426
	$213,960,458	$211,404,054
LIABILITIES AND SHAREHOLDERS' EQUITY		
Commercial paper	$ 25,991,038	$ 28,799,055
Due to subsidiaries		
Other subsidiaries	993,228	992,254
Accrued expenses and other liabilities	12,498,599	12,576,738
Junior subordinated debt (see Note 9)	25,774,000	25,774,000
Shareholders' equity	148,703,593	143,262,007
	$213,960,458	$211,404,054

[1] Restated; see Note 2.

CONDENSED STATEMENTS OF INCOME

Years Ended December 31,	2004	2003[
INCOME		
Dividends and interest from		
Banking subsidiary	$ 20,086,143	$ 10,06
Other subsidiaries	434,499	63
Other income	2,422	7
Total income	20,523,064	10,76
EXPENSE		
Interest expense	2,511,309	2,40
Other expenses	2,413,799	2,36
Total expense	4,925,108	4,77
Income before income taxes and equity in undistributed net income of subsidiaries	15,597,956	5,99
Benefit for income taxes	(2,039,767)	(1,79
	17,637,723	7,78
Equity in undistributed net income of		
Banking subsidiary	6,836,107	15,77
Other subsidiaries	130,243	34
Net income	$ 24,604,073	$ 23,90

[1] Restated; see Note 2.

CONDENSED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2004
OPERATING ACTIVITIES	
Net income	$ 24,604,073
Adjustments to reconcile net income to	
net cash provided by (used in) operating activities:	
Amortization of unearned compensation	603,764
(Decrease) Increase in accrued expenses and other liabilities	(78,139)
Increase (Decrease) in due to subsidiaries, net	974
(Increase) Decrease in due from subsidiaries, net	(15,654,499)
Equity in undistributed net income of subsidiaries	(6,966,350)
Decrease (Increase) in other assets	348,922
Other, net	(2,038,019)
Net cash provided by operating activities	820,726
INVESTING ACTIVITIES	
Net decrease (increase) in interest-bearing deposits--banking subsidiary	7,141,314
Capital contributed to subsidiaries	--
Net cash provided by (used in) investing activities	7,141,314
FINANCING ACTIVITIES	
Net decrease in commercial paper	(2,808,017)
Cash dividends paid on preferred and common shares	(12,106,022)
Proceeds from exercise of stock options	4,334,474
Purchase of treasury shares	(8,310,004)
Increase in junior subordinated debt	--
Decrease in other short-term borrowings	--
Cash paid in lieu of fractional shares in connection with stock dividend	(26,036)
Net cash used in financing activities	(18,915,605)
Net (decrease) increase in cash and due from banks	(10,953,565)
Cash and due from banks--beginning of year	21,442,062
Cash and due from banks--end of year	$ 10,488,497
Supplemental disclosure of cash flow information:	
Interest paid	$ 2,508,928
Income taxes paid	11,435,000

[1] Restated; see Note 2.

The parent company was required to maintain a deposit with the bank in an amount equal to the unpaid principal balance on the bank's loan to the trustee of the Employee Stock Ownership Plan. There was no required deposit at December 31, 2004.

NOTE 24.

COMMITMENTS AND CONTINGENT LIABILITIES

Total rental expenses under cancelable and noncancelable leases for premises and equipment were $3,325,473, $3,642,155 and $3,647,916 for the years ended December 31, 2004, 2003 and 2002, respectively, which are net of rental income for a sublease of $172,930, $149,600 and $0 for the years ended December 31, 2004, 2003 and 2002, respectively.

The future minimum rental commitments as of December 31, 2004 under noncancelable leases follow:

Year(s)	Rental Commitments
2005	$ 3,535,569
2006	3,365,428
2007	3,379,101
2008	3,393,094
2009 and thereafter	16,044,763
Total	$29,717,955

Certain leases included above have escalation clauses and/or provide that the Company pay maintenance, electric, taxes and other operating expenses applicable to the leased property.

In the normal course of business, there are various commitments and contingent liabilities outstanding which are properly not recorded on the balance sheet. Management does not anticipate that losses, if any, as a result of these transactions would materially affect the financial position of the Company.

Loan commitments, substantially all of which have an original maturity of one year or less, were approximately $77,496,000 as of December 31, 2004. These commitments are agreements to lend to a customer as long as the conditions established in the contract are met. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The total commitment amounts do not necessarily represent future cash requirements because some of the commitments are expected to expire without being drawn upon. The bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, by the bank upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include cash, U.S. Treasury and other marketable securities, accounts receivable, inventory and property, plant and equipment.

Standby letters of credit and financial guarantees, substantially all of which are within the scope of FIN No. 45, are written conditional commitments issued by the bank to guarantee the performance of a customer to a third party. At December 31, 2004 these commitments totaled $26,563,953 of which $23,574,027 expire within one year and $2,989,926 within two years. Approximately 70% of the commitments are automatically renewable for a period of one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The bank holds cash or cash equivalents and marketable securities as collateral supporting those commitments for which collateral is deemed necessary. The extent of collateral held for those commitments at December 31, 2004 ranged from 0% to 100%; the average amount collateralized was approximately 97%.

In the normal course of business there are various legal proceedings pending against the Company. Management, after consulting with counsel, is of the opinion that there should be no material liability with respect to such

proceedings, and accordingly no has been made in the accompanying consolidated financial statements.

NOTE 25.

QUARTERLY DATA (UNAUDITED)

	Restated			
2004 Quarter	Mar 31	Jun 30	Sept 30	
Total interest income	$23,534,674	$23,552,184	$24,812,419	$25
Total interest expense	4,539,315	4,518,928	5,049,666	5
Net interest income	18,995,359	19,033,256	19,762,753	20
Provision for loan losses	2,426,500	2,470,500	2,338,500	2
Net securities gains	536,304	148,500	285,918	
Noninterest income, excluding securities gains	7,687,805	8,398,106	8,888,910	8
Noninterest expenses	15,949,230[2]	16,191,237[2]	16,493,583[2]	16
Income before income taxes	8,843,738[2]	8,918,125[2]	10,105,498[2]	9
Net income	5,206,934{2}	6,564,601[2]	6,550,174[2]	6
Earnings per average common share:				
Basic	.29[1][2]	.35[1][2]	.36[1][2]	
Diluted	.27[1][2]	.34[1][2]	.35[1][2]	
Common stock closing price:				
High	26.1667	25.0917	24.4583	
Low	22.575	22.1917	20.9667	
Quarter--end	24.292	23.017	22.542	

	Restated			
2003 Quarter	Mar 31	Jun 30	Sept 30	Dec 31
Total interest income	$22,633,218	$23,095,455	$22,352,544	$23,501,259
Total interest expense	4,376,789	4,518,557	4,285,572	4,409,921
Net interest income	18,256,429	18,576,898	18,066,972	19,091,338
Provision for loan losses	1,791,300	2,172,500	2,172,500	2,604,100
Net securities gains	95,992	100,366	101,225	252,922
Noninterest income, excluding securities gains[2]	7,374,810	8,043,316	8,660,774	8,048,546
Noninterest expenses[2]	14,505,952	15,070,253	14,885,234	14,813,138
Income before income taxes[2]	9,429,979	9,477,827	9,771,237	9,975,568
Net income[2]	5,733,785	5,817,947	6,056,541	6,294,972
Earnings per average common share:[1][2]				
Basic	.32	.32	.34	.35
Diluted	.30	.31	.32	.33
Common stock closing price:				
High	18.26	19.8667	22.75	26.1333

Low	16.1467	16.2733	18.4267	22.9417
Quarter--end	16.427	18.593	22.425	23.75

[1] Restated see Note 1.

[2] Restated for reasons described in Notes 1 and 2. The following previously reported information is provided:

	Net Income	Basic EPS	Diluted EPS
1st quarter 2003	$5,846,423	$.32	$.31
2nd quarter 2003	5,860,002	.33	.31
3rd quarter 2003	6,114,713	.34	.32
4th quarter 2003	6,382,516	.35	.33
1st quarter 2004	6,460,509	.35	.34
2nd quarter 2004	6,719,599	.37	.35
3rd quarter 2004	6,737,934	.37	.35

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

[LOGO KPMG]

The Shareholders and Board of Directors
Sterling Bancorp:

We have audited the accompanying consolidated balance sheets of Sterling Bancorp and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2004, and the consolidated statements of condition of Sterling National Bank and subsidiaries as of December 31, 2004 and 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the accompanying 2003 and 2002 consolidated financial statements have been restated.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sterling Bancorp and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, and the financial position of Sterling National Bank and subsidiaries as of December 31, 2004 and 2003, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG

New York, New York
March 29, 2005

PART II (continued)

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

As required under the Securities Exchange Act of 1934, 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 Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this annual report on Form 10-K. Based on this evaluation and the identification of a material weakness in our internal control over financial reporting described below, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that, as of December 31, 2004, the Company's disclosure controls and procedures were not 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. For a discussion of the reasons and matters on which this conclusion was based, see "Assessment of internal control over financial reporting" below.

Assessment of internal control over financial reporting

As permitted by the SEC's exemptive order for certain "accelerated filers" (Release No. 50754, November 30, 2004), we have not filed in this Form 10-K a report on management's assessment of our internal control over financial reporting or a registered public accounting firm's attestation report on management's assessment of our internal control over financial reporting. The SEC's exemptive order permits us to file this information by amendment to this Form 10-K not later than April 29, 2005.

As previously disclosed in the Company's Form 8-K dated March 15, 2005, a material weakness (as defined in Auditing Standard No. 2 of the Public Company Accounting Oversight Board) was identified in our internal control over financial reporting as of December 31, 2004. The material weakness relates to inadequate resources for controls over the accounting for employee benefits, including (a) the expensing of premiums paid for split-dollar life insurance policies on the lives of certain executive officers of the Company, (b) the expensing of the Company's obligations to pay future premiums on split-dollar life insurance policies issued as part of a transaction in which an executive officer relinquishes his right to receive pension payments in exchange for the insurance policy, (c) the expensing of the Company's obligation to pay future post-retirement premiums on certain split-dollar life insurance policies and (d) the crediting of increases in the cash surrender values of these various policies. The Company has corrected the accounting by recording non-cash charges to employee benefits expense. The Company has restated its audited financial statements for the years ended December 31, 2002 and 2003, and will restate its

unaudited condensed financial statements for the quarters ended March 31, June 30 and September 30, 2003 and 2004. The Company believes that the method of accounting for employee benefits expense in the audited consolidated financial statements included in this Form 10-K complies with APB Opinion No. 12, as amended by Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and FASB Technical Bulletin 85-4, Accounting for Purchases of Life Insurance. Notwithstanding the existence of this material weakness, we believe that the financial statements in this Form 10-K fairly present, in all material respects, our financial condition as of December 31, 2003 and 2004, and our results of operations and cash flows for each of the years ended December 31, 2002, 2003 and 2004, in conformity with accounting principles generally accepted in the United States of America. We are currently working to remediate this material weakness.

Management has also identified, and the Company is currently working to remediate, certain significant deficiencies (as defined in Auditing Standard No. 2 of the Public Company Accounting Oversight Board) in the Company's internal control over financial reporting of December 31, 2004, which management believes do not currently constitute material weaknesses. At this time we have not identified, and KPMG LLP ("KPMG") has not communicated to us, any other material weaknesses in our internal control over financial reporting. The Company has not yet completed its assessment and KPMG has not yet completed its audit of our internal control over financial reporting, however, and we cannot provide assurance that KPMG will not identify additional material weaknesses in connection with its audit of our internal control over financial reporting.

Changes in internal control over financial reporting

No significant change in the Company's internal control over financial reporting occurred during the fiscal quarter ended December 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding executive officers required by Item 401 of Regulation S-K is furnished in a separate disclosure on page 10 at the end of Part I of this report. The other information required by Item 10 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days after December 31, 2004.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days after December 31, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

See the information appearing in Notes 15 and 16 on pages 48-51 under the captions "Stock Incentive Plan" and "Employee Stock Ownership Plan," respectively, of the Company's consolidated financial statements filed in Item 8 hereof.

The following table provides information as of December 31, 2004, regarding securities issued to all of our employees under our equity compensation plans that were in effect during the fiscal year ended December 31, 2004, and other equity compensation plan information.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted A Exercise P Outstanding Warrants an (b)
Equity Compensation Plans approved by security holders	2,013,409	$11.3
Equity Compensation Plans not approved by security holders	--	-
TOTAL	2,013,409	$11.3

The other information required by Item 12 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days after December 31, 2004.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days after December 31, 2004.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the Company's definitive proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days after December 31, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The documents filed as a part of this report are listed below:

1. Financial Statements

Sterling Bancorp

Consolidated Balance sheets as of December 31, 2004 and 2003*
Consolidated Statements of Income for the Years Ended December 31, 2004, 2003* and 2002*

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2004, 2003* and 2002*
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2004, 2003* and 2002*
Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003* and 2002*

Sterling National Bank
Consolidated Statements of Condition as of December 31, 2004 and 2003*

* Consolidated financial statements for 2003 and 2002 are restated.

2. Financial Statement Schedules

None

3. Exhibits

3. (i) Restated Certificate of Incorporation filed with the State of New York Department of State, October 28, 2004 (Filed as Exhibit 3(i) to the Registrant's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

(ii) By-Laws as in effect on August 5, 2004 (Filed as Exhibit 3(ii) (A) to the Registrant's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference).

4. (a) Pursuant to Regulation S-K, Item 601(b)(4) (iii)(A), no instrument which defines the rights of holders of long-term debt of the Registrant or any of its consolidated subsidiaries is filed herewith. Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.

10.(i)(A) Sterling Bancorp Stock Incentive Plan (Amended and Restated as of May 20, 2004) (Filed as Exhibit 10 to the Registrant's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

(i)(B) Form of Award Letter for Non-Employee Directors (Filed as Exhibit 10 to the Registrant's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

(i)(C) Form of Award Letter for Officers (Filed as Exhibit 10 to the Registrant's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

(i)(D) Form of Nonqualified Stock Option Award (Filed as Exhibit 10(A) to the Registrant's Form 8-K dated March 18, 2005 and filed on March 24, 2005 and incorporated herein by reference).

(ii)(A) Sterling Bancorp Key Executive Incentive Bonus Plan (Filed as Exhibit C to the Registrant's definitive Proxy Statement, dated March 13, 2001, filed on March 16, 2001 and incorporated herein by reference).

(iii)(A) Amended and Restated Employment Agreements dated March 22, 2002 for Louis J. Cappelli and John C. Millman (Filed as Exhibits 10(i)(a) and 10(i)(b), respectively, to the Registrant's Form 10-Q for the quarter ended March 31, 2002 and incorporated by reference herein).

(iii)(B) Amendments to Employment Agreements dated February 26, 2003 for Louis J. Cappelli and John C. Millman (Filed as Exhibits 3.10(xiv)(a) and 3.10(xiv)(b), respectively, to the Registrant's Form 10-K for the fiscal year ended December 31, 2002 and incorporated herein by reference).

(iii)(C) Amendments to Employment Agreements dated February 24, 2004 for Louis J. Cappelli and John C. Millman (Filed as Exhibits 10(xv)(a) and 10(xv)(b), respectively, to the Registrant's Form 10-K dated December 31, 2003 and filed on March 12, 2004 and incorporated herein by reference).

(iii)(D) Amendments to Employment Agreements dated March 18, 2005 for Louis J. Cappelli and John C. Millman (Filed as Exhibits 10(B) and 10(C), respectively, to the Registrant's Form 8-K dated March 18, 2005 and filed on March 24, 2005 and incorporated herein by reference).

(iv)(A) Form of Change of Control Severance Agreement entered into May 21, 1999 between the Registrant and each of six executives (Filed as Exhibit 10(ii) to the Registrant's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).

(iv)(B) Amendment to Form of Change of Control Severance Agreement dated February 6, 2002 entered into between the Registrant and each of four executives (Filed as Exhibit 10(ii) to the Registrant's Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference).

(iv)(C) Form of Change of Control Severance Agreement dated April 3, 2002 entered into between the Registrant and one executive (Filed as Exhibit 10(i) to the Registrant's Form 10-Q for the quarter ended June 30, 2002 and incorporated herein by reference).

(iv)(D) Form of Change of Control Severance Agreement dated June 8, 2004 entered into between the Registrant and one executive (Filed as Exhibit 10(i) to the Registrant's Form 10-Q for the quarter ended June 30, 2004 and incorporated herein by reference).

11. Statement re: Computation of Per Share Earnings.

12. Statement re: Computation of Ratios.

14. Code of Business Conduct and Ethics.

21. Subsidiaries of the Registrant.

23. Consent of KPMG LLP Independent Registered Public Accounting Firm.

31. Rule 13a-14(a) Certifications.

32. Section 1350 Certifications.

(b) Reports on Form 8-K:

In a report on Form 8-K dated September 20, 2004 and filed on September 21, 2004, the Company reported, under Item 7 "Financial Statements, Pro Forma Financial Information and Exhibits" the press release announcing a presentation on September 23, 2004 by John C. Millman--President of Sterling Bancorp and, Michael Bizenov--President Sterling National Mortgage Company, Inc., as part of the LI Invest First Annual Investor Conference.

In a report on Form 8-K/A dated September 20, 2004 and filed on September 21, 2004, the Company reported, under Item 7.01 "Regulation FD Disclosure" and under Item 9.01 "Financial Statements, Pro Forma Financial Information and Exhibits," the press release announcing a presentation on September 23, 2004 by John C. Millman--President of Sterling Bancorp and Michael Bizenov--President of Sterling National Mortgage Company Inc., as part of the LI Invest First Annual Investor Conference.

In a report on Form 8-K dated October 18, 2004 and filed on October 19, 2004, the Company reported under Items 7.01 and 2.02 "Results of Operations and Financial Condition and Regulation FD Disclosure," the press release announcing a conference call to discuss its financial results for the third quarter ended September 30, 2004.

In a report on Form 8-K dated October 21, 2004 and filed on October 22, 2004, the Company reported, under Items 2.02 and 7.01 "Results of Operations and Financial Condition and Regulation FD Disclosure" and Under Item 9.01 "Financial Statements and Exhibits," the press release announcing results for the third quarter ended September 30, 2004.

In a report on Form 8-K dated October 22, 2004 and filed on October 25, 2004, the Company reported, under Item 7.01 "Regulation FD Disclosure" and under Item 9.01 "Financial Statements, Pro Forma Financial Information and Exhibits," the press release announcing a presentation on October 27, 2004 by John C. Millman-President of Sterling Bancorp and Howard M. Applebaum-Executive Vice President and Senior Lending Officer of Sterling National Bank, as part of the Ryan Beck & Co. Financial Institutions' Investor Conference.

In a report on Form 8-K dated November 18, 2004 and filed November 19, 2004, the Company reported, under Items 7.01 and 8.01 "Regulation FD Disclosure and Other Events," the press release announcing a six-for-five stock split to be distributed on December 8, 2004 to shareholders of record on November 29, 2004 and the declaration of a quarterly cash dividend of $0.19 per common share payable on December 31, 2004 to shareholders of record on December 17, 2004.

In a report on Form 8-K dated February 4, 2005 and filed on February 10, 2005, the Company reported under Items 2.02 and 7.01 "Results of Operations and Financial Condition and Regulation FD Disclosure" and, under Item 9.01 "Financial Statements and Exhibits," the press release announcing fiscal year 2004 financial results.

In a report on Form 8-K dated February 15, 2005 and filed on February 17, 2005, the Company reported under Item 5.02 "Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers," announced that Director Anthony E. Burke formally notified the Company that he will not be standing for re-election at the upcoming shareholders meeting.

In a report on Form 8-K dated February 17, 2005 and filed on February 18, 2005, the Company reported under Items 7.01 and 8.01 "Regulation FD Disclosure and Other Events," the press release announcing the declaration of a quarterly cash dividend of $0.19 per common share payable on March 31, 2005 to shareholders of record as of March 15, 2005.

In a report on Form 8-K dated March 15, 2005 and filed on March 16, 2005, the Company reported under Item 2.02 "Results of Operations and Financial Condition" and Item 4.02 "Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review" that it would restate its financial statements for the years 2002 and 2003 and the first three quarters of 2003 and 2004 and that its audited financial statements for the year 2004 would reflect revisions to previously issued unaudited financial information, under Item 8.01 "Other Events" that it would file for an extension of the deadline for filing this report on Form 10-K, and under Item 9.01 "Financial Statements and Exhibits" the press release announcing that the Company would restate financial statements.

In a report on Form 8-K dated March 18, 2005 and filed on March 24, 2005, the Company reported under Item 1.01 "Entry into a Material Definitive Agreement" and Item 9.01 "Financial Statements and Exhibits" that the Company granted nonqualified stock options to purchase an aggregate of 99,000 common shares and amended its employment agreements with Messrs. Louis J. Capelli and John C. Millman.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ Louis J. Cappelli

Louis J. Cappelli, Chairman
(Principal Executive Officer)

March 31, 2005
Date

/s/ John W. Tietjen

John W. Tietjen, Treasurer
(Principal Financial and Accounting Officer)

March 31, 2005
Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

March 31, 2005 (Date)	/s/ Louis J. Cappelli (Signature)	Director (Title)
March 31, 2005 (Date)	/s/ John C. Millman (Signature)	Director (Title)
March 31, 2005 (Date)	/s/ Walter Feldesman (Signature)	Director (Title)
March 31, 2005 (Date)	/s/ Henry J. Humphreys (Signature)	Director (Title)
March 31, 2005 (Date)	/s/ Eugene T. Rossides (Signature)	Director (Title)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DOCUMENTS FILED
AS A PART
OF THIS ANNUAL REPORT
ON
FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

STERLING BANCORP

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EXHIBIT INDEX

Exhibit
Number

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