STERLING BANCORP
Form 10-Q
November 04, 2011

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

FORM 10-Q

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

For the quarterly period ended September 30, 2011

or

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

For the transition period from _____ to _____

Commission File Number: 1-5273-1

Sterling Bancorp

(Exact name of registrant as specified in its charter)

New York	**12-2565216**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification)**
650 Fifth Avenue, New York, N.Y.	**10019-6108**
(Address of principal executive offices)	**(Zip Code)**

212-757-3300
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

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

x Yes o No

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

Large Accelerated Filer o	**Accelerated Filer x**
Non-Accelerated Filer o	**Smaller Reporting Company o**

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

o Yes x No

As of October 31, 2011 there were 30,924,832 shares of common stock,
$1.00 par value, outstanding.

STERLING BANCORP

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

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

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

	September 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 32,418	$ 26,824
Interest-bearing deposits with other banks	186,632	40,503
Securities available for sale (at estimated fair value; pledged: $111,273 in 2011 and $95,311 in 2010)	324,087	390,080
Securities held to maturity (pledged: $270,482 in 2011 and $212,606 in 2010) (estimated fair value: $468,614 in 2011 and $400,453 in 2010)	453,725	399,235
Total investment securities	777,812	789,315
Loans held for sale	22,874	32,049
Loans held in portfolio, net of unearned discounts	1,463,171	1,314,234
Less allowance for loan losses	19,547	18,238
Loans, net	1,443,624	1,295,996
Federal Reserve and Federal Home Loan Bank stock, at cost	8,502	9,365
Customers liability under acceptances	122	-
Goodwill	22,901	22,901
Premises and equipment, net	24,163	15,909
Other real estate	1,929	182
Accrued interest receivable	8,640	8,280
Cash surrender value of life insurance policies	53,000	51,512
Other assets	74,358	67,621
Total assets	$ 2,656,975	$ 2,360,457
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest-bearing demand deposits	$ 594,250	$ 570,290
Savings, NOW and money market deposits	607,049	562,207
Time deposits	846,496	615,267
Total deposits	2,047,795	1,747,764
Securities sold under agreements to repurchase - customers	43,503	23,016
Securities sold under agreements to repurchase - dealers	5,000	5,000
Federal funds purchased	-	15,000
Commercial paper	14,685	14,388
Short-term borrowings - other	3,041	3,490
Advances - FHLB	123,095	144,173
Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	215,098	230,841
Acceptances outstanding	122	-
Accrued interest payable	1,081	1,314
Due to factored clients	94,141	91,543
Accrued expenses and other liabilities	80,053	66,253
Total liabilities	2,438,290	2,137,715
Shareholders equity		
Preferred stock, Series A, $5 par value; $1,000 liquidation value. Authorized 644,389 shares; issued -0- and 42,000 shares, respectively	-	40,602
Common stock, $1 par value. Authorized 50,000,000 shares; issued 35,225,110 and 31,138,545 shares, respectively	35,225	31,139
Warrants to purchase common stock	-	2,615
Capital surplus	270,762	236,437
Retained earnings	12,966	11,392
Accumulated other comprehensive loss	(13,688)	(12,887)

Common shares in treasury at cost, 4,300,278 and 4,297,782 shares, respectively		**(86,580)**		**(86,556)**
Total shareholders equity		**218,685**		**222,742**
Total liabilities and shareholders equity	**$**	**2,656,975**	**$**	**2,360,457**

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
INTEREST INCOME				
Loans	$ 19,121	$ 18,275	$ 53,776	$ 51,907
Investment securities				
Available for sale	2,597	2,985	7,704	9,315
Held to maturity	3,351	3,320	10,230	11,622
FRB and FHLB stock	75	112	241	296
Deposits with other banks	35	10	92	53
Total interest income	25,179	24,702	72,043	73,193
INTEREST EXPENSE				
Deposits				
Savings, NOW and money market	752	746	2,152	2,536
Time	1,470	1,545	4,212	4,857
Short-term borrowings	79	142	244	331
Advances - FHLB	483	871	1,647	2,591
Long-term borrowings - subordinated debentures	523	523	1,570	1,570
Total interest expense	3,307	3,827	9,825	11,885
Net interest income	21,872	20,875	62,218	61,308
Provision for loan losses	3,000	14,000	9,000	25,500
Net interest income after provision for loan losses	18,872	6,875	53,218	35,808
NONINTEREST INCOME				
Accounts receivable management/factoring commissions and other fees	6,574	6,454	18,041	17,527
Mortgage banking income	1,493	2,458	5,268	5,631
Service charges on deposit accounts	1,445	1,606	4,248	4,627
Securities gains	420	1,171	1,529	3,419
Other income	1,527	1,369	4,683	4,317
Total noninterest income	11,459	13,058	33,769	35,521
NONINTEREST EXPENSE				
Salaries and employee benefits	14,433	13,523	43,158	40,346
Occupancy and equipment expenses, net	3,069	3,375	9,857	8,967
Deposit insurance	374	1,033	2,204	2,557
Professional fees	1,741	1,540	3,448	3,913
Other expenses	4,153	4,282	11,002	11,445
Total noninterest expenses	23,770	23,753	69,669	67,228
Income (Loss) before income taxes	6,561	(3,820)	17,318	4,101
Provision (Benefit) for income taxes	2,191	(1,146)	5,060	1,230
Net income (loss)	4,370	(2,674)	12,258	2,871
Dividends on preferred shares and accretion	-	654	833	1,934
Accelerated accretion from redemption of preferred shares	-	-	1,241	-
Net income (loss) available to common shareholders	$ 4,370	$ (3,328)	$ 10,184	$ 937
Average number of common shares outstanding				
Basic	30,789,539	26,757,035	29,375,816	23,729,461
Diluted	30,789,539	26,757,035	29,375,816	23,732,888

Net income (loss) available to common shareholders, per average common share				
Basic	**$ 0.14**	**$ (0.12)**	**$ 0.35**	**$ 0.04**
Diluted	**0.14**	**(0.12)**	**0.35**	**0.04**
Dividends per common share	**0.09**	**0.09**	**0.27**	**0.27**

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income (loss)	**$ 4,370**	**$ (2,674)**	**$ 12,258**	**$ 2,871**
Other comprehensive (loss) income, net of tax:				
Unrealized (losses) gains on securities available for sale and other investments arising during the year	**(2,566)**	**921**	**(1,258)**	**3,081**
Reclassification adjustment for securities gains included in net income	**(229)**	**(638)**	**(835)**	**(1,866)**
Reclassification adjustment for amortization of:				
Prior service cost	**9**	**9**	**26**	**27**
Net actuarial losses	**487**	**354**	**1,266**	**1,191**
Other comprehensive (loss) income	**(2,299)**	**646**	**(801)**	**2,433**
Comprehensive income (loss)	**$ 2,071**	**$ (2,028)**	**$ 11,457**	**$ 5,304**

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2011	2010
Preferred Stock		
Balance at January 1,	**$ 40,602**	**$ 40,113**
Discount accretion	**156**	**359**
Redemption	**(42,000)**	**-**
Accelerated accretion	**1,242**	**-**
Balance at September 30,	**$ -**	**$ 40,472**
Common Stock		
Balance at January 1,	**$ 31,139**	**$ 22,227**
Common shares issued	**4,025**	**8,625**
Restricted shares issued	**61**	**84**
Common shares issued under stock incentive plan	**-**	**203**
Balance at September 30,	**$ 35,225**	**$ 31,139**
Warrants to Purchase Common Stock		
Balance at January 1,	**$ 2,615**	**$ 2,615**
Repurchase of warrants	**(2,615)**	**-**
Balance at September 30,	**$ -**	**$ 2,615**
Capital Surplus		
Balance at January 1,	**$ 236,437**	**$ 178,734**
Common shares issued	**32,429**	**56,256**
Restricted shares issued	**(61)**	**(84)**
Repurchase of warrants	**1,670**	**-**
Common shares issued under stock incentive plan and related tax benefits	**-**	**1,274**
Stock option compensation and restricted stock expense	**287**	**188**
Balance at September 30,	**$ 270,762**	**$ 236,368**
Retained Earnings		
Balance at January 1,	**$ 11,392**	**$ 15,828**
Net income	**12,258**	**2,871**
Cash dividends paid - preferred shares	**(945)**	**(1,575)**
Cash dividends paid - common shares	**(8,341)**	**(6,459)**
Discount accretion on series A preferred stock	**(156)**	**(359)**
Accelerated accretion - preferred shares	**(1,242)**	**-**
Balance at September 30,	**$ 12,966**	**$ 10,306**
Accumulated Other Comprehensive Loss		
Balance at January 1,	**$ (12,887)**	**$ (12,399)**
Other comprehensive income, net of tax	**(801)**	**2,433**
Balance at September 30,	**$ (13,688)**	**$ (9,966)**
Treasury Stock		
Balance at January 1,	**$ (86,556)**	**$ (85,168)**
Surrender of shares issued under stock incentive plan	**(24)**	**(1,388)**
Balance at September 30,	**$ (86,580)**	**$ (86,556)**
Total Shareholders Equity		
Balance at January 1,	**$ 222,742**	**$ 161,950**
Net changes during the period	**(4,057)**	**62,428**
Balance at September 30,	**$ 218,685**	**$ 224,378**

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2011	2010
Operating Activities		
Net Income	$ 12,258	$ 2,871
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	9,000	25,500
Depreciation and amortization of premises and equipment	2,364	1,171
Securities gains	(1,529)	(3,419)
Income from life insurance policies, net	(433)	(757)
Deferred income tax (benefit) provision	(1,350)	361
Proceeds from sale of loans	282,492	330,050
Gains on sales of loans, net	(5,271)	(5,645)
Originations of loans held for sale	(269,050)	(325,826)
Amortization of premiums on securities	7,271	4,793
Accretion of discounts on securities	(310)	(446)
Increase in accrued interest receivable	(360)	(215)
(Decrease) Increase in accrued interest payable	(233)	348
Increase in due to factored clients	2,598	10,453
Increase in accrued expenses and other liabilities	6,282	5,057
Increase in other assets	(5,663)	(8,517)
Loss on other real estate owned	-	17
Net cash provided by operating activities	38,066	35,796
Investing Activities		
Purchase of premises and equipment	(10,618)	(7,238)
Net (increase) decrease in interest-bearing deposits with other banks	(146,129)	17,658
Net increase in loans held in portfolio	(111,810)	(80,961)
Net increase in short-term factored receivables	(45,861)	(46,279)
Proceeds from sale of other real estate	301	1,157
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	36,806	48,597
Purchases of securities - held to maturity	(278,744)	(122,185)
Proceeds from calls of securities - held to maturity	197,500	132,380
Proceeds from prepayments, redemptions or maturities of securities - available for sale	215,263	170,701
Purchases of securities - available for sale	(377,655)	(645,514)
Proceeds from calls/sales of securities - available for sale	219,101	400,719
Proceeds from redemptions or maturities of FHLB & FRB stock	1,073	961
Purchases of FHLB & FRB stock	(210)	(1,860)
Net cash used in investing activities	(300,983)	(131,864)
Financing Activities		
Net increase (decrease) in noninterest-bearing demand deposits	23,960	(6,704)
Net increase (decrease) in savings, NOW and money market deposits	44,842	(36,753)
Net increase in time deposits	231,229	108,403
Net (decrease) increase in Federal funds purchased	(15,000)	19,000
Net increase in securities sold under agreements to repurchase	20,487	5,036
Net decrease in commercial paper and other short-term borrowings	(152)	(52,340)
(Decrease) Increase in long-term borrowings	(21,078)	14,528
Proceeds from exercise of stock options	-	333
Proceeds from issuance of common stock	36,454	64,881
Cash dividends paid on preferred stock	(945)	(1,575)
Cash dividends paid on common stock	(8,341)	(6,459)
Net repayment redemption of preferred stock and common stock warrants	(42,945)	-
Net cash provided by financing activities	268,511	108,350
Net increase in cash and due from banks	5,594	12,282

Cash and due from banks - beginning of period		**26,824**		**24,911**
Cash and due from banks - end of period	**$**	**32,418**	**$**	**37,193**
Supplemental disclosures:				
Interest paid	**$**	**10,058**	**$**	**11,537**
Income taxes paid		**3,753**		**3,716**
Loans held for sale transferred to portfolio		**1,004**		**1,264**
Loans transferred to other real estate		**2,048**		**533**
Due to brokers on purchases of securities - HTM		**10,000**		**10,300**

See Notes to Consolidated Financial Statements.

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

Note 1. Significant Accounting Policies

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

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

Basis of Presentation. The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally the bank, after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended September 30, 2011 and 2010 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year s consolidated financial statements to conform to the current presentation. Throughout the notes, dollar amounts presented in tables are in thousands, except per share data. The interim consolidated financial statements should be read in conjunction with the Company s annual report on Form 10-K for the year ended December 31, 2010 (the 2010 Form 10-K).

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

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

Note 2. Investment Securities

The following tables present information regarding securities available for sale:

September 30, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	$ 28,736	$ 455	$ -	$ 29,191
CMOs (Government National Mortgage Association)	6,086	11	-	6,097
Federal National Mortgage Association	9,825	247	-	10,072
Federal Home Loan Mortgage Corporation	39	2	1	40
Government National Mortgage Association	100	1	-	101
Total residential mortgage-backed securities	44,786	716	1	45,501
Agency notes				
Federal Home Loan Bank	10,000	12	-	10,012
Federal Home Loan Mortgage Corporation	9,995	15	-	10,010
Total obligations of U.S. government corporations and government sponsored enterprises	64,781	743	1	65,523
Obligations of state and political institutions-New York				
Bank Qualified	21,523	1,213	-	22,736
Single-issuer, trust preferred securities	27,897	176	1,435	26,638
Corporate debt securities	208,741	40	4,708	204,073
Other securities	5,039	78	-	5,117
Total	$ 327,981	$ 2,250	$ 6,144	$ 324,087

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

December 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	$ 36,026	$ 64	$ 372	$ 35,718
CMOs (Government National Mortgage Association)	7,218	72	-	7,290
Federal National Mortgage Association	8,750	84	13	8,821
Federal Home Loan Mortgage Corporation	44	2	1	45
Government National Mortgage Association	110	-	1	109
Total residential mortgage-backed securities	52,148	222	387	51,983
Agency notes				
Federal National Mortgage Association	30,087	77	-	30,164
Federal Home Loan Bank	10,000	-	59	9,941
Federal Home Loan Mortgage Corporation	49,964	132	110	49,986
Federal Farm Credit Bank	10,000	31	-	10,031
Total obligations of U.S. government corporations and government sponsored enterprises	152,199	462	556	152,105
Obligations of state and political institutions-New York				
Bank Qualified	39,967	780	703	40,044
Single-issuer, trust preferred securities	3,879	79	25	3,933
Corporate debt securities	189,091	278	311	189,058
Other securities	5,039	1	100	4,940
Total	$ 390,175	$ 1,600	$ 1,695	$ 390,080

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

The following tables present information regarding securities held to maturity:

September 30, 2011	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	$ 4,700	$ 243	$ -	$ 4,943
CMOs (Federal Home Loan Mortgage Corporation)	7,844	409	-	8,253
Federal National Mortgage Association	53,199	3,944	-	57,143
Federal Home Loan Mortgage Corporation	27,918	1,905	-	29,823
Government National Mortgage Association	4,324	601	-	4,925
Total residential mortgage-backed securities	97,985	7,102	-	105,087
Agency notes				
Federal National Mortgage Association	89,983	222	133	90,072
Federal Home Loan Bank	59,994	35	7	60,022
Federal Home Loan Mortgage Corporation	69,998	30	11	70,017
Total obligations of U.S. government corporations and government sponsored enterprises	317,960	7,389	151	325,198
Obligations of state and political institutions-New York Bank Qualified	135,765	7,661	10	143,416
Total	$ 453,725	$ 15,050	$ 161	$ 468,614

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

December 31, 2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	$ 7,504	$ 349	$ -	$ 7,853
CMOs (Federal Home Loan Mortgage Corporation)	11,704	572	-	12,276
Federal National Mortgage Association	70,001	4,292	-	74,293
Federal Home Loan Mortgage Corporation	40,583	1,931	-	42,514
Government National Mortgage Association	4,943	605	-	5,548
Total residential mortgage-backed securities	134,735	7,749	-	142,484
Agency notes				
Federal National Mortgage Association	84,969	5	1,405	83,569
Federal Home Loan Bank	14,991	-	222	14,769
Federal Home Loan Mortgage Corporation	42,493	4	608	41,889
Federal Farm Credit Bank	5,078	-	42	5,036
Total obligations of U.S. government corporations and government sponsored enterprises	282,266	7,758	2,277	287,747
Obligations of state and political institutions-New York Bank Qualified	116,969	118	4,381	112,706
Total	$ 399,235	$ 7,876	$ 6,658	$ 400,453

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

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

	Less Than 12 Months		12 Months or Longer		Total	
September 30, 2011	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and government sponsored enterprises						
Federal Home Loan Mortgage Corporation	$ -	$ -	$ 23	$ 1	$ 23	$ 1
Total obligations of U.S. government corporations and government sponsored enterprises	-	-	23	1	23	1
Obligations of state and political institutions-New York Bank Qualified	-	-	-	-	-	-
Single-issuer, trust preferred securities	19,387	1,349	416	86	19,803	1,435
Corporate debt securities	183,630	4,663	3,955	45	187,585	4,708
Total	$ 203,017	$ 6,012	$ 4,394	$ 132	$ 207,411	$ 6,144
December 31, 2010						
Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities CMOs (Federal Home Loan Mortgage Corporation)	$ 30,494	$ 372	$ -	$ -	$ 30,494	$ 372
Federal National Mortgage Association	7,269	13	-	-	7,269	13
Federal Home Loan Mortgage Corporation	28	1	-	-	28	1
Government National Mortgage Association	110	1	-	-	110	1
Total residential mortgage-backed securities	37,901	387	-	-	37,901	387
Agency notes						
Federal Home Loan Bank	9,941	59	-	-	9,941	59
Federal Home Loan Mortgage Corporation	9,875	110	-	-	9,875	110
Total obligations of U.S. government corporations and government sponsored enterprises	57,717	556	-	-	57,717	556
Obligations of state and political institutions-New York Bank Qualified	18,716	703	-	-	18,716	703
Single-issuer, trust preferred securities	-	-	2,111	25	2,111	25
Corporate debt securities	92,392	311	-	-	92,392	311
Other securities	4,900	100	-	-	4,900	100
Total	$ 173,725	$ 1,670	$ 2,111	$ 25	$ 175,836	$ 1,695

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

	Less Than 12 Months		12 Months or Longer		Total	
September 30, 2011	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal National Mortgage Association	$ 24,867	$ 133	$ -	$ -	$ 24,867	$ 133
Federal Home Loan Bank	4,993	7	-	-	4,993	7
Federal Home Loan Mortgage Corporation	9,990	11	-	-	9,990	11
Total obligations of U.S. government corporations and government sponsored enterprises	39,850	151	-	-	39,850	151
Obligations of state and political institutions-New York Bank Qualified	629	4	853	6	1,482	10
Total	$ 40,479	$ 155	$ 853	$ 6	$ 41,332	$ 161
December 31, 2010						
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal National Mortgage Association	$ 78,564	$ 1,405	$ -	$ -	$ 78,564	$ 1,405
Federal Home Loan Bank	14,769	222	-	-	14,769	222
Federal Home Loan Mortgage Corporation	36,890	608	-	-	36,890	608
Federal Farm Credit Bank	5,036	42	-	-	5,036	42
Total obligations of U.S. government corporations and government sponsored enterprises	135,259	2,277	-	-	135,259	2,277
Obligations of state and political institutions-New York Bank Qualified	94,309	4,103	2,277	278	96,586	4,381
Total	$ 229,568	$ 6,380	$ 2,277	$ 278	$ 231,845	$ 6,658

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The following table presents information regarding single-issuer, trust preferred securities at September 30, 2011:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes *	NA	$ 982	$ 1,025	$ 43
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes *	NA	126	127	1
BAC Capital Trust II, 7.00%, due 2/01/2032	Yes *	BB+	300	248	(52)
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes *	BB+	1,507	1,440	(67)
Citigroup Capital VIII, 6.95%, due 9/15/2031	Yes *	BB+	246	235	(11)
Citigroup Capital IX, 6.00%, due 2/14/2033	Yes *	BB+	2,879	2,588	(291)
Citigroup Capital X, 6.10%, due 9/30/2033	Yes *	BB+	243	215	(28)
Fleet Capital Trust VIII, 7.20%, due 3/15/2032, owned by Bank of America Corporation	No Yes *	BB+	502	416	(86)
First Tennessee Capital II, 6.30%, due 4/15/2034	Yes *	B+	988	790	(198)
Goldman Sachs Capital I, 6.345%, due 2/15/2034	Yes *	BBB-	5,937	5,433	(504)
Keycorp Capital II, 6.875%, due 3/17/2029	Yes *	BB	93	92	(1)
Keycorp Capital VII, 5.70%, due 6/15/2035	Yes *	BB	955	1,007	52
Morgan Stanley Capital Trust III, 6.25%, due 3/01/2033	Yes *	BB+	940	828	(112)
JP Morgan Chase Capital XI, 5.875%, due 6/15/2033	Yes *	BBB+	1,523	1,518	(5)
JP Morgan Chase Capital XV, 5.875%, due 3/15/2035	Yes *	BBB+	2,195	2,122	(73)
JP Morgan Chase Capital XVII, 5.85%, due 8/01/2035	Yes *	BBB+	2,244	2,260	16
PNC Capital Trust D, 6.125%, due 12/15/2033	Yes *	BBB	1,390	1,410	20
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes *	BBB-	22	22	-
Wells Fargo Capital Trust VII, 5.85%, due 5/01/2033	Yes *	A-	374	379	5
Wells Fargo Capital Trust VIII, 5.625%, due 8/01/2033	Yes *	A-	367	382	15
Wells Fargo Capital IX, 5.625%, due 4/08/2034	Yes *	A-	4,084	4,101	17
			$ 27,897	$ 26,638	$ (1,259)

* TARP obligation was repaid prior to September 30, 2011.

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

At September 30, 2011, approximately $112.9 million, representing approximately 14.5% of the Company s held to maturity and available for sale securities are comprised of securities issued by financial service companies/banks including single-issuer trust preferred securities (21 issuers), corporate debt (23 issuers) and equity securities (5 issuers). These investments may pose a higher risk of future impairment charges as a result of possible further deterioration of the U.S. economy. The Company would be required to recognize impairment charges on these securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators or unanticipated changes in the competitive environment could have a negative effect on the Company s investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

At September 30, 2011, the Company held 1 security position of single-issuer, trust preferred securities issued by a financial institution, in the available for sale portfolio, that was in an unrealized loss position for more than 12 months and is paying in accordance with their terms and has no deferrals of interest or other deferrals. In addition, management analyzes the performance of the issuer on a periodic basis, including a review of the issuer s most recent bank regulatory reports and other public regulatory disclosures, to assess credit risk and the probability of impairment of the contractual cash flows of the applicable securities. Based upon management s third quarter review, the issuer has maintained performance levels adequate to support the contractual cash flows of the securities.

At September 30, 2011, the Company held 4 issues of obligations of state and political institutions, in the held to maturity portfolio, that were in an unrealized loss position for more than 12 months. All of these securities were rated A at issuance and carry private insurance which guarantees principal and interest payments. Management has concluded that the unrealized losses are due to changes in market interest rates and/or changes in securities markets which resulted from temporary illiquidity and/or uncertainty in those markets. Further, management has made an evaluation that it has the intent to hold these securities until maturity and it is not more likely than not that the Company would be required to sell before anticipated recovery. As a result, the unrealized losses are deemed to be temporary.

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The following tables present information regarding securities available for sale and securities held to maturity at September 30, 2011, based on contractual maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Available for sale	Amortized Cost	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal Home Loan Mortgage Corporation)	$ 28,736	$ 29,191
CMOs (Government National Mortgage Association)	6,086	6,097
Federal National Mortgage Association	9,825	10,072
Federal Home Loan Mortgage Corporation	39	40
Government National Mortgage Association	100	101
Total residential mortgage-backed securities	44,786	45,501
Agency notes		
Federal Home Loan Bank		
Due after 5 years but within 10 years	10,000	10,012
Federal Home Loan Mortgage Corporation		
Due after 5 years but within 10 years	9,995	10,010
Total obligations of U.S. government corporations and government sponsored enterprises	64,781	65,523
Obligations of state and political institutions - New York Bank Qualified		
Due within 1 year	1,974	1,998
Due after 1 year but within 5 years	1,231	1,286
Due after 5 years but within 10 years	3,895	4,190
Due after 10 years	14,423	15,262
Total obligations of state and political institutions-New York Bank Qualified	21,523	22,736
Single-issuer, trust preferred securities		
Due after 10 years	27,897	26,638
Corporate debt securities		
Due within 6 months	50,001	49,843
Due after 6 months but within 1 year	49,887	49,220
Due after 1 year but within 2 years	58,448	57,115
Due after 2 years but within 5 years	50,405	47,895
Total corporate debt securities	208,741	204,073
Other securities	5,039	5,117
Total	$ 327,981	$ 324,087

STERLING BANCORP AND SUBSIDIARIES
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Held to maturity	Carrying Value	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal National Mortgage Association)	$ 4,700	$ 4,943
CMOs (Federal Home Loan Mortgage Corporation)	7,844	8,253
Federal National Mortgage Association	53,199	57,143
Federal Home Loan Mortgage Corporation	27,918	29,823
Government National Mortgage Association	4,324	4,925
Total residential mortgage-backed securities	97,985	105,087
Agency notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	29,999	30,155
Due after 5 years but within 10 years	34,984	35,040
Due after 10 years	25,000	24,877
Federal Home Loan Bank		
Due after 1 year but within 5 years	39,994	40,007
Due after 5 years but within 10 years	20,000	20,015
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	55,000	55,009
Due after 5 years but within 10 years	14,998	15,008
Total obligations of U.S. government corporations and government sponsored enterprises	317,960	325,198
Obligations of state and political institutions - New York Bank Qualified		
Due after 5 years but within 10 years	1,726	1,855
Due after 10 years	134,039	141,561
Total obligations of state and political institutions-New York Bank Qualified	135,765	143,416
Total	$ 453,725	$ 468,614

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Sales				
Proceeds	$ 52,890	$ 46,692	$ 134,964	$ 146,496
Gross gains	304	729	1,409	3,208
Gross losses	-	-	-	-
Calls				
Proceeds	26,206	87,227	84,137	254,223
Gross gains	43	117	116	131
Gross losses	-	3	-	288

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Calls				
Proceeds	$ 137,500	$ 65,500	$ 197,500	$ 132,380
Gross gains	73	328	80	368
Gross losses	-	-	76	-

There were no sales or transfers of held to maturity securities during the nine-month periods ended September 30, 2011 or September 30, 2010.

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Note 3. Loans and allowance for loan losses

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

	September 30, 2011	December 31, 2010
Loans held for sale, net of valuation reserve ($-0- at September 30, 2011 and $113 at December 31, 2010)		
Real estate residential mortgage	$ 22,874	$ 32,049
Loans held in portfolio, net of unearned discounts		
Commercial and industrial	642,533	620,136
Equipment financing receivables	165,506	161,054
Factored receivables	208,060	162,070
Real estate residential mortgage	156,295	127,695
Real estate commercial mortgage	95,408	96,991
Real estate construction and land development	13,633	25,624
Loans to individuals	10,799	11,370
Loans to depository institutions	85	15,425
Loans to nondepository financial institutions	189,803	112,882
Loans held in portfolio, gross	1,482,122	1,333,247
Less unearned discounts	18,951	19,013
Loans held in portfolio, net of unearned discounts	1,463,171	1,314,234
	$ 1,486,045	$ 1,346,283

At September 30, 2011, the bank had qualified loans, at carrying value of approximately $517.2 million, available to secure borrowings from the FHLB and the FRB. There were no loans pledged at September 30, 2011.

Loan Origination/Risk Management
The Company has lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and non-performing and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

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

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

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

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

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

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

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

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

Equipment Financing
Sterling engages in direct and indirect lease financing. Direct lease financing is when requests for financing originate with an end user seeking to finance equipment for up to 60 months. Indirect lease finance arises through relationships with equipment financing brokers. In both cases, credit approval is based upon on a full underwriting process that involves the submission of financial and other information, including the applicant s historical performance, cash flow projections and value of equipment, and for customers who are not public entities, Sterling generally obtains the personal guarantees of the principals of the entities.

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

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

Concentrations of Credit
Primarily as a result of its new mortgage warehouse lending product, loans to nondepository credit intermediation companies were $189.8 million, representing 12.61% of loans, gross. There are no other industry concentrations exceeding 10% of loans, gross. Approximately 67.9% of loans are to borrowers located in the New York metropolitan area. A further deterioration in economic conditions within the region, including a decline in real estate values, higher unemployment and other factors which could adversely impact small and mid-sized businesses, could have a significant adverse impact on the quality of the Company s loan portfolio. In addition, a decline in real estate values and higher unemployment within the mid-Atlantic region and North Carolina could adversely impact the Company s residential real estate loan portfolio.

Approximately 20.9% or $20.1 million and 19.9% or $19.3 million of the Company s net interest income and noninterest income are related to real estate lending for the nine months ended September 30, 2011 and 2010, respectively. Real estate prices in the U.S. market decreased during 2010 and have continued to decrease in 2011. Continuing declines in real estate values could necessitate charge-offs in our mortgage loan portfolio that may impact our operating results. In addition, a sustained period of declining real estate values combined with the continued turbulence in the financial and credit markets would continue to limit our mortgage-related revenues.

As of September 30, 2011, approximately 64.4% of the Company s loan portfolio consisted of commercial and industrial, factored receivables, construction and commercial real estate loans. Because the Company s loan portfolio contains a number of commercial and industrial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans.

Related Party Loans
Loans are made to officers or directors (including their immediate families) of the Company or for the benefit of corporations in which they have a beneficial interest subject to applicable regulations. There were no outstanding balances on such loans in excess of $60 thousand to any individual or entity at September 30, 2011 or 2010.

Nonperforming Loans
Nonaccrual loans are those on which the accrual of interest has ceased. Loans, including loans that are individually identified as being impaired under FASB Codification Topic 310: *Receivables*, are generally placed on nonaccrual status immediately if, in the opinion of management, principal or interest is not likely to be paid in accordance with the terms of the loan agreement, or when principal or interest is past due 90 days or more and collateral, if any, is insufficient to cover principal and interest.

Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Interest income is recognized on nonaccrual loans only to the extent received in cash. Where there is doubt regarding the ultimate collectibility of the loan principal, cash receipts, whether designated as principal or interest, are thereafter applied to reduce the carrying value of the loan. Loans are restored to accrual status when interest and principal payments are brought current and future payments are reasonably assured.

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

	September 30, 2011	December 31, 2010
Commercial & industrial	$ 668	$ 1,014
Equipment financing receivables	270	892
Factored receivables	-	-
Real estate residential mortgage	1,560	1,614
Real estate commercial mortgage	3,124	3,124
Real estate construction and land development	-	-
Loans to individuals	5	-
Total nonaccrual loans	$ 5,627	$ 6,644

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

September 30, 2011	30 59 Days Past Due	60 89 Days Past Due	90 & Over Past Due	Total Past Due	Current	Total Loans	MEMO 90 & Over and Still Accruing
Commercial and industrial	$ 17,526	$ 4,212	$ 674	$ 22,412	$ 617,777	$ 640,189	$ 6
Equipment financing receivables	947	228	270	1,445	147,867	149,312	-
Factored receivables	2,325	264	426	3,015	204,632	207,647	426
Real estate residential mortgage portfolio	1,332	910	1,560	3,802	152,493	156,295	-
Real estate commercial mortgage	-	-	3,124	3,124	92,284	95,408	-
Real estate construction and land development	-	-	-	-	13,633	13,633	-
Loans to individuals	23	25	5	53	10,746	10,799	-
Loans to depository institutions	-	-	-	-	85	85	-
Loans to nondepository financial institutions	-	-	-	-	189,803	189,803	-
Total loans, net of unearned discount	$ 22,153	$ 5,639	$ 6,059	$ 33,851	$ 1,429,320	$ 1,463,171	$ 432
December 31, 2010							
Commercial and industrial	$ 16,899	$ 4,693	$ 1,015	$ 22,607	$ 595,616	$ 618,223	$ 1
Equipment financing receivables	1,399	579	958	2,936	141,299	144,235	66
Factored receivables	3,321	662	247	4,230	157,559	161,789	247
Real estate residential mortgage portfolio	3,297	2,515	1,614	7,426	120,269	127,695	-
Real estate commercial mortgage	9,626	-	3,124	12,750	84,241	96,991	-
Real estate construction and land development	-	-	-	-	25,624	25,624	-
Loans to individuals	52	-	-	52	11,318	11,370	-
Loans to depository institutions	-	-	-	-	15,425	15,425	-
Loans to nondepository financial institutions	-	-	-	-	112,882	112,882	-
Total loans, net of unearned discount	$ 34,594	$ 8,449	$ 6,958	$ 50,001	$ 1,264,233	$ 1,314,234	$ 314

Impaired Loans

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

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

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

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable.

September 30, 2011	Recorded Investment in Impaired Loans	Principal Balance With No Allowance	Unpaid Principal Balance With Allowance	Related Allowance	Average [1] Recorded Investment in Impaired Loans	Interest Income Recognized on Impaired Loans
Commercial and industrial	$ 2,651	$ -	$ 4,476	$ 412	$ 2,507	$ 76
Equipment financing receivables	165	-	165	17	249	38
Factored receivables	-	-	-	-	-	-
Real estate residential mortgage	4,984	-	5,173	1,192	4,790	248
Real estate commercial mortgage	3,124	-	3,124	1,113	3,124	-
Real estate construction and land development	-	-	-	-	-	-
Loans to individuals	-	-	-	-	-	-
Loans to depository institutions	-	-	-	-	-	-
Loans to nondepository financial institutions	-	-	-	-	-	-
Total	$ 10,924	$ -	$ 12,938	$ 2,734	$ 10,670	$ 362
December 31, 2010						
Commercial and industrial	$ 2,236	$ 584	$ 4,243	$ 605	$ 1,598	
Equipment financing receivables	414	-	414	33	1,095	
Factored receivables	-	-	-	-	-	
Real estate residential mortgage	4,904	-	4,990	1,104	3,681	
Real estate commercial mortgage	3,124	-	3,124	1,100	1,725	
Real estate construction and land development	-	-	-	-	-	
Loans to individuals	-	-	-	-	-	
Loans to depository institutions	-	-	-	-	-	
Loans to nondepository financial institutions	-	-	-	-	-	
Total	$ 10,678	$ 584	$ 12,771	$ 2,842	$ 8,099	

[1] Year-to-date

The average recorded investment and interest income recognized on impaired loans for the three months ended September 30, 2011 amounted to $10.9 million (Commercial and industrial $2.8 million, equipment financing receivables $0.2 million, real estate-residential mortgage $4.8 million and real estate-commercial mortgage $3.1 million) and $163 thousand (Commercial and industrial $36 thousand, equipment financing receivables $32 thousand, real estate-residential mortgage $95 thousand and real estate-commercial mortgage $-0- thousand), respectively.

The Company had troubled debt restructured loans (TDRs) totaling $6.7 million as of September 30, 2011. The Company has allocated $1.2 million and $1.1 million of specific reserves to customers with equipment financing receivables and residential real estate loans whose loan terms have been modified in troubled debt restructurings as of September 30, 2011 and December 31, 2010. The Company has no commitments

to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

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During the three and nine months ending September 30, 2011, the terms of certain residential real estate loans were modified as troubled debt restructurings. The modification of terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. No lease financing receivables were modified during the nine months ending September 30, 2011.

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

The troubled debt restructurings described above increased the allowance for loan losses by $136 thousand and $317 thousand for the three months and nine months ending September 30, 2011 and resulted in charge-offs of $29 thousand during both the three months and nine months ending September 30, 2011.

During the three months and nine months ending September 30, 2011, 7 residential real estate loans with a recorded investment of $0.9 million and 13 residential real estate loans with a recorded investment of $2.0 million, respectively, had a payment default, while no lease financing receivables had a payment default. A loan is considered to be in payment default once it is 60 days contractually past due under the modified terms.

Credit Quality Indicators

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

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

For homogeneous loan pools, such as residential mortgages, leases and consumer loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Company s personnel and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at September 30, 2011 is included in the aging of the recorded investment of past due loans table above. In addition, the total nonperforming portion of these homogeneous loan pools at September 30, 2011 is presented in the recorded investment in nonaccrual loans table above.

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

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

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

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

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

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

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

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

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

	September 30, 2011		December 31, 2010	
	Weighted Average Risk Grade	Loans	Weighted Average Risk Grade	Loans
Commercial and industrial				
Risk grades 1-4	3.23	$ 616,382	3.29	609,991
Risk grade 5	5.00	9,742	5.00	4,782
Risk grade 6	6.00	10,366	-	-
Risk grade 7	7.00	3,699	7.00	3,450
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.33	$ 640,189	3.32	$ 618,223
Equipment financing receivables				
Risk grade 1-4	3.91	$ 149,042	3.98	$ 143,335
Risk grade 5	-	-	-	-
Risk grade 6	-	-	-	-
Risk grade 7	7.00	270	7.00	900
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.92	$ 149,312	4.00	$ 144,235
Factored receivables				
Risk grade 1-4	2.75	$ 205,527	2.77	$ 161,789
Risk grade 5	5.00	2,120	-	-
Risk grade 6	-	-	-	-
Risk grade 7	-	-	-	-
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	2.78	$ 207,647	2.77	$ 161,789
Loans to nondepository financial institutions				
Risk grade 1-4	3.09	$ 189,700	3.06	$ 112,882
Risk grade 5	-	-	-	-
Risk grade 6	-	-	-	-
Risk grade 7	7.00	103	-	-
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.09	$ 189,803	3.06	$ 112,882
Real estate-residential mortgage				
Risk grade 1-4	3.15	$ 154,736	3.11	$ 126,305
Risk grade 5	-	-	-	-
Risk grade 6	-	-	-	-
Risk grade 7	7.00	1,559	7.00	1,390
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.18	$ 156,295	3.15	$ 127,695

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Allowance for Loan Losses

The allowance reflects management s best estimate of probable losses within the existing loan portfolio and of the risk inherent in various components of the loan portfolio. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risk inherent in the loan portfolio. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged-off amounts are credited to the allowance for loan losses.

The Company s allowance for loan loss methodology is based on guidance provided by the Interagency Policy Statement on the Allowance for Loan and Lease Losses issued by the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration and the Office of Thrift Supervision in December 2006 and includes an allowance allocation calculated in accordance with U.S. GAAP guidance in FASB Codification Topic 310: *Receivables* and allowance allocations calculated in accordance with FASB Codification Topic 450: *Contingencies*. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions.

The level of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated to specific credits; however, the entire allowance is available for any credit that, in management s judgment, should be charged-off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company s control, including, among other things, the performance of the Company s loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

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

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

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the portion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are periodically updated based on actual charge-off experience. A historical valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio and the total dollar amount of the loans in the pool. During 2010, the Company revised its historical loss ratio calculation to reflect a five-year history from a ten-year history to reflect the current loss experience.

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

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

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

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

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

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

Factors considered in determining whether collection efforts are no longer productive include any amounts currently being collected, the status of discussions or negotiations with the lessee/borrower, the principal and/or guarantors, the cost of continuing efforts to collect, the status of any foreclosure or other legal actions, the value of the collateral, and any other pertinent factors.

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

Three Months Ended September 30, 2011	Balance, Beginning of Period	Charge-Offs[1]	Recoveries	Net Charge-Offs[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	$ 7,507	$ 632	$ 47	$ 585	$ 835	$ 7,757
Equipment financing receivables	3,334	1,175	298	877	1,005	3,462
Factored receivables	1,360	70	40	30	393	1,723
Real estate residential mortgage (portfolio)	2,792	497[1]	1	496	834	3,130
Real estate commercial mortgage	2,326	-	-	-	(16)	2,310
Real estate construction and land development	281	-	-	-	(110)	171
Loans to individuals	104	-	-	-	(2)	102
Loans to depository institutions	9	-	-	-	(9)	-
Loans to nondepository finanical institutions	712	-	-	-	47	759
Unallocated	110	-	-	-	23	133
Total	$ 18,535	$ 2,374	$ 386	$ 1,988	$ 3,000	$ 19,547

Nine Months Ended September 30, 2011	Balance, Beginning of Period	Charge-Offs[1]	Recoveries	Net Charge-Offs[1]	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	$ 7,454	$ 1,520	$ 77	$ 1,443	$ 1,746	$ 7,757
Equipment financing receivables	3,423	7,280	1,994	5,286	5,325	3,462
Factored receivables	1,424	238	72	166	465	1,723
Real estate residential mortgage (portfolio)	2,497	960[1]	164	796	1,429	3,130
Real estate commercial mortgage	2,275	-	-	-	35	2,310
Real estate construction and land development	310	-	-	-	(139)	171
Loans to individuals	119	-	-	-	(17)	102
Loans to depository institutions	46	-	-	-	(46)	-
Loans to nondepository finanical institutions	564	-	-	-	195	759
Unallocated	126	-	-	-	7	133
Total	$ 18,238	$ 9,998	$ 2,307	$ 7,691	$ 9,000	$ 19,547

[1] Includes losses on transfers to OREO

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

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Allowance for loan losses:		
Balance at beginning of period	$ 20,512	$ 19,872
Charge-offs:		
Commercial and industrial	4,065	5,988
Equipment financing receivables	11,379	20,427
Factored receivables	381	620
Real estate residential mortgage	136	234
Real estate commercial mortgage	-	129
Real estate construction and land development	-	-
Loans to individuals	155	218
Total charge-offs	16,116	27,616
Recoveries:		
Commercial and industrial	67	287
Equipment financing receivables	170	453
Factored receivables	18	194
Real estate residential mortgage	-	-
Real estate commercial mortgage	-	-
Real estate construction and land development	-	-
Loans to individuals	-	-
Total recoveries	255	934
Subtract:		
Net charge-offs	15,861	26,682
Provision for loan losses	14,000	25,500
Less loss on transfers to other real estate owned	499	538
Balance at end of period	$ 18,152	$ 18,152

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

	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
September 30, 2011	Individually	Collectively	Total	Individually	Collectively	Total
Commercial and industrial	$ 412	$ 7,345	$ 7,757	$ 2,651	$ 637,538	$ 640,189
Equipment financing receivables	17	3,445	3,462	165	149,147	149,312
Factored receivables	-	1,723	1,723	-	207,647	207,647
Real estate residential mortgage (portfolio)	1,192	1,938	3,130	4,984	151,311	156,295
Real estate commercial mortgage	1,113	1,197	2,310	3,124	92,284	95,408
Real estate construction and land development	-	171	171	-	13,633	13,633
Loans to individuals	-	102	102	-	10,799	10,799
Loans to depository institutions	-	-	-	-	85	85
Loans to nondepository financial institutions	-	759	759	-	189,803	189,803
Unallocated	-	133	133	-	-	-
Total	$ 2,734	$ 16,813	$ 19,547	$ 10,924	$ 1,452,247	$ 1,463,171

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	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
December 31, 2010	Individually	Collectively	Total	Individually	Collectively	Total
Commercial and industrial	$ 605	$ 6,849	$ 7,454	$ 2,236	$ 615,987	$ 618,223
Equipment financing receivables	33	3,390	3,423	414	143,821	144,235
Factored receivables	-	1,424	1,424	-	161,789	161,789
Real estate residential mortgage (portfolio)	1,104	1,393	2,497	4,904	122,791	127,695
Real estate commercial mortgage	1,100	1,175	2,275	3,124	93,867	96,991
Real estate construction and land development	-	310	310	-	25,624	25,624
Loans to individuals	-	119	119	-	11,370	11,370
Loans to depository institutions	-	46	46	-	15,425	15,425
Loans to nondepository financial institutions	-	564	564	-	112,882	112,882
Unallocated	-	126	126	-	-	-
Total	$ 2,842	$ 15,396	$ 18,238	$ 10,678	$ 1,303,556	$ 1,314,234

Note 4. Federal Home Loan Bank Advances

During the 2011 first quarter, the bank restructured a portion of its Federal Home Loan Bank fixed rate advances by repaying $100 million of existing borrowings and replacing them with $100 million of lower cost, floating rate advances. This transaction resulted in $4.2 million in prepayment penalties that were deferred and will be recognized in interest expense as an adjustment to the cost of these borrowings in future periods. The existing borrowings were a combination of fixed rate and amortizing advances with an average cost of 2.58% and an average duration of 3.2 years. The new borrowings were all floating-rate advances with a current average cost of 1.54%, including the deferred adjustment, with an average duration of three months. The relevant accounting treatment for this transaction was provided in ASC 470-50. This transaction was executed as an earnings and interest rate risk strategy, resulting in lower FHLB advance costs and a reduction of average duration.

Note 5. Preferred Stock

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

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

Note 6. Common Shares and Stock Incentive Plan

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

On March 24, 2011, the Board of Directors, upon recommendation by the Compensation and Corporate Governance Committees, granted a total of 20,000 shares of restricted stock to the eight non-management directors (director restricted shares) and 41,565 restricted shares to the Chairman, President and five Executive Vice Presidents (officer restricted shares). The director restricted shares will vest 25% annually over four years beginning on the first anniversary of the grant date. The officer restricted shares vest 50% on the second anniversary of the grant date and 25% on each of the third and fourth anniversaries of the grant date and had been limited by the 2008 agreement between the Company and the U.S. Treasury until the Preferred Shares were redeemed on April 27, 2011. The director restricted shares and the officer restricted shares were issued at $9.71 per share, the closing price on the date of the grant. The agreements for both the director restricted shares and the officer

restricted shares have additional provisions regarding transferability and accelerated vesting of the shares and the continuation of performing substantial services for the Company.

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Note 7. Other noninterest income and expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
OTHER NONINTEREST INCOME				
Trade finance income	$ 607	$ 657	$ 1,735	$ 1,650
Other customer related fees	287	298	708	665
Trust fees	-	81	53	247
Income from life insurance policies	288	290	860	850
(Loss) Gain on other real estate owned	(5)	(11)	-	17
Other income	350	54	1,327	888
Total other noninterest income	$ 1,527	$ 1,369	$ 4,683	$ 4,317
OTHER NONINTEREST EXPENSES				
Advertising and marketing	$ 781	$ 816	$ 2,079	$ 2,500
Communications	430	392	1,314	1,302
Other expenses	2,942	3,074	7,609	7,643
Total other noninterest expenses	$ 4,153	$ 4,282	$ 11,002	$ 11,445

Note 8. Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Service Cost	$ 529	$ 494	$ 1,618	$ 1,632
Interest Cost	1,072	914	2,861	2,811
Expected return on plan assets	(881)	(721)	(2,424)	(2,299)
Amortization of prior service cost	16	17	48	50
Recognized actuarial loss	879	650	2,280	2,181
Net periodic benefit cost	$ 1,615	$ 1,354	$ 4,383	$ 4,375

The Company contributed $2.0 million to the defined benefit pension plan in 2011.

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Note 9. Income Taxes

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

Note 10. Segment Reporting

The Company provides a broad range of financial products and services, including commercial loans, asset-based financing, mortgage warehouse lending, factoring and accounts receivable management services, trade financing, equipment leasing, commercial and residential mortgage lending and brokerage, and corporate and consumer deposit 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 2011 year-to-date average interest-earning assets were 59.2% loans (corporate lending was 75.2% and real estate lending was 21.7% of total loans, respectively) and 40.4% investment securities and money market investments. Approximately 67.9% of loans are to borrowers located in the New York metropolitan area. In order to comply with the segment reporting guidance under U.S. GAAP, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

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

	Corporate Lending	Real Estate Lending	Company-wide Treasury	Totals
	(in thousands)			
Three Months Ended September 30, 2011				
Net interest income	$ 11,162	$ 5,287	$ 5,195	$ 21,644
Noninterest income	8,763	1,610	1,033	11,406
Depreciation and amortization	262	50	1	313
Segment income before income taxes	8,686	4,288	5,957	18,931
Segment assets	1,035,782	501,033	1,055,627	2,592,442
Three Months Ended September 30, 2010				
Net interest income	$ 10,630	$ 4,824	$ 5,199	$ 20,653
Noninterest income	8,971	2,486	1,473	12,930
Depreciation and amortization	178	28	-	206
Segment income before income taxes	7,849	3,284	6,281	17,414
Segment assets	935,960	397,953	919,790	2,253,703
Nine Months Ended September 30, 2011				
Net interest income	$ 31,273	$ 14,699	$ 15,569	$ 61,541
Noninterest income	24,658	5,400	3,510	33,568
Depreciation and amortization	654	98	3	755
Segment income before income taxes	21,290	11,707	18,289	51,286
Segment assets	1,035,782	501,033	1,055,627	2,592,442
Nine Months Ended September 30, 2010				
Net interest income	$ 29,480	$ 13,364	$ 17,805	$ 60,649
Noninterest income	24,625	5,936	4,583	35,144
Depreciation and amortization	532	86	2	620
Segment income before income taxes	21,891	10,303	21,260	53,454
Segment assets	935,960	397,953	919,790	2,253,703

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Net interest income:				
Total for reportable operating segments	$ 21,644	$ 20,653	$ 61,541	$ 60,649
Other [1]	228	222	677	659
Consolidated net interest income	$ 21,872	$ 20,875	$ 62,218	$ 61,308
Noninterest income:				
Total for reportable operating segments	$ 11,406	$ 12,930	$ 33,568	$ 35,144
Other [1]	53	128	201	377
Consolidated noninterest income	$ 11,459	$ 13,058	$ 33,769	$ 35,521
Income before taxes:				
Total for reportable operating segments	$ 18,931	$ 17,414	$ 51,286	$ 53,454
Other [1]	(12,370)	(21,234)	(33,968)	(49,353)
Consolidated income before income taxes	$ 6,561	$ (3,820)	$ 17,318	$ 4,101
Assets:				

Total for reportable operating segments	$ 2,592,442	$ 2,253,703	$ 2,592,442	$ 2,253,703
Other [1]	64,533	49,774	64,533	49,774
Consolidated assets	$ 2,656,975	$ 2,303,477	$ 2,656,975	$ 2,303,477

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

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Note 11. Other Comprehensive (Loss) Income

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Other Comprehensive (Loss) Income Unrealized holding (losses) gains on securities available for sale and other investments, arising the during the period:				
Before tax	$ (4,698)	$ 1,686	$ (2,303)	$ 5,640
Tax effect	2,132	(765)	1,045	(2,559)
Net of tax	(2,566)	921	(1,258)	3,081
Reclassification adjustment for securities gains included in net income:				
Before tax	(420)	(1,168)	(1,529)	(3,416)
Tax effect	191	530	694	1,550
Net of tax	(229)	(638)	(835)	(1,866)
Reclassification adjustment for amortization of prior service cost:				
Before tax	16	17	48	50
Tax effect	(7)	(8)	(22)	(23)
Net of tax	9	9	26	27
Reclassification adjustment for amortization of net actuarial losses:				
Before tax	892	650	2,317	2,181
Tax effect	(405)	(296)	(1,051)	(990)
Net of tax	487	354	1,266	1,191
Other comprehensive (loss) income	$ (2,299)	$ 646	$ (801)	$ 2,433

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Note 12. Fair Value Measurements

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

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

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Examples of financial instruments generally included in this level are U.S. Treasury securities, equity and trust preferred securities that trade in active markets and listed derivative instruments.

Level 2 Inputs - Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means. Examples of financial instruments generally included in this level are corporate debt, mortgage-backed certificates issued by U.S. government corporations and government sponsored enterprises, equity securities that trade in less active markets and certain derivative instruments.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity s own judgments about the assumptions that market participants would use in pricing the assets or liabilities. Examples of financial instruments generally included in this level are private equities, certain loans held for sale and other alternative investments.

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

Securities available for sale and other investments. Securities classified as available for sale and other investments (included in Other assets on the Consolidated Balance Sheet) are generally reported at fair value utilizing level 1 and level 2 inputs. Investments in fixed income securities, exclusive of preferred stock and mortgage-backed securities, are valued based on evaluations provided by Interactive Data Corporation (IDC), a leading global provider of market data information. IDC evaluations represent an exit price or their opinion as to what a buyer would pay for a security, typically in an institutional round lot position in a current sale. IDC seeks to utilize market data and observations in its evaluation service, and gives priority to observable benchmark yields and reported trades. IDC utilizes evaluated pricing techniques that vary by asset class and incorporate available market information; because many fixed income securities do not trade on a daily basis, IDC applies available information through processes such as benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. Model processes such as option-adjusted spread models are used to value securities that have prepayment features. Substantially all securities available for sale evaluated in this manner are deemed to be level 2 valuations.

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For mortgage-backed securities issued by U.S. government corporations and government sponsored enterprises, management considers dealer indicative bids in the valuation process. Indicative bids are estimates of value and do not necessarily represent the price at which the dealer would be willing to transact. Such bids are compared to IDC evaluated prices for reasonableness as well as consistency with observable market conditions. All mortgage-backed securities are deemed to be valued based on level 2 inputs.

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

The following table summarizes financial assets measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value. There were no financial liabilities measured at fair value. There have been no transfers between level 1 and level 2 of the fair value hierarchy.

September 30, 2011	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Securities available for sale:				
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities	$ -	$ 45,501	$ -	$ 45,501
Agency notes	-	20,022	-	20,022
Total obligations of U.S. government corporations and government sponsored enterprises	-	65,523	-	65,523
Obligations of state and political institutions - New York Bank Qualified	-	22,736	-	22,736
Single-issuer, trust preferred securities	26,638	-	-	26,638
Corporate debt securities	-	204,073	-	204,073
Equity and other securities	5,117	-	-	5,117
Total marketable securities	$ 31,755	$ 292,332	$ -	$ 324,087
Other investments	$ 10,047	$ 12,512	$ -	$ 22,559
December 31, 2010				
Securities available for sale:				
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities	$ -	$ 51,983	$ -	$ 51,983
Agency notes	-	100,122	-	100,122
Total obligations of U.S. government corporations and government sponsored enterprises	-	152,105	-	152,105
Obligations of state and political institutions - New York Bank Qualified	-	40,044	-	40,044
Single-issuer, trust preferred securities	3,933	-	-	3,933
Corporate debt securities	-	189,058	-	189,058
Equity and other securities	4,940	-	-	4,940
Total marketable securities	$ 8,873	$ 381,207	$ -	$ 390,080
Other investments	$ 11,838	$ 6,760	$ -	$ 18,598

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

	September 30, 2011	December 31, 2010
Impaired loans		
Commercial and industrial	$ 1,292	$ 1,344
Commercial real estate	2,011	2,024
Other real estate owned, net	1,929	182

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

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

Impaired loans at fair value had a recorded investment of $4.5 million, net of a specific allocation of the allowance for loan losses of $1.2 million, at September 30, 2011. Two of the impaired loans are commercial real estate loans and one is a commercial and industrial loan. The fair value of these loans is estimated using level 3 inputs. For the first nine months of 2011, the Company recognized no charge-offs in the allowance related to impaired loans.

Other real estate owned (comprised of foreclosed assets), which is measured at the lower of carrying or fair value less costs to sell, had a net carrying amount of $1.9 million at September 30, 2011. Certain of these assets, upon initial recognition, were re-measured and reported at fair value through a charge-off to the allowance for loan losses based upon the fair value of the foreclosed asset. The fair value of a foreclosed asset, upon initial recognition, is estimated using level 2 inputs based on observable market data or level 3 inputs based on customized discount criteria. For the nine months ended September 30, 2011, the Company recognized $25 thousand of charge-offs in connection with the measurement and initial recognition of foreclosed assets; for the year ended December 31, 2010, the Company recognized $538 thousand. Other than foreclosed assets measured at fair value upon initial recognition, four properties were re-measured at fair value during the nine months ended September 30, 2011, resulting in a $108 thousand charge to noninterest expense; two properties were re-measured at fair value during the year ended December 31, 2010, resulting in a $233 thousand charge to noninterest expense.

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

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

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

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

Financial Instruments with Carrying Amounts Equal to Fair Value
The carrying amounts for cash and due from banks, interest-bearing deposits with other banks, customers liability under acceptances, accrued interest receivable, Federal funds purchased, securities sold under agreements to repurchase, commercial paper, other short-term borrowings, acceptances outstanding, and accrued interest payable, as a result of their short-term nature, are considered to approximate fair value.

Investment Securities
The methods, factors and significant assumptions used to estimate fair values of all securities are described more fully beginning on page 36.

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

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

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

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

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

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

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

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and due from banks	$ 32,418	$ 32,418	$ 26,824	$ 26,824
Interest-bearing deposits with other banks	186,632	186,632	40,503	40,503
Investment securities	777,812	792,701	789,315	790,533
Loans net	1,466,498	1,477,300	1,328,045	1,332,673
Customers liability under acceptances	122	122	-	-
Accrued interest receivable	8,640	8,640	8,280	8,280
FINANCIAL LIABILITIES				
Demand, NOW, savings and money market deposits	1,201,299	1,201,299	1,132,497	1,132,497
Time deposits	846,496	848,572	615,267	617,096
Securities sold under agreements to repurchase	48,503	48,503	28,016	28,016
Federal funds purchased	-	-	15,000	15,000
Commercial paper	14,685	14,685	14,388	14,388
Other short-term borrowings	3,041	3,041	3,490	3,490
Acceptances outstanding	122	122	-	-
Accrued interest payable	1,081	1,081	1,314	1,314
Advances-FHLB and long-term borrowings	148,869	149,240	169,947	173,110

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Note 13. New Accounting Standards

Accounting Standards Update (ASU) No. 2010-20, *Receivables (Topic 310) Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses.* ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivables, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a roll-forward of the allowance for credit losses as well as information about modified, impaired, nonaccrual and past due loans and credit quality indicators. This guidance became effective for the Company s financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period were required for the Company s financial statements that include periods beginning on or after January 1, 2011. The effect of adopting this new guidance did not have a material impact on the Company s financial statements.

ASU No. 2010-28, *Intangibles-Goodwill and Other (Topic 350) When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force).* ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The provisions of this guidance were effective for the Company beginning January 1, 2011. The adoption of this guidance did not have a material impact on the Company s financial statements.

ASU No. 2011-02, *Receivables (Topic 310) A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*. ASU 2011-02 clarifies which loan modifications constitute troubled debt restructurings and is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude, under the guidance clarified by ASU 2011-02, that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. ASU 2011-02 was effective for the Company on July 1, 2011, and applies retrospectively to restructurings occurring on or after January 1, 2011. The adoption of this guidance did not have a material impact on the Company s financial statements.

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

ASU No. 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs.* ASU 2011-04 amends Topic 820, Fair Value Measurements and Disclosures, to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company s financial statements.

ASU No. 2011-05, *Comprehensive Income (Topic 220) Presentation of Comprehensive Income.* ASU 2011-05 amends Topic 220, Comprehensive Income, to require that all nonowner changes in stockholders equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders equity was eliminated. ASU 2011-05 is effective for annual periods beginning after December 15, 2011, and is not expected to have a significant impact on the Company s financial statements.

ASU No. 2011-08, *Intangibles-Goodwill and Other (Topic 350) Testing Goodwill for Impairment*. ASU 2011-08 amends Topic 350, *Intangibles-Goodwill and Other,* so that entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit (i.e., step 1 of the goodwill impairment test). If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. The ASU does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. ASU 2011-08 is effective for annual and interim goodwill impairment tests performed beginning after December 15, 2011, with early adoption permitted. The Company will adopt ASU 2011-08 effective with its annual period ending December 31, 2011 and such adoption is not expected to have a material impact on the Company s financial statements.

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

The following commentary presents management s discussion and analysis of the financial condition and results of operations of Sterling Bancorp (the parent company), a financial holding company under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank. Throughout this discussion and analysis, the term the Company refers to Sterling Bancorp and its subsidiaries and the term the bank refers to Sterling National Bank and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data contained elsewhere in this quarterly report and the Company s annual report on Form 10-K for the year ended December 31, 2010 (the 2010 Form 10-K). Certain reclassifications have been made to prior years financial data to conform to current financial statement presentations. Throughout management s discussion and analysis of financial condition and results of operations, dollar amounts in tables are presented in thousands, except per share data.

OVERVIEW

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

For the nine months ended September 30, 2011, the bank s average earning assets represented approximately 98.9% of the Company s average earning assets. Loans represented 59.2% and investment securities represented 38.1% of the bank s average earning assets for the first nine months of 2011.

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

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

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

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

Recent economic conditions during 2011, such as the continuing decrease in real estate values in the principal markets the Company serves and illiquid credit markets, have reduced demands for corporate and real estate lending. If these trends continue, the Company would expect its income from corporate and real estate lending to decrease from the current levels in the near term. In addition, due to the geographic concentration of the Company s loan portfolio in the New York metropolitan area, representing approximately 67.9% of total loans at September 30, 2011, an adverse change in market conditions in that geographic area could result in a decrease in our income from corporate and real estate lending. A significant prolonged decrease in income from our lending segments, if realized, may have a severe adverse impact on the operations of the Company.

INCOME STATEMENT ANALYSIS

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company s primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets (net interest margin) is calculated by dividing tax-equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analysis shown beginning on page 59. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown beginning on page 57.

Comparison of the Three Months Ended September 30, 2011 and 2010

The Company reported net income available to common shareholders for the three months ended September 30, 2011 of $4.4 million, representing $0.14 per share calculated on a diluted basis, compared to a loss of $3.3 million, or $0.12 per share calculated on a diluted basis, for the third quarter of 2010. The increase in net income available to common shareholders was primarily due to a $11.0 million decrease in the provision for loan losses, a $1.0 million increase in net interest income and a $0.7 million decrease in dividend and accretion on the preferred shares, resulting from the repurchase in the second quarter of all of the preferred shares and the warrant issued under the TARP Capital Purchase Program. Those benefits were partially offset by a $1.6 million decrease in noninterest income and a $3.3 million increase in provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, was $22.7 million for the third quarter of 2011 compared to $21.6 million for the corresponding 2010 period. Net interest income benefitted from higher average loan and investment securities balances and lower cost of funding. Those benefits were partially offset by the impact of lower yields on loans and investment securities and higher interest-bearing deposits balances. The net interest margin, on a tax-equivalent basis, was 3.81% for the third quarter of 2011 compared to 4.11% for the corresponding 2010 period. The net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated $26.0 million for the third quarter of 2011, up $0.6 million from the corresponding 2010 period as the benefit of higher average balances more than offset the impact of lower yields. Total interest earning assets increased to $2.4 billion for the third quarter of 2011 compared to $2.1 billion in the prior year period. The tax-equivalent yield on interest-earning assets was 4.38% for the third quarter of 2011 compared to 4.86% for the corresponding 2010 period.

Interest earned on the loan portfolio increased to $19.1 million for the third quarter of 2011 from $18.3 million in the prior year period. Average loan balances amounted to $1,454.0 million for the third quarter of 2011, an increase of $139 million from an average of $1,314.8 million in the prior year period. The increase in average loans, primarily due to the Company s business development activities, accounted for a $2.0 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.37% for the third quarter of 2011 from 5.71% for the corresponding 2010 period, which was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $6.8 million for the third quarter of 2011 from $7.0 million in the corresponding 2010 period. Average outstandings increased to $867.2 million (36.2% of average earning assets) for the third quarter of 2011 from $783.9 million (36.9% of average earning assets) in the third quarter of 2010. The average yield on investment securities decreased to 3.14% for the third quarter of 2011 from 3.59% in the corresponding 2010 period. The increase in balances and the decrease in yields reflect the impact of the Company s asset/liability management strategy designed to shorten the average life of the portfolio to position the Company for rising interest rates in future periods while taking advantage of the current uptick in long-term rates. The short-term part of the strategy was implemented through the sale of available for sale securities, principally mortgage-backed securities and selected obligations of states and political subdivisions, with longer-term average lives offset by the purchase of short-term corporate debt and obligations of U.S. government corporations and government sponsored enterprises. The long-term part of the strategy was implemented through the purchase of obligations of state and political subdivisions with maturities of approximately 15 years.

Total interest expense decreased by $0.5 million for the third quarter of 2011 from $3.8 million for the corresponding 2010 period, primarily due to the impact of lower rates paid for interest-bearing deposits and borrowings, partially offset by the impact of higher interest-bearing deposits.

Interest expense on deposits decreased to $2.2 million for the third quarter of 2011 from $2.3 million for the corresponding 2010 period, due to decreases in the cost of those funds, partially offset by the impact of higher balances. The average rate paid on interest-bearing deposits was 0.62%, which was 19 basis points lower than the prior year period. The decrease in average cost of deposits reflects the impact of deposit pricing strategies and the Company s purchase of certificates of deposit from the Certificate of Deposit Account Registry Service (CDARS) and various listing services which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were $1,417.5 million for the third quarter of 2011 compared to $1,125.3 million for the prior year period, reflecting the impact of the Company s business development activities as well as funds received from CDARS and various listing services.

Interest expense on borrowings decreased to $1.1 million for the third quarter of 2011 from $1.5 million for the corresponding 2010 period, primarily due to lower cost of those funds, partially offset by the impact of the changes in mix. Average borrowings decreased to $231.5 million for the third quarter of 2011 from $316.8 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds. During the 2011 first quarter, the bank restructured a portion of its Federal Home Loan Bank fixed rate advances by repaying $100 million of existing borrowings and replacing them with $100 million of lower cost, floating rate advances. This transaction resulted in $4.2 million in prepayment penalties that were deferred and will be recognized in interest expense as an adjustment to the cost of these borrowings in future periods. The existing borrowings were a combination of fixed rate and amortizing advances with an average cost of 2.58% and an average duration of 3.2 years. The new borrowings are all floating-rate advances with a current average cost of 1.54%, including the deferred adjustment, with an average duration of three months. The relevant accounting treatment for this transaction was provided by ASC 470-50. This transaction was executed as an earnings and interest rate risk strategy, resulting in lower FHLB advance costs and a reduction of average duration. The blended cost of borrowings decreased by 6 basis points to 1.87% from 1.93%.

Provision for Loan Losses

Based on management s continuing evaluation of the loan portfolio (discussed under Asset Quality on page 50), the provision for loan losses for the third quarter of 2011 was $3.0 million, compared to $14.0 million for the prior year period. Factors affecting the lower provision for the third quarter of 2011 included current economic conditions during the quarter and a lower level of net charge-offs and lower nonaccrual loan balances.

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

As of September 30, 2011, the allowance for loan losses increased $1.3 million from $18.2 million at December 31, 2010, primarily due to an increase in the level of special mention and substandard loans partially offset by a lower level of nonaccrual loans, primarily in the equipment finance portfolio.

Noninterest Income

Noninterest income decreased to $11.5 million for the third quarter of 2011 from $13.1 million in the corresponding 2010 period. The decrease principally resulted from lower securities gains. Mortgage banking income decreased due to slightly greater volume of loans sold at higher yields and a change in the mix of products being sold. Securities gains declined and reflected a modification of the asset liability management program commenced in 2009 that was designed to reduce the average life of the investment securities portfolio which was replaced by the strategy that was described under Net Interest Income on page 44. The Company sold approximately $52.6 million of securities with a weighted average life of about 2.1 years. A significant portion of the proceeds was used to fund loan growth.

Noninterest Expense

Noninterest expenses were $23.8 million for the third quarter of 2011, virtually unchanged from the prior year period. Higher compensation expenses, reflecting the Company s continued investment in the franchise, and professional fees were largely offset by reductions in occupancy and equipment costs and deposit insurance premiums.

Provision for Income Taxes

Reflecting an increase in pre-tax income of $10.4 million, the provision for income taxes for the third quarter of 2011 was $2.2 million, reflecting an effective tax rate of 33.4%, compared with a benefit for income taxes of $1.1 million for the third quarter of 2010, reflecting an effective tax rate of 30.0%. The increase in the effective tax rate was primarily due to higher level of pre-tax income in the 2011 period compared to 2010 period.

Comparison of the Nine Months Ended September 30, 2011 and 2010

The Company reported net income available to common shareholders for the nine months ended September 30, 2011 of $10.2 million, representing $0.35 per share calculated on a diluted basis, compared to $0.9 million, or $0.04 per share calculated on a diluted basis, for the prior year period. The increase in net income available to common shareholders was primarily due to a $16.5 million decrease in the provision for loan losses and a $0.9 million increase in net interest income, partially offset by a $2.4 million increase in noninterest expenses, a $3.8 million increase in the provision for income taxes and a $0.1 million increase in dividends and accretion on the preferred shares, the result of the repurchase in the second quarter of all of the preferred shares and the warrant issued under the TARP Capital Purchase Program.

Net Interest Income

Net interest income, on a tax-equivalent basis, was $64.8 million for the first nine months of 2011 compared to $63.1 million for the corresponding 2010 period. Net interest income benefitted from higher average loan and investment securities balances and lower cost of funding. Those benefits were partially offset by the impact of lower yields on loans and investment securities and higher interest-bearing deposits balances. The net interest margin, on a tax-equivalent basis, was 3.90% for the first nine months of 2011 compared to 4.26% for the corresponding 2010 period. The net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated $74.6 million for the first nine months of 2011, down $0.4 million from the corresponding 2010 period as the benefit of higher average balances was more than offset by lower yields. Total interest-earning assets increased to $2,272.0 million for the first nine months of 2011 compared to $2,040.0 million in the prior year period. The tax-equivalent yield on interest-earning assets was 4.49% for the first nine months of 2011 compared to 5.07% for the corresponding 2010 period.

Interest earned on the loan portfolio increased to $53.8 million for the first nine months of 2011 from $51.9 million in the prior year period. Average loan balances amounted to $1,344.9 million for the first nine months of 2011, an increase of $112.9 million from an average of $1,232.0 million in the prior year period. The increase in average loans, primarily due to the Company s business development activities, accounted for a $5.2 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.59% for the first nine months of 2011 from 5.96% for the corresponding 2010 period, which was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $20.5 million for the first nine months of 2011 from $22.8 million in the corresponding 2010 period. Average outstandings increased to $865.1 million (38.1% of average earning assets) for the first nine months of 2011 from $772.4 million (37.9% of average earning assets) in the first nine months of 2010. The average yield on investment securities decreased to 3.16% for the first nine months of 2011 from 3.93% in the 2010 period. The increase in balances and the decrease in yields reflect the impact of the Company s asset/liability management strategy designed to shorten the average life of the portfolio to position the Company for rising interest rates in future periods while taking advantage of the current uptick in long-term rates. The short-term part of the strategy was implemented through the sale of available for sale securities, principally mortgage-backed securities and selected obligations of states and political subdivisions, with longer term average lives offset by the purchase of short-term corporate debt and obligations of U.S. government corporations and government sponsored enterprises. The long-term part of the strategy was implemented through the purchase of obligations of state and political subdivisions with maturities of approximately 15 years.

Total interest expense decreased by $2.1 million for the first nine months of 2011 from $11.9 million for the corresponding 2010 period, primarily due to the impact of lower rates paid for interest-bearing deposits and borrowings, partially offset by the impact of higher interest-bearing deposits.

Interest expense on deposits decreased to $6.4 million for the first nine months of 2011 from $7.4 million for the 2010 period, due to decreases in the cost of those funds, partially offset by the impact of higher balances. The average rate paid on interest-bearing deposits was 0.65%, which was 24 basis points lower than the prior year period. The decrease in average cost of deposits reflects the impact of deposit pricing strategies and the Company s purchase of certificates of deposit from CDARS and various listing services which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were $1,299.6 million for the first nine months of 2011 compared to $1,107.7 million for the prior year period, reflecting the impact of the Company s business development activities as well as the purchase of funds received from CDARS and various listing services.

Interest expense on borrowings decreased to $3.5 million for the first nine months of 2011 from $4.5 million for the corresponding 2010 period, primarily due to lower cost of those funds partially offset by the impact of the changes in mix. Average borrowings decreased to $238.1 million for the first nine months of 2011 from $278.3 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds. During the 2011 first quarter, the bank restructured a portion of its Federal Home Loan Bank fixed rate advances by repaying $100 million of existing borrowings and replacing them with $100 million of lower cost, floating rate advances. This transaction resulted in $4.2 million in prepayment penalties that were deferred and will be recognized in interest expense as an adjustment to the cost of these borrowings in future periods. The existing borrowings were a combination of fixed rate and amortizing advances with an average cost of 2.58% and an average duration of 3.2 years. The new borrowings are all floating-rate advances with a current average cost of 1.54%, including the deferred adjustment, with an average duration of three months. The relevant accounting treatment for this transaction was provided by ASC 470-50. This transaction was executed as an earnings and interest rate risk strategy, resulting in lower FHLB advance costs and a reduction of average duration. The blended cost of borrowings decreased by 21 basis points to 1.95% from 2.16%.

Provision for Loan Losses

Based on management s continuing evaluation of the loan portfolio (discussed under Asset Quality beginning on page 50), the provision for loan losses for the first nine months of 2011 was $9.0 million, compared to $25.5 million for the prior year period. Factors affecting the lower provision for the first nine months of 2011 included current economic conditions during the first nine months of 2011 and a lower level of net charge-offs.

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

As of September 30, 2011, the allowance for loan losses increased $1.3 million from $18.2 million at December 31, 2010, primarily due to an increase in the level of special mention and substandard loans partially offset by a lower level of nonaccrual loans, primarily in the equipment finance portfolio.

Noninterest Income

Noninterest income decreased to $33.8 million for the first nine months of 2011 from $35.5 million in the corresponding 2010 period. The decrease principally resulted from lower securities gains and deposit service charges partially offset by increased accounts receivable management/factoring commissions and other fees. Securities gains declined and reflected a modification of the asset liability management program commenced in 2009 that was designed to reduce the average life of the investment securities portfolio which was replaced by the strategy that was described under Net Interest Income on page 46. The Company sold approximately $133.6 million of securities with a weighted average life of about 2.9 years. The proceeds were used to fund loan growth or were reinvested in obligations of state and political subdivisions and U.S. government agencies with maturities of approximately 18 years and 5 years, respectively, and in short-term corporate securities. Commissions and other fees earned from accounts receivable management and factoring services were higher primarily due to the impact of increased volumes at our factoring unit and billings by clients providing temporary staffing also contributed to the improved level of fee income.

Noninterest Expenses

Noninterest expenses were $69.7 million for the first nine months of 2011 compared to $67.2 million for the prior year period. The increase was principally due to higher personnel and occupancy costs reflecting the Company s continued investment in the franchise. Partially offsetting those increases were reductions in deposit insurance, professional fees and advertising and marketing costs.

Provision for Income Taxes

The provision for income taxes for the first nine months of 2011 increased to $5.1 million, reflecting an effective tax rate of 29.2%, compared with $1.2 million in the corresponding 2010 period, reflecting an effective tax rate of 30.0%. The increase in provision was primarily due to the higher level of pre-tax income in the 2011 period. The decrease in the effective tax rate was primarily related to the higher proportions of tax-exempt income achieved in 2011 compared to the corresponding 2010 period, partially offset by the impact of a higher level of pre-tax income.

BALANCE SHEET ANALYSIS

Securities

At September 30, 2011, the Company s portfolio of securities totaled $777.8 million, of which obligations of U.S. government corporations and government sponsored enterprises amounted to $383.5 million, which is approximately 49.3% of the total. The Company has the intent and ability to hold to maturity securities classified as held to maturity, at which time it will receive full value for these securities. These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The gross unrealized gains and losses on held to maturity securities were $15.1 million and $0.2 million, respectively. Securities classified as available for sale may be sold in the future, prior to maturity. These securities are carried at fair value. Net aggregate unrealized gains or losses on these securities are included, net of taxes, as a component of shareholders equity. Given the generally high credit quality of the portfolio, management expects to realize all of its investments upon market recovery or the maturity of such instruments, and thus believes that any impairment in value is interest rate-related and therefore temporary. Available for sale securities included gross unrealized gains of $2.3 million and gross unrealized losses of $6.1 million. As of September 30, 2011, management does not have the intent to sell any of the securities classified as available for sale in the table on page 9 and management believes that it is more likely than not that the Company will not have to sell any such securities before a recovery of cost.

In connection with an asset-liability management strategy described under Net Interest Income on page 44, during the third quarter 2011 the Company sold approximately $52.6 million of securities with a weighted average life of about 2.1 years. A significant portion of the proceeds was used to fund loan growth.

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

September 30, 2011	Weighted Average Life		Weighted Average Yield	
	AFS	HTM	AFS	HTM
Residential mortgage-backed securities	4.4 Years	3.6 Years	2.59%	4.50%
Agency notes (with original call dates ranging between 3 and 36 months)	0.1 Years	1.9 Years	2.05%	1.38%
Corporate debt securities	1.5 Years	-	2.40%	-%
Obligations of state and political subdivisions New York Bank Qualified	5.6 Years	7.0 Years	5.67%[1]	5.86%[1]

[1] tax equivalent

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

	September 30, 2011		December 31, 2010	
	Balances	% of Total	Balances	% of Total
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	$ 4,700	0.60%	$ 7,504	0.95%
CMOs (Federal Home Loan Mortgage Corporation)	37,035	4.76	47,422	6.01
CMOs (Government National Mortgage Association)	6,097	0.78	7,290	0.92
Federal National Mortgage Association	63,271	8.14	78,822	9.98
Federal Home Loan Mortgage Corporation	27,958	3.59	40,628	5.15
Government National Mortgage Association	4,425	0.57	5,052	0.64
Total residential mortgage-backed securities	143,486	18.44	186,718	23.65
Agency notes				
Federal National Mortgage Association	89,983	11.57	115,133	14.59
Federal Home Loan Bank	70,006	9.00	24,932	3.16
Federal Home Loan Mortgage Corporation	80,008	10.29	92,479	11.72
Federal Farm Credit Bank	-	-	15,109	1.91
Total obligations of U.S. government corporations and government sponsored enterprises	383,483	49.30	434,371	55.03
Obligations of state and political institutions-New York Bank Qualified	158,501	20.38	157,013	19.89
Single-issuer, trust preferred securities	26,638	3.42	3,933	0.50
Corporate debt securities	204,073	26.24	189,058	23.95
Other securities	5,117	0.66	4,940	0.63
Total	$ 777,812	100.00%	$ 789,315	100.00%

Loan Portfolio

A management objective is to maintain the quality of the loan portfolio. The Company seeks to achieve this objective by maintaining rigorous underwriting standards coupled with regular evaluation of the creditworthiness of, and the designation of lending limits for, each borrower. The portfolio strategies include seeking industry and loan size diversification in order to minimize credit exposure and originating loans in markets with which the Company is familiar. Approximately 67.9% of loans are to borrowers located in the New York metropolitan area.

The Company s commercial and industrial loan and factored receivables portfolios represent approximately 57.1% of all loans. Loans in this category are typically made to small- and medium-sized businesses, primarily located in the New York metropolitan area, and range between $250 thousand and $15 million. The Company s real estate mortgage portfolio, which represents approximately 18.5% of all loans, is comprised of mortgages secured by real property located principally in the New York metropolitan area. The Company s leasing portfolio, which consists of finance leases, to lessees primarily located in the New York metropolitan area for various types of business equipment, represents approximately 10.1% of all loans. Primarily as the result of the Company s new mortgage warehouse lending product, loans to nondepository financial institutions, primarily located in the New York metropolitan area, represent 12.8% of all loans. Sources of repayment are the borrower s operating profits, cash flows and liquidation of pledged collateral. Based on underwriting standards, loans may be secured in whole or in part by collateral such as liquid assets, accounts receivable, equipment, inventory and real property. The collateral securing any loan or lease may depend on the type of loan or lease and may vary in value based on market conditions.

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

	September 30,			
	2011		2010	
	Balances	% of Total	Balances	% of Total
Domestic				
Commercial and industrial	$ 640,189	43.08%	$ 658,649	49.52%
Lease financing receivables	149,312	10.05	150,913	11.34
Factored receivables	207,647	13.97	186,206	14.00
Real estate residential mortgage				
Portfolio	156,295	10.52	129,072	9.70
Held for sale	22,874	1.54	34,046	2.56
Real estate commercial mortgage	95,408	6.42	96,022	7.22
Real estate construction and land development	13,633	0.92	25,092	1.89
Loans to individuals	10,799	0.72	12,401	0.93
Loans to depository institutions	85	0.01	-	-
Loans to nondepository financial institutions	189,803	12.77	37,811	2.84
Loans, net of unearned discounts	$ 1,486,045	100.00%	$ 1,330,212	100.00%

Asset Quality

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

While economic conditions continued to improve during the first nine months of 2011, the pace of the recovery slowed in the latter months of the period. In addition, the improvement has not been consistent across sectors of the economy or all regions of the country. Nonaccrual loans decreased by $1.0 million at September 30, 2011 compared to December 31, 2010, primarily reflecting a $0.3 million decrease in nonaccrual commercial and industrial loans and a $0.6 million decrease in nonaccrual equipment financing receivables. Net charge-offs for the first nine months of 2011 were $7.7 million, compared to $26.7 million for the corresponding 2010 period, reflecting lower net charge-offs of $4.3 million in commercial and industrial loans, of $14.7 million in equipment financing receivables, of $0.3 in factored receivables and of $0.1 in commercial mortgage, partially offset by higher net charge-offs of $0.5 in residential real estate. Nevertheless, a worsening of existing economic conditions will likely result in levels of charge-offs and nonaccrual loans that will be higher than those in prior periods.

The following table sets forth the amount of non-performing assets (nonaccrual loans and other real estate owned). Also shown are loans that are past due more than 90 days and are still accruing because they are both well secured or guaranteed by financially responsible third parties and are in the process of collection.

	September 30,	
	2011	2010
Gross loans	$ 1,504,996	$ 1,350,531
Nonaccrual loans		
Commercial and industrial	$ 668	$ 1,093
Lease financing receivables	270	820
Factored receivables	-	-
Real estate-residential mortgage	1,560	1,232
Real estate-commercial mortgage	3,124	3,125
Real estate-construction and land development	-	-
Loans to individuals	5	-
Total nonaccrual loans	5,627	6,270
Other real estate owned	1,929	744
Total non-performing assets	$ 7,556	$ 7,014
Loans past due 90 days or more and still accruing	$ 432	$ 3,162

At September 30, 2011, commercial and industrial nonaccruals represented 0.10% of commercial and industrial loans. There were 3 loans made to small business borrowers located in New York State with balances ranging between approximately $61 thousand and $498 thousand.

At September 30, 2011, lease financing nonaccruals represented 0.16% of lease financing receivables. The lessees of the equipment are located in 7 states. There were 9 leases ranging between approximately $3 thousand and $73 thousand. The value of the underlying collateral related to lease financing nonaccruals varies depending on the type and condition of equipment. While most leases are written on a recourse basis, with personal guarantees of the principals, the current value of the collateral is often less than the lease financing balance. Collection efforts include repossession and/or sale of leased equipment, payment discussions with the lessee, the principal and/or guarantors, and obtaining judgments against the lessee, the principal and/or guarantors. The balance is charged-off when it is determined that collection efforts are no longer productive. Factors considered in determining whether collection efforts are no longer productive include any amounts currently being collected, the status of discussions or negotiations with the lessee, the principal and/or guarantors, the cost of continuing efforts to collect, the status of any foreclosure or other legal actions, the value of the collateral, and any other pertinent factors.

At September 30, 2011, residential real estate nonaccruals represented 1.00% of residential real estate loans held in portfolio. There were 11 loans ranging between approximately $4 thousand and $315 thousand secured by properties located in 3 states.

At September 30, 2011 commercial real estate nonaccruals represented 3.27% of commercial mortgage real estate loans. There were 2 loans for $745 thousand and $2.4 million, respectively, secured by properties located in New York State.

At September 30, 2011, other real estate owned consisted of 6 properties with values of approximately $100 thousand to $555 thousand located in 3 states.

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

At September 30, 2011, the ratio of the allowance to loans held in portfolio, net unearned discounts, was 1.34% and the allowance was $19.5 million. Loans 90 days past due and still accruing amounted to $432 thousand. At such date, the Company s nonaccrual loans amounted to $5.6 million; $4.5 million of such loans were judged to be impaired within the scope of FASB Codification Topic 310, *Receivables*, and had a valuation allowance totalling $1.2 million, which is included within the overall allowance for loan losses. Based on the foregoing, as well as management s judgement as to the current risks inherent in loans held in portfolio, the Company s allowance for loan losses was deemed adequate to absorb all probable losses on specifically known and other credit risks associated with the portfolio as of September 30, 2011. Net losses within loans held in portfolio are not statistically predictable and changes in conditions in the next twelve months could result in future provisions for loan losses different from the provision taken in the first nine months of 2011. Potential problem loans, which are loans that are currently performing under present loan repayment terms but where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of the borrowers to continue to comply with the present repayment terms, aggregated $-0- at September 30, 2011 and 2010, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Average loans held in portfolio, net of unearned discounts, during period	$ 1,425,685	$ 1,271,495	$ 1,319,054	$ 1,199,952
Allowance for loan losses:				
Balance at beginning of period	$ 18,535	$ 20,512	$ 18,238	$ 19,872
Charge-offs:				
Commercial and industrial	632	4,065	1,520	5,988
Lease financing receivables	1,175	11,379	7,280	20,427
Factored receivables	70	381	238	620
Real estate - residential mortgage	477	136	935	234
Real estate - commercial mortgage	-	-	-	129
Real estate - construction and land development	-	-	-	-
Loans to individuals	-	155	-	218
Total charge-offs	2,354	16,116	9,973	27,616
Recoveries:				
Commercial and industrial	47	67	77	287
Lease financing receivables	298	170	1,994	453
Factored receivables	40	18	72	194
Real estate - residential mortgage	1	-	164	-
Real estate - commercial mortgage	-	-	-	-
Real estate - construction and land development	-	-	-	-
Loans to individuals	-	-	-	-
Total recoveries	386	255	2,307	934
Subtract:				
Net charge-offs	1,968	15,861	7,666	26,682
Provision for loan losses	3,000	14,000	9,000	25,500
Less losses on transfers to other real estate owned	20	499	25	538
Balance at end of period	$ 19,547	$ 18,152	$ 19,547	$ 18,152
Ratio of annualized net charge-offs to average loans held in portfolio, net of unearned discounts	0.55%	4.99%	0.77%	2.96%

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

	September 30, 2011		December 31, 2010	
	Amount	% of loans in each category to total loans held in portfolio	Amount	% of loans in each category to total loans held in portfolio
Domestic				
Commercial and industrial	$ 7,757	43.75%	$ 7,454	47.04%
Loans to depository institutions	-	0.01	46	1.17
Loans to nondepository financial institutions	759	12.97	564	8.59
Equipment financing receivables	3,462	10.21	3,423	10.97
Factored receivables	1,723	14.19	1,424	12.31
Real estate - residential mortgage	3,130	10.68	2,497	9.72
Real estate - commercial mortgage	2,310	6.52	2,275	7.38
Real estate - construction and land development	171	0.93	310	1.95
Loans to individuals	102	0.74	119	0.87
Unallocated	133	-	126	-
Total	$ 19,547	100.00%	$ 18,238	100.00%

As of September 30, 2011, the allowance for loan losses increased $1.3 million from$18.2 million at December 31, 2010, primarily due to an increase in the allowance allocated to real estate residential mortgage ($0.6 million), commercial and industrial($0.3 million), factored receivables ($0.3 million) and loans to nondepository financial institutions ($0.2 million), partially offset by a reduction in the allowance allocated to construction and land development ($0.1 million). The allowance allocated to real estate residential mortgage increased due to higher loan balances.

Deposits

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

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

	September 30,			
	2011		2010	
	Balances	% of Total	Balances	% of Total
Domestic				
Demand	$ 594,250	29.02%	$ 539,633	32.79%
NOW	203,560	9.94	193,364	11.75
Savings	18,114	0.88	19,566	1.19
Money Market	385,375	18.82	342,332	20.80
Time deposits	846,496	41.34	550,718	33.47
Total domestic deposits	2,047,795	100.00	1,645,613	100.00
Foreign				
Time deposits	-	-	-	-
Total deposits	$ 2,047,795	100.00%	$ 1,645,613	100.00%

Fluctuations of balances in total or among categories at any date may occur based on the Company s mix of assets and liabilities as well as on customers balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented beginning on page 57.

CAPITAL

The Company and the bank are subject to risk-based capital regulations which quantitatively measure capital against risk-weighted assets, including certain off-balance sheet items. These regulations define the elements of the Tier 1 and Tier 2 components of total capital and establish minimum ratios of 4% for Tier 1 capital and 8% for total capital for capital adequacy purposes. Supplementing these regulations is a leverage requirement. This requirement establishes a minimum leverage ratio (at least 3% or 4%, depending upon an institution s regulatory status) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). Information regarding the Company s and the bank s risk-based capital is presented on page 61. In addition, the bank is subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories, ranging from well capitalized to critically under capitalized. Such classifications are used by regulatory agencies to determine a bank s deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a well capitalized bank must maintain minimum leverage, Tier 1 and total capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the Company. At September 30, 2011, the Company and the bank exceeded the requirements for well capitalized institutions under the tests pursuant to FDICIA and of the Federal Reserve Board.

The bank regulatory agencies have encouraged banking organizations, including healthy, well-run banking organizations, to operate with capital ratios substantially in excess of the stated ratios required to maintain well capitalized status. This has resulted from, among other things, past and current economic conditions, the global financial crisis and the likelihood, as described in the 2010 Form 10-K, of increased formal capital requirements for banking organizations. In light of the foregoing, the Company and the bank expect that they will maintain capital ratios substantially in excess of the well capitalized ratios.

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information regarding recently issued accounting pronouncements and their expected impact on the Company s consolidated financial statements, see Note 13 of the Company s unaudited consolidated financial statements in this quarterly report on Form 10-Q.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, market and monetary fluctuations; geopolitical developments, including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and laws and regulations concerning taxes, banking and securities with which the Company must comply; changes, particularly declines, in general economic conditions and in the local economies in which the Company operates; the financial condition of the Company s borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors products and services for the Company s products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); U.S. and foreign governmental budget deficits (including, with respect to the United States, at federal, state and municipal level) and default by governments on sovereign or other governmental debt; changes in accounting principles, policies and guidelines; the risks and uncertainties described in Risk Factors in the Company s annual report on Form 10-K for the year ended December 31, 2010; other risks and uncertainties detailed from time to time in press releases and other public filings; and the Company s performance in managing the risks involved in any of the foregoing. The foregoing list of important factors is not exclusive, and we will not update any forward-looking statement, whether written or oral, that may be made from time to time.

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

	2011			2010		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-bearing deposits with other banks	$ 66,961	$ 35	0.21%	$ 14,180	$ 10	0.27%
Investment Securities						
Available for sale - taxable	371,174	2,364	2.55	449,055	2,767	2.46
Held to maturity - taxable	337,634	1,978	2.34	198,280	2,172	4.38
Tax-exempt [2]	158,417	2,471	6.24	136,533	2,102	6.16
Total investment securities	867,225	6,813	3.14	783,868	7,041	3.59
FRB and FHLB stock [2]	8,714	75	3.44	8,810	113	5.16
Loans, net of unearned discounts [3]	1,454,029	19,121	5.37	1,314,846	18,275	5.71
TOTAL INTEREST-EARNING ASSETS	2,396,929	26,044	4.38%	2,121,704	25,439	4.86%
Cash and due from banks	38,558			34,635		
Allowance for loan losses	(19,798)			(22,735)		
Goodwill	22,901			22,901		
Other assets	158,255			137,699		
TOTAL ASSETS	$ 2,596,845			$ 2,294,204		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 17,497	2	0.05%	$ 18,505	2	0.05%
NOW	223,566	117	0.21	183,780	67	0.14
Money market	377,777	633	0.67	342,615	677	0.78
Time	798,705	1,470	0.73	580,328	1,545	1.06
Foreign						
Time	-	-	-	117	-	1.10
Total interest-bearing deposits	1,417,545	2,222	0.62	1,125,345	2,291	0.81
Borrowings						
Securities sold under agreements to repurchase - customers	40,340	45	0.44	41,880	49	0.46
Securities sold under agreements to repurchase - dealers	5,002	16	1.30	13,093	23	0.68
Federal funds purchased	13,912	5	0.13	73,533	44	0.23
Commercial paper	14,521	11	0.29	14,424	12	0.30
Short-term borrowings - other	4,195	2	0.10	16,239	14	0.35
Advances - FHLB	127,782	483	1.50	131,823	871	2.62
Long-term borrowings - sub debt	25,774	523	8.38	25,774	523	8.38
Total borrowings	231,526	1,085	1.87	316,766	1,536	1.93
TOTAL INTEREST-BEARING LIABILITIES	1,649,071	3,307	0.80%	1,442,111	3,827	1.05%
Noninterest-bearing deposits	582,042			478,474		
Total including noninterest-bearing demand deposits	2,231,113	3,307	0.59%	1,920,585	3,827	0.79%
Other liabilities	146,262			144,843		
Total liabilities	2,377,375			2,065,428		
Shareholders equity	219,470			228,776		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 2,596,845			$ 2,294,204		
Net interest income/spread		22,737	3.58%		21,612	3.81%
			3.81%			4.11%

Net yield on interest-earning assets (margin)		
Less: Tax equivalent adjustment	**865**	**737**
Net interest income	**$ 21,872**	**$ 20,875**

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

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

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

STERLING BANCORP AND SUBSIDIARIES
Average Balance Sheets [1]
Nine Months Ended September 30,
(Unaudited)

	2011			2010		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-bearing deposits with other banks	$ 53,070	$ 92	0.23%	$ 27,243	$ 53	0.26%
Investment Securities						
Available for sale - taxable	374,278	6,839	2.44	405,340	8,670	2.85
Held to maturity - taxable	333,710	6,335	2.53	253,926	8,874	4.66
Tax-exempt [2]	157,144	7,323	6.21	113,168	5,220	6.15
Total investment securities	865,132	20,497	3.16	772,434	22,764	3.93
FRB and FHLB stock [2]	8,862	243	3.66	8,363	299	4.77
Loans, net of unearned discounts [3]	1,344,935	53,776	5.59	1,231,970	51,907	5.96
TOTAL INTEREST-EARNING ASSETS	2,271,999	74,608	4.49%	2,040,010	75,023	5.07%
Cash and due from banks	37,998			35,408		
Allowance for loan losses	(19,648)			(22,334)		
Goodwill	22,901			22,901		
Other assets	151,262			132,450		
TOTAL ASSETS	$ 2,464,512			$ 2,208,435		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 18,450	7	0.05%	$ 18,324	9	0.06%
NOW	212,857	289	0.18	212,012	398	0.25
Money market	359,415	1,856	0.69	334,819	2,129	0.85
Time	708,919	4,212	0.79	542,156	4,854	1.20
Foreign						
Time	-	-	-	423	3	1.09
Total interest-bearing deposits	1,299,641	6,364	0.65	1,107,734	7,393	0.89
Borrowings						
Securities sold under agreements to repurchase - customers	42,096	145	0.46	49,046	175	0.48
Securities sold under agreements to repurchase - dealers	5,249	49	1.24	5,827	28	0.63
Federal funds purchased	14,608	14	0.13	40,321	67	0.22
Commercial paper	14,762	33	0.30	14,604	34	0.31
Short-term borrowings - other	3,794	3	0.08	14,054	27	0.26
Advances - FHLB	131,816	1,647	1.67	128,628	2,591	2.69
Long-term borrowings - sub debt	25,774	1,570	8.38	25,774	1,570	8.38
Total borrowings	238,099	3,461	1.95	278,254	4,492	2.16
TOTAL INTEREST-BEARING LIABILITIES	1,537,740	9,825	0.85%	1,385,988	11,885	1.15%
Noninterest-bearing deposits	558,059			471,081		
Total including noninterest-bearing demand deposits	2,095,799	9,825	0.63%	1,857,069	11,885	0.86%
Other liabilities	141,840			142,113		
Total liabilities	2,237,639			1,999,182		
Shareholders equity	226,873			209,253		

TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**$ 2,464,512**			**$ 2,208,435**		
Net interest income/spread		**64,783**	**3.64%**		**63,138**	**3.92%**
Net yield on interest-earning assets (margin)			**3.90%**			**4.26%**
Less: Tax equivalent adjustment		**2,565**			**1,830**	
Net interest income		**$ 62,218**			**$ 61,308**	

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

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

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

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

	Increase/(Decrease) Three Months Ended September 30, 2011 to September 30, 2010		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ 27	$ (2)	$ 25
Investment Securities			
Available for sale - taxable	(501)	98	(403)
Held to maturity - taxable	1,110	(1,304)	(194)
Tax-exempt [2]	341	28	369
Total investment securities	950	(1,178)	(228)
FRB and FHLB stock	(1)	(37)	(38)
Loans, net of unearned discounts [3]	1,984	(1,138)	846
TOTAL INTEREST INCOME	$ 2,960	$ (2,355)	$ 605
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ -	$ -	$ -
NOW	15	35	50
Money market	61	(105)	(44)
Time	487	(562)	(75)
Foreign			
Time	-	-	-
Total interest-bearing deposits	563	(632)	(69)
Borrowings			
Securities sold under agreements to repurchase - customers	(2)	(2)	(4)
Securities sold under agreements to repurchase - dealers	(19)	12	(7)
Federal funds purchased	(25)	(14)	(39)
Commercial paper	(1)	-	(1)
Short-term borrowings - other	(6)	(6)	(12)
Advances - FHLB	(26)	(362)	(388)
Long-term borrowings - sub debt	-	-	-
Total borrowings	(79)	(372)	(451)
TOTAL INTEREST EXPENSE	$ 484	$ (1,004)	$ (520)
NET INTEREST INCOME	$ 2,476	$ (1,351)	$ 1,125

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

[2] **Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for foreign time deposits has been allocated entirely to the volume variance.**

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

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

	Increase/(Decrease) Nine Months Ended September 30, 2011 to September 30, 2010		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ 46	$ (7)	$ 39
Investment Securities			
Available for sale - taxable	(636)	(1,195)	(1,831)
Held to maturity - taxable	2,262	(4,801)	(2,539)
Tax-exempt [2]	2,051	52	2,103
Total investment securities	3,677	(5,944)	(2,267)
FRB and FHLB stock	17	(73)	(56)
Loans, net of unearned discounts [3]	5,180	(3,311)	1,869
TOTAL INTEREST INCOME	$ 8,920	$ (9,335)	$ (415)
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ -	$ (2)	$ (2)
NOW	2	(111)	(109)
Money market	148	(421)	(273)
Time	1,272	(1,914)	(642)
Foreign			
Time	(3)	-	(3)
Total interest-bearing deposits	1,419	(2,448)	(1,029)
Borrowings			
Securities sold under agreements to repurchase - customers	(23)	(7)	(30)
Securities sold under agreements to repurchase - dealers	(3)	24	21
Federal funds purchased	(32)	(21)	(53)
Commercial paper	-	(1)	(1)
Short-term borrowings - other	(12)	(12)	(24)
Advances - FHLB	62	(1,006)	(944)
Long-term borrowings - sub debt	-	-	-
Total borrowings	(8)	(1,023)	(1,031)
TOTAL INTEREST EXPENSE	$ 1,411	$ (3,471)	$ (2,060)
NET INTEREST INCOME	$ 7,509	$ (5,864)	$ 1,645

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

[2] **Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for foreign time deposits has been allocated entirely to the volume variance.**

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

STERLING BANCORP AND SUBSIDIARIES
Regulatory Capital and Ratios

Ratios and Minimums

	Actual		For Capital Adequacy Minimum		To Be Well Capitalized	
As of September 30, 2011	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital (to Risk-Weighted Assets):						
The Company	**$ 253,512**	**13.18%**	**$ 153,918**	**8.00%**	**$ 192,398**	**10.00%**
The bank	**228,074**	**12.09**	**150,864**	**8.00**	**188,581**	**10.00**
Tier 1 Capital (to Risk-Weighted Assets):						
The Company	**233,643**	**12.14**	**76,959**	**4.00**	**115,439**	**6.00**
The bank	**208,205**	**11.04**	**75,432**	**4.00**	**113,148**	**6.00**
Tier 1 Leverage Capital (to Average Assets):						
The Company	**233,643**	**9.08**	**102,955**	**4.00**	**128,694**	**5.00**
The bank	**208,205**	**8.19**	**101,697**	**4.00**	**127,121**	**5.00**
As of December 31, 2010						
Total Capital (to Risk-Weighted Assets):						
The Company	**$ 255,022**	**14.68%**	**$ 138,982**	**8.00%**	**$ 173,728**	**10.00%**
The bank	**211,737**	**12.32**	**137,516**	**8.00**	**171,895**	**10.00**
Tier 1 Capital (to Risk-Weighted Assets):						
The Company	**236,477**	**13.61**	**69,491**	**4.00**	**104,237**	**6.00**
The bank	**193,192**	**11.24**	**68,758**	**4.00**	**103,137**	**6.00**
Tier 1 Leverage Capital (to Average Assets):						
The Company	**236,477**	**10.15**	**93,152**	**4.00**	**116,440**	**5.00**
The bank	**193,192**	**8.39**	**92,070**	**4.00**	**115,087**	**5.00**

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

The Company s primary earnings source is its net interest income; therefore, the Company devotes significant time and has invested in resources to assist in the management of interest rate risk and asset quality. The Company s net interest income is affected by changes in market interest rates, and by the level and composition of interest-earning assets and interest-bearing liabilities. The Company s objectives in its asset/liability management are to utilize its capital effectively, to provide adequate liquidity and to enhance net interest income, without taking undue risks or subjecting the Company unduly to interest rate fluctuations. For the three months ended in September 30, 2011, the Company did not hold any instrument entered into for trading purposes.

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

Market Risk

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

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

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

The Company s balance sheet structure is primarily short-term in nature with a substantial portion of assets and liabilities repricing or maturing within one year. The Company s gap analysis at September 30, 2011, presented on page 65, indicates that net interest income would increase during periods of rising interest rates and decrease during periods of falling interest rates, but, as mentioned above, gap analysis may not be an accurate predictor of net interest income.

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

As of September 30, 2011, the Company was not a party to any financial instrument derivative agreement.

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

The Company s interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company s assets and the rates that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management projects the impact of changes in interest rates on net interest margin. The Company has established certain policy limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of December 31, 2010, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 3.4% ($3.7 million) and a 6.8% ($7.2 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 0.9% ($1.0 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of December 31, 2010 was considered to be remote given then-current interest rate levels. As of September 30, 2011, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 1.4% ($1.6 million) and a 4.3% ($5.1 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 0.7% ($0.8 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of September 30, 2011 was considered to be remote given then-current interest rate levels.

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

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

The shape of the yield curve can cause downward pressure on net interest income. In general, if and to the extent that the yield curve is flatter (i.e., the differences between interest rates for different maturities are relatively smaller) than previously anticipated, then the yield on the Company s interest-earning assets and its cash flows will tend to be lower. Management believes that a relatively flat yield curve could continue to adversely affect the Company s results in 2011.

Liquidity Risk

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

The parent company depends for its cash requirements on funds maintained or generated by its subsidiaries, principally the bank. Such sources have been adequate to meet the parent company s cash requirements throughout its history.

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

At September 30, 2011, the parent company s short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $15.7 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $49.3 million. The parent company also has back-up credit lines with banks of $19.0 million. Since 1979, the parent company has had no need to use the available back-up lines of credit.

The following table sets forth information regarding the Company s obligations and commitments to make future payments under contract as of September 30, 2011:

	Payments Due by Period				
Contractual obligations (1)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt	$ 148,869	$ 21,461	$ 1,634	$ 100,000	$ 25,774
Operating Leases	46,071	4,486	9,208	8,665	23,712
Total Contractual Cash Obligations	$ 194,940	$ 25,947	$ 10,842	$ 108,665	$ 49,486

(1) Based on contractual maturity dates.

The following table sets forth information regarding the Company s obligations under other commercial commitments as of September 30, 2011:

	Amount of Commitment Expiration per Period				
Other Commercial Commitments	Total Amount Committed	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Residential Loans	$ 34,135	$ 34,135	$ -	$ -	$ -
Commercial Loans	24,571	12,828	11,743	-	-
Total Loans	58,706	46,963	11,743	-	-
Standby Letters of Credit	28,078	24,328	3,750	-	-
Other Commercial Commitments	65,472	63,741	722	-	1,009
Total Commercial Commitments	$ 152,256	$ 135,032	$ 16,215	$ -	$ 1,009

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, our Excessive or Luxury Expenditures Policy and a Code of Business Conduct and Ethics governing our directors, officers and employees. Within the time period required by the Securities and Exchange Commission and the New York Stock Exchange, we will post on our web site any amendment to the Code of Business Conduct and Ethics and any waiver applicable to our senior financial officers, as defined in the Code, or our executive officers or directors. In addition, information concerning purchases and sales of our equity securities by our executive officers and directors is posted on our web site.

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

STERLING BANCORP AND SUBSIDIARIES
Interest Rate Sensitivity

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

	Repricing Date						
	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 5 Years	More than 5 Years to 10 Years	Over 10 Years	Nonrate Sensitive	Total
ASSETS							
Interest-bearing deposits with other banks	$ 186,632	$ -	$ -	$ -	$ -	$ -	$ 186,632
Investment securities	83,398	211,578	187,396	23,837	271,603	-	777,812
Commercial and industrial loans	483,265	76,504	80,735	2,029	-	(2,344)	640,189
Lease financing receivables	594	10,899	76,767	77,246	-	(16,194)	149,312
Factored receivables	208,060	-	-	-	-	(413)	207,647
Real estate-residential mortgage	7,686	48,887	39,138	32,413	51,045	-	179,169
Real estate-commercial mortgage	6,919	31,287	44,120	13,082	-	-	95,408
Real estate-construction and land development	-	13,051	582	-	-	-	13,633
Loans to individuals	8,473	1,266	1,060	-	-	-	10,799
Loans to nondepository financial institutions	143,085	15,500	31,155	-	63	-	189,803
Loans to depository institutions	85	-	-	-	-	-	85
Noninterest-earning assets & allowance for loan losses	-	-	-	-	-	206,486	206,486
Total Assets	1,128,197	408,972	460,953	148,607	322,711	187,535	2,656,975
LIABILITIES AND SHAREHOLDERS EQUITY							
Interest-bearing deposits							
Savings [1]	-	-	18,114	-	-	-	18,114
NOW [1]	-	-	203,560	-	-	-	203,560
Money market [1]	267,745	-	117,630	-	-	-	385,375
Time	350,916	431,281	64,299	-	-	-	846,496
Securities sold under agreement to repurchase - customers	43,503	-	-	-	-	-	43,503
Securities sold under agreement to repurchase - dealers	-	5,000	-	-	-	-	5,000
Commercial paper	14,170	515	-	-	-	-	14,685
Short-term borrowings - other	3,041	-	-	-	-	-	3,041
Advances - FHLB	100,000	20,000	3,095	-	-	-	123,095
Long-term borrowings - subordinated debentures	-	-	-	-	25,774	-	25,774
Noninterest-bearing liabilities & shareholders equity	-	-	-	-	-	988,332	988,332
Total Liabilities and Shareholders Equity	779,375	456,796	406,698	-	25,774	988,332	2,656,975
Net Interest Rate Sensitivity Gap	$ 348,822	$ (47,824)	$ 54,255	$ 148,607	$ 296,937	$ (800,797)	$ -
Cumulative Gap September 30, 2011	$ 348,822	$ 300,998	$ 355,253	$ 503,860	$ 800,797	$ -	$ -

Cumulative Gap September 30, 2010 [2]	**$**	**224,068**	**$**	**310,419**	**$**	**410,007**	**$**	**499,817**	**$**	**754,460**	**$**	**-**	**$**	**-**
Cumulative Gap December 31, 2010 [2]	**$**	**377,384**	**$**	**308,139**	**$**	**289,256**	**$**	**468,057**	**$**	**786,799**	**$**	**-**	**$**	**-**

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

No change in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the fiscal quarter ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II - OTHER INFORMATION

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

Under its share repurchase program, the Company buys back common shares from time to time. The Company did not repurchase any of its common shares during the third quarter of 2011. At September 30, 2011, the maximum number of shares that may yet be purchased under the share repurchase program was 870,963.

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

Item 6. Exhibits

The following exhibits are filed as part of this report:

3. (i)	Restated Certificate of Incorporation filed with the State of New York Department of State on October 28, 2004 (Filed as Exhibit 3(i) to the Registrant s Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
(ii)	Certificate of Amendment of Certificate of Incorporation filed with the State of New York Department of State on December 18, 2008 (Filed as Exhibit 3(ii) to the Registrant s Form 10-K for the year ended December 31, 2008 and incorporated herein by reference).
(iii)	By-Laws as in effect on November 15, 2007 (Filed as Exhibit 3(ii) (A) to the Registrant s Form 8-K dated November 15, 2007 and filed on November 19, 2007 and incorporated herein by reference).
11.	Statement Re: Computation of Per Share Earnings.
31.1	Certification of the CEO pursuant to Exchange Act Rule 13a-14(a).
31.2	Certification of the CFO pursuant to Exchange Act Rule 13a-14(a).
32.1	Certification of the CEO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
32.2	Certification of the CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema.
101.CAL*	XBRL Taxonomy Extension Calculation Label Linkbase.
101.LAB*	XBRL Taxonomy Extension Label Linkbase.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase.
101DEF*	XBRL Taxonomy Definition Linkbase.

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

SIGNATURES

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

STERLING BANCORP
(Registrant)

Date: November 4, 2011

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

Date: November 4, 2011

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

STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

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