STERLING BANCORP
Form 10-Q
August 09, 2005

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 June 30, 2005
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	**13-2565216**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification)**
650 Fifth Avenue, New York, N.Y.	**10019-6108**
(Address of principal executive offices)	**(Zip Code)**

212-757-3300

(Registrant s telephone number, including area code)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), 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 is an accelerated filer as defined in Rule 12b-2 of the Exchange Act,
x Yes o No

As of July 31, 2005 there were 18,343,644 shares of common stock, $1.00 par value, outstanding.

STERLING BANCORP

STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

ASSETS	June 30, 2005	December 31, 2004
Cash and due from banks	$ 51,543,500	$ 48,842,418
Interest-bearing deposits with other banks	1,039,494	1,329,103
Securities available for sale (at estimated fair value; pledged: $98,669,059 in 2005 and $64,933,098 in 2004)	213,946,601	233,762,171
Securities held to maturity (pledged: $195,810,300 in 2005 and $122,309,904 in 2004) (estimated fair value: $511,541,046 in 2005 and $448,173,450 in 2004)	511,299,854	446,457,563
Total investment securities	725,246,455	680,219,734
Loans held for sale	36,767,212	37,058,673
Loans held in portfolio, net of unearned discounts	1,008,194,415	1,022,286,479
Less allowance for loan losses	16,155,924	16,328,528
Loans, net	992,038,491	1,005,957,951
Customers liability under acceptances	466,576	628,965
Excess cost over equity in net assets of the banking subsidiary	21,158,440	21,158,440
Premises and equipment, net	10,914,468	10,674,708
Other real estate	295,052	766,620
Accrued interest receivable	5,649,933	5,604,781
Bank owned life insurance	26,766,434	26,553,145
Other assets	36,925,413	32,317,224
	$ 1,908,811,468	$ 1,871,111,762
LIABILITIES AND SHAREHOLDERS EQUITY		
Deposits		
Noninterest-bearing deposits	$ 457,565,468	$ 511,307,018
Interest-bearing deposits	917,072,606	832,544,097
Total deposits	1,374,638,074	1,343,851,115
Securities sold under agreements to repurchase - customers	63,502,457	55,934,170
Securities sold under agreements to repurchase - dealers	74,728,000	33,882,000
Federal funds purchased	20,000,000	32,500,000
Commercial paper	36,533,429	25,991,038
Other short-term borrowings	1,447,862	2,517,375
Acceptances outstanding	466,576	628,965
Accrued expenses and other liabilities	76,915,522	91,329,506
Long-term debt	105,774,000	135,774,000
Total liabilities	1,754,005,920	1,722,408,169
Shareholders equity		
Common stock, $1 par value. Authorized 50,000,000 shares; issued 20,055,849 and 19,880,521 shares, respectively	20,055,849	19,880,521
Capital surplus	148,247,129	145,310,745

Retained earnings	**33,523,972**	**28,664,568**
Accumulated other comprehensive loss, net of tax	**(2,935,155)**	**(1,921,060)**
	198,891,795	**191,934,774**
Less		
and 1,642,996 shares, respectively	**43,932,216**	**42,939,969**
Unearned compensation	**154,031**	**291,212**
Total shareholders equity	**154,805,548**	**148,703,593**
	$ 1,908,811,468	**$ 1,871,111,762**

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
INTEREST INCOME				
Loans	$ 19,477,434	$ 15,412,372	$ 37,853,849	$ 30,494,367
Investment securities				
Available for sale	2,467,142	3,453,895	4,968,786	7,145,715
Held to maturity	5,732,568	4,677,056	10,942,791	9,383,464
Federal funds sold	112,635	5,794	222,496	56,136
Deposits with other banks	15,918	3,067	22,101	7,176
Total interest income	27,805,697	23,552,184	54,010,023	47,086,858
INTEREST EXPENSE				
Deposits	4,086,077	2,373,990	7,537,672	4,847,135
Securities sold under agreements to repurchase	837,025	365,728	1,422,672	681,360
Federal funds purchased	157,251	47,553	178,033	63,443
Commercial paper	222,421	78,597	382,487	141,359
Other short-term borrowings	61,293	93,377	66,296	205,571
Long-term debt	1,376,312	1,559,683	2,855,265	3,119,375
Total interest expense	6,740,379	4,518,928	12,442,425	9,058,243
Net interest income	21,065,318	19,033,256	41,567,598	38,028,615
Provision for loan losses	2,005,500	2,470,500	4,654,000	4,897,000
Net interest income after provision for loan losses	19,059,818	16,562,756	36,913,598	33,131,615
NONINTEREST INCOME				
Factoring income	1,636,795	1,767,472	3,054,109	3,194,341
Mortgage banking income	4,558,000	3,914,419	8,433,847	7,545,810
Service charges on deposit accounts	1,258,230	1,159,177	2,455,254	2,222,520
Trade finance income	541,812	518,000	962,266	1,010,807
Trust fees	151,245	166,038	323,523	347,735
Other service charges and fees	381,054	480,825	683,314	955,229
Bank owned life insurance income	437,350	243,039	687,364	476,734
Securities gains		148,500	196,680	684,804
Other income	349,068	149,136	513,397	332,735
Total noninterest income	9,313,554	8,546,606	17,309,754	16,770,715
NONINTEREST EXPENSES				

	Three Months Ended June 30,		Six Months Ended June 30,	
Salaries	**8,198,595**	**7,384,743**	**16,355,198**	**15,061,852**
Employee benefits	**2,344,658**	**2,329,505**	**4,094,863**	**4,255,643**
Total personnel expense	**10,543,253**	**9,714,248**	**20,450,061**	**19,317,495**
Occupancy expenses, net	**1,348,464**	**1,234,072**	**2,663,146**	**2,463,710**
Equipment expenses	**830,747**	**658,105**	**1,594,905**	**1,414,259**
Advertising and marketing	**1,014,070**	**924,463**	**2,130,393**	**2,017,923**
Professional fees	**1,434,229**	**1,073,961**	**2,965,408**	**1,987,632**
Data processing fees	**325,368**	**300,483**	**582,878**	**587,943**
Stationery and printing	**238,199**	**194,434**	**432,298**	**461,005**
Communications	**484,533**	**391,466**	**867,814**	**798,193**
Other expenses	**1,971,803**	**1,700,005**	**3,480,191**	**3,092,307**
Total noninterest expenses	**18,190,666**	**16,191,237**	**35,167,094**	**32,140,467**
Income before income taxes	**10,182,706**	**8,918,125**	**19,056,258**	**17,761,863**
Provision for income taxes	**4,126,553**	**2,353,524**	**7,233,382**	**5,990,328**
Net income	**$ 6,056,153**	**$ 6,564,601**	**$ 11,822,876**	**$ 11,771,535**
Average number of common shares outstanding				
Basic	**18,344,269**	**18,364,046**	**18,302,824**	**18,266,196**
Diluted	**19,002,691**	**19,182,695**	**18,913,957**	**19,164,235**
Earnings per average common share				
Basic	**$ 0.33**	**$ 0.35**	**$ 0.65**	**$ 0.64**
Diluted	**0.33**	**0.34**	**0.63**	**0.61**
Dividends per common share	**0.19**	**0.16**	**0.38**	**0.32**

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net Income	$ 6,056,153	$ 6,564,601	$ 11,822,876	$ 11,771,535
Other comprehensive income, net of tax:				
Unrealized holding (losses)/gains arising during the period	1,495,155	(4,981,422)	(353,296)	(3,553,842)
Reclassification adjustment for gains included in net income		(80,338)	(106,404)	(370,479)
Unrealized (losses)/gains supplemental pension	(166,700)	(98,723)	(554,395)	245,387
Comprehensive income	$ 7,384,608	$ 1,404,118	$ 10,808,781	$ 8,092,601

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Preferred Stock		
Balance at January 1	$	$ 2,244,320
Conversions of Series D shares		(2,244,320)
Balance at June 30	$	$
Common Stock		
Balance at January 1	$ 19,880,521	$ 19,275,964
Conversions of preferred shares into common shares		428,304
Common shares issued under stock incentive plan	175,328	121,630
Balance at June 30	$ 20,055,849	$ 19,825,898
Capital Surplus		
Balance at January 1	$ 145,310,745	$ 141,179,832
Conversions of preferred shares into common shares		1,816,016
Common shares issued under stock incentive plan and related tax benefits	2,936,384	1,773,185
Balance at June 30	$ 148,247,129	$ 144,769,033
Retained Earnings		
Balance at January 1	$ 28,664,568	$ 16,166,517
Net Income	11,822,876	11,771,535
Cash dividends paid - common shares	(6,963,472)	(5,790,853)
- preferred shares		
Balance at June 30	$ 33,523,972	$ 22,147,199
Accumulated Other Comprehensive Income		
Balance at January 1	$ (1,921,060)	$ (1,131,803)
Unrealized holding (losses)/gains arising during the period:		
Before tax	(657,636)	(6,569,026)
Tax effect	304,340	3,015,184
Net of tax	(353,296)	(3,553,842)
Reclassification adjustment for gains included in net income:		
Before tax	(196,680)	(684,804)
Tax effect	90,276	314,325

	Six Months Ended June 30,	
Net of tax	(106,404)	(370,479)
Unrealized (losses) /gains supplemental pension:		
Before tax	(1,026,840)	453,580
Tax effect	472,445	(208,193)
Net of tax	(554,395)	245,387
Balance at June 30	$ (2,935,155)	$ (4,810,737)
Treasury Stock		
Balance at January 1	$ (42,939,969)	$ (33,577,847)
Purchase of common shares	(547,460)	(8,310,004)
Surrender of shares issued under incentive compensation plan	(444,787)	(409,258)
Balance at June 30	$ (43,932,216)	$ (42,297,109)
Unearned Compensation		
Balance at January 1	$ (291,212)	$ (894,976)
Amortization of unearned compensation	137,181	371,340
Balance at June 30	$ (154,031)	$ (523,636)
Total Shareholders Equity		
Balance at January 1	$ 148,703,593	$ 143,262,007
Net changes during the period	6,101,955	(4,151,359)
Balance at June 30	$ 154,805,548	$ 139,110,648

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Operating Activities		
Net Income	$ 11,822,876	$ 11,771,535
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	4,654,000	4,897,000
Depreciation and amortization of premises and equipment	1,006,556	865,456
Securities gains	(196,680)	(684,804)
Income from bank owned life insurance	(687,364)	(476,734)
Deferred income tax benefit	(1,463,038)	(848,954)
Net change in loans held for sale	291,461	(3,901,403)
Amortization of unearned compensation	137,181	371,340
Amortization of premiums on securities	480,003	834,498
Accretion of discounts on securities	(296,378)	(238,570)
Increase in accrued interest receivable	(45,152)	(186,926)
Decrease in accrued expenses and other liabilities	(14,413,984)	(1,899,331)
Increase in other assets	(2,750,536)	(3,406,393)
Other, net	465,604	416,446
Net cash (used in) provided by operating activities	(995,451)	7,513,160
Investing Activities		
Purchase of premises and equipment	(1,246,316)	(1,924,162)
Net decrease (increase) in interest-bearing deposits with other banks	289,609	(504,207)
Net decrease (increase) in loans held in portfolio	9,265,460	(6,908,114)
Decrease (Increase) in other real estate	471,568	(203,166)
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	47,443,324	77,816,013
Purchases of securities - held to maturity	(112,476,006)	(103,447,707)
Proceeds from sales of securities - available for sale	2,932,250	47,105,146
Proceeds from prepayments, redemptions or maturities of securities - available for sale	41,938,821	49,902,606
Purchases of securities - available for sale	(25,706,370)	(91,485,434)
Net cash (used in) investing activities	(37,087,660)	(29,649,025)
Financing Activities		
Net decrease in noninterest-bearing deposits	(53,741,550)	(29,748,695)
Net increase in interest-bearing deposits	84,528,509	73,794,522
Decrease in Federal funds purchased	(12,500,000)	(10,000,000)
Net increase in securities sold under agreements to repurchase	48,414,287	45,478,340
Net increase in commercial paper and other short-term borrowings	9,472,878	(33,944,884)
Net decrease in long-term borrowings	(30,000,000)	
Purchase of treasury stock	(547,460)	(8,310,004)
Proceeds from exercise of stock options	2,121,001	1,314,499
Cash dividends paid on common stock	(6,963,472)	(5,790,853)

	Six Months Ended June 30,	
Net cash provided by financing activities	40,784,193	32,792,925
Net increase in cash and due from banks	2,701,082	10,657,060
Cash and due from banks - beginning of period	48,842,418	63,947,722
Cash and due from banks - end of period	$ 51,543,500	$ 74,604,782
Supplemental disclosures:		
Interest paid	$ 11,720,360	$ 8,945,095
Income taxes paid	10,501,100	10,614,100

See Notes to Consolidated Financial Statements.

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

1. The consolidated financial statements include the accounts of Sterling Bancorp (the parent company) and its subsidiaries, principally Sterling National Bank and its subsidiaries (the bank), after elimination of material intercompany transactions. The term the Company refers to Sterling Bancorp and its subsidiaries. The consolidated financial statements as of and for the interim periods ended June 30, 2005 and 2004 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 2004 consolidated financial statements to conform to the current presentation. The interim consolidated financial statements should be read in conjunction with the Company s annual report on Form 10-K for the year ended December 31, 2004. The Company effected a six-for-five stock split on December 8, 2004, a five-for-four stock split on September 10,2003 and paid stock dividends as follows: 20% on December 9, 2002; 10% on December 10, 2001; 10% on December 11, 2000; and 5% on December 14, 1999. Fractional shares were cashed-out and payments were made to shareholders in lieu of fractional shares. All capital and share amounts as well as basic and diluted average number of shares outstanding and earnings per average common share information for all prior reporting periods presented, reflect the effect of the stock splits and stock dividends.

2. At June 30, 2005, the Company has a stock-based employee compensation plan, which is described more fully in Note 1 and Note 15 of the Company s annual report on Form 10-K for the year ended December 31, 2004. The Company accounts for this plan under the recognition and measurement principles of Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In accordance with Statement of Financial Accounting Standards (SFAS) No. 148, the following table illustrates the effect on net income and earnings per average common share if the Company had applied the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, to the stock-based employee compensation plans.

Three Months Ended June 30,	**2005**	**2004**
Net income available for common shareholders	$ 6,056,153	$ 6,564,601
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(61,395)	(55,938)
Pro forma, net income	$ 5,994,758	$ 6,508,663
Earnings per average common share:		
Basic- as reported	$ 0.33	$ 0.35
Basic- pro forma	0.33	0.35
Diluted- as reported	0.33	0.34
Diluted- pro forma	0.32	0.34

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

Six Months Ended June 30,	2005	2004
Net income available for common shareholders	$ 11,822,876	$ 11,771,535
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(122,790)	(115,426)
Pro forma, net income	$ 11,700,086	$ 11,656,109
Earnings per average common share:		
Basic- as reported	$ 0.65	$ 0.64
Basic- pro forma	0.64	0.63
Diluted- as reported	0.63	0.61
Diluted- pro forma	0.62	0.61

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

	June 30,	
	2005	2004
Loans held for sale		
Real estate-mortgage	$ 36,767,212	$ 44,457,783
Loans held in portfolio		
Commercial and industrial	$ 547,377,444	$ 560,670,257
Lease financing	190,449,866	180,223,253
Real estate-mortgage	254,044,939	167,778,306
Real estate-construction	2,310,464	2,341,340
Installment	11,463,248	14,734,012
Loans to depository institutions	27,000,000	
Loans held in portfolio, gross	1,032,645,961	925,747,168
Less unearned discounts	24,451,546	22,610,975
Loans held in portfolio, net of unearned discounts	$ 1,008,194,415	$ 903,136,193

4. In February 2004, 224,432 Series D preferred shares were converted into 428,304 common shares.

5. SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, established standards for the way that public business enterprises report and disclose selected information about operating segments in interim financial statements provided to stockholders.

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

The Company provides a broad range of financial products and services, including commercial loans, asset-based financing, factoring and accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, commercial and residential mortgage lending and brokerage, trust and estate administration and investment management services. The Company s primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest-bearing liabilities. The Company s 2005 year-to-date average interest-earning assets were 57.8% loans (corporate lending was 67.5% and real estate lending was 28.9% of total loans, respectively) and 41.0% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the corporate loan portfolio. Approximately 67% of loans are to borrowers located in the metropolitan New York area. In order to comply with SFAS No. 131, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

The following tables provide certain information regarding the Company s operating segments for the three - and six - month periods ended June 30, 2005 and 2004:

	Corporate Lending	Real Estate Lending	Company-wide Treasury	Totals
Three Months Ended June 30, 2005				
Net interest income	$ 9,752,277	$ 5,358,477	$ 5,727,296	$ 20,838,050
Noninterest income	3,159,755	4,675,451	680,231	8,515,437
Depreciation and amortization	97,688	90,610	612	188,910
Segment income before taxes	4,705,504	5,282,423	6,101,047	16,088,974
Segment assets	694,763,164	341,785,149	849,383,287	1,885,931,600
Three Months Ended June 30, 2004				
Net interest income	$ 8,953,093	$ 3,856,463	$ 6,049,927	$ 18,859,483
Noninterest income	3,249,504	3,973,944	433,222	7,656,670
Depreciation and amortization	80,383	99,944		180,327
Segment income before taxes	4,964,638	4,138,794	6,374,206	15,477,638
Segment assets	712,537,790	255,535,670	810,066,256	1,778,139,716
Six Months Ended June 30, 2005				
Net interest income	$ 19,467,643	$ 10,212,489	$ 11,446,867	$ 41,126,999
Noninterest income	6,123,240	8,613,096	1,204,524	15,940,860
Depreciation and amortization	190,497	179,570	1,218	371,285
Segment income before taxes	9,597,139	10,381,926	12,174,464	32,153,529
Segment assets	694,763,164	341,785,149	849,383,287	1,885,931,600
Six Months Ended June 30, 2004				
Net interest income	$ 17,563,043	$ 7,662,696	$ 12,450,158	$ 37,675,897
Noninterest income	6,174,555	7,677,372	1,282,595	15,134,522
Depreciation and amortization	141,164	199,715		340,879
Segment income before taxes	8,426,200	8,207,402	13,442,118	30,075,720
Segment assets	712,537,790	255,535,670	810,066,256	1,778,139,716

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net interest income:				
Total for reportable operating segments	$ 20,838,050	$ 18,859,483	$ 41,126,999	$ 37,675,897
Other [1]	227,268	173,773	440,599	352,718
Consolidated net interest income	$ 21,065,318	$ 19,033,256	$ 41,567,598	$ 38,028,615
Noninterest income:				
Total for reportable operating segments	$ 8,515,437	$ 7,656,670	$ 15,940,860	$ 15,134,522
Other [1]	798,117	889,936	1,368,894	1,636,193
Consolidated noninterest income	$ 9,313,554	$ 8,546,606	$ 17,309,754	$ 16,770,715
Income before taxes:				
Total for reportable operating segments	$ 16,088,974	$ 15,477,638	$ 32,153,529	$ 30,075,720
Other [1]	(5,906,268)	(6,559,513)	(13,097,271)	(12,313,857)
Consolidated income before income taxes	$ 10,182,706	$ 8,918,125	$ 19,056,258	$ 17,761,863
Assets:				
Total for reportable operating segments	$ 1,885,931,600	$ 1,778,139,716	$ 1,885,931,600	$ 1,778,139,716
Other [1]	22,879,868	21,326,226	22,879,868	21,326,226
Consolidated assets	$ 1,908,811,468	$ 1,799,465,942	$ 1,908,811,468	$ 1,799,465,942

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

6. The following information is provided in connection with the sales of available for sale securities:

Three Months Ended June 30,	2005	2004
Proceeds	$	$ 10,073,504
Gross Gains		148,500

Gross Losses		

Six Months Ended June 30,	2005	2004
Proceeds	$ 2,932,250	$ 47,105,146
Gross Gains	196,680	684,804
Gross Losses		

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

7. The following tables set forth the disclosures required for net periodic benefit cost and net benefit cost:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	**2004**	**2005**	**2004**
COMPONENTS OF NET PERIODIC COST				
Service Cost	$ 403,843	$ 392,495	$ 807,686	$ 803,041
Interest Cost	509,493	497,743	1,018,986	1,014,487
Expected return on plan assets	(442,549)	(423,490)	(885,098)	(875,519)
Amortization of prior service cost	19,116	19,331	38,232	38,662
Recognized actuarial loss	207,354	217,970	414,708	427,091
Net periodic benefit cost	697,257	704,049	1,394,514	1,407,762
Settlement gain				(1,331,190)
Net benefit cost	$ 697,257	$ 704,049	$ 1,394,514	$ 76,572

The Company previously disclosed in its financial statements for the year ended December 31,2004, that it expected to contribute approximately $3,000,000 to the defined benefit pension plan in 2005. No contribution has been made as of June 30, 2005.

8. In April, 2005, the Securities and Exchange Commission (the SEC) delayed the compliance date of SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R was originally scheduled to be effective as of the first interim or annual reporting period beginning after June 15, 2005. As a result of the SEC s action, SFAS No. 123R will be effective for the Company beginning January 1, 2006. SFAS No. 123R provides alternative transition methods and the Company has not yet determined which transition method it will apply upon adoption of SFAS No. 123R. The impact on the Company s consolidated financial statements will depend on the transition method selected.

9. In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Corrections*. This statement replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting for and reporting of a change in accounting principle. This statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. SFAS No. 154 establishes retrospective application as the required method for reporting a voluntary change in accounting principle and for adopting a new accounting pronouncement in the unusual instance that the pronouncement does not include specific transition guidance. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The Company expects to adopt SFAS No. 154 on January 1, 2006.

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

The following commentary presents management s discussion and analysis of the financial condition and results of operations of Sterling Bancorp (the parent company), a financial holding company under the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank (the bank). Throughout this discussion and analysis, the term the Company refers to Sterling Bancorp and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data contained elsewhere in this quarterly report and the Company s annual report on Form 10-K for the year ended December 31, 2004. Certain reclassifications have been made to prior years financial data to conform to current financial statement presentations as well as to reflect the effect of the six-for-five stock split effected on December 8, 2004.

OVERVIEW

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

For the three months ended June 30, 2005, the bank s average earning assets represented approximately 96.4% of the Company s average earning assets. Loans represented 56.0% and investment securities represented 42.9% of the bank s average earning assets for the three months ended June 30, 2005.

For the six months ended June 30, 2005, the bank s average earning assets represented approximately 96.5% of the Company s average earning assets. Loans represented 56.3% and investment securities represented 42.5% of the bank s average earning assets for the six months ended June 30, 2005.

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

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

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

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

INCOME STATEMENT ANALYSIS

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company s primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets (net interest margin) is calculated by dividing tax-equivalent net interest income by average interest-earnings assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analysis shown on pages 27 and 28. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on pages 25 and 26.

Comparisons of the Three Months Ended June 30, 2005 and 2004

The Company reported net income for the three months ended June 30, 2005 of $6.1 million, representing $0.33 per share, calculated on a diluted basis, compared to $6.6 million, or $0.34 per share calculated on a diluted basis, for the second quarter of 2004. Net income benefitted from continued growth in net interest income, a lower provision for loan losses and higher noninterest income, but these benefits were more than offset by increases in the provision for income taxes and in noninterest expenses.

Net Interest Income

Net interest income, on a tax-equivalent basis, increased to $21.2 million for the second quarter of 2005 from $19.2 million for the 2004 period, due to higher average earning assets outstanding coupled with higher average yield on loans partially offset by higher balances for interest-bearing deposits coupled with higher rates paid on interest-bearing deposit balances and borrowed funds. The net interest margin, on a tax-equivalent basis, was 4.84% for the second quarter of 2005 compared to 4.75% for the 2004 period. The increase in the net interest margin was primarily the result of the impact of the higher interest rate environment in 2005, and of an increase in average loan outstandings and noninterest-bearing deposits partially offset by the impact of higher average interest-bearing deposits.

Total interest income, on a tax-equivalent basis, aggregated $28.0 million for the second quarter of 2005, up from $23.7 million for the 2004 period. The tax-equivalent yield on interest-earning assets was 6.42% for the second quarter of 2005 compared to 5.91% for the 2004 period.

Interest earned on the loan portfolio amounted to $19.5 million for the second quarter of 2005, up $4.1 million from a year ago. Average loan balances amounted to $1,019.2 million, an increase of $118.0 million from an average of $901.2 million in the prior year period. The increase in average loans (across virtually all segments of the Company s loan portfolio), primarily due to the Company s business development activities and the ongoing consolidation of banks in the Company s marketing area, accounted for $2.1 million of the $4.1 million increase in interest earned on loans. The increase in the yield on the domestic loan portfolio to 7.92% for the second quarter of 2005 from 7.02% for the 2004 period was primarily attributable to the mix of outstanding balances on average among the components of the loan portfolio and the higher interest rate environment in 2005.

Interest earned on the securities portfolio, on a tax-equivalent basis, increased to $8.4 million for the second quarter of 2005 from $8.3 million in the prior year period. Average outstandings increased to $733.8 million (41.4% of average earning assets for the second quarter of 2005) from $717.2 million (44.2% of average earning assets) in the prior year period. The average life of the securities portfolio was approximately 4.2 years at June 30, 2005 compared to 3.9 years at June 30, 2004, reflecting the impact of purchases made during 2004. The decrease in yields on most of the securities portfolio reflects the impact of purchases made during the lower rate environment on average in 2004.

Total interest expense increased to $6.7 million for the second quarter of 2005 from $4.5 million for the 2004 period, primarily due to higher rates paid for interest-bearing deposits and for borrowed funds and higher average balances for interest-bearing deposits.

Interest expense on deposits increased to $4.1 million for the second quarter of 2005 from $2.4 million for the 2004 period due to an increase in average balances, primarily for time deposits, coupled with an increase in the cost of those funds. Average interest-bearing deposit balances increased to $925.2 million for the second quarter of 2005 from $798.7 million in the 2004 period primarily the result of the Company s branching initiatives and other business development activities. Average rate paid on interest-bearing deposits was 1.77% which was 57 basis points higher than the prior year period. The increase in average cost of deposits reflects the higher interest rate environment during 2005.

Interest expense on borrowings increased to $2.7 million for the second quarter of 2005 from $2.1 million for the 2004 period primarily due to the higher interest rate environment during 2005. The average rate paid on borrowed funds was 3.38% which was 78 basis points higher than the prior year period.

Provision for Loan Losses

Based on management s continuing evaluation of the loan portfolio (discussed under Asset Quality below), the provision for loan losses for the second quarter of 2005 decreased to $2.0 million from $2.5 million for the prior year period. Factors affecting the level of provision included the growth in the loan portfolios, changes in general economic conditions and the amount of nonaccrual loans.

Noninterest Income

Noninterest income increased to $9.3 million for the second quarter of 2005 from $8.5 million in the 2004 period, primarily due to higher revenues from mortgage banking activities, bank owned life insurance and fees for deposit services. Partially offsetting those increases were lower gains on sales of available for sale securities and fees for factoring services.

Noninterest Expenses

Noninterest expenses increased $2.0 million for the second quarter of 2005 when compared to the 2004 period. The increase was primarily due to higher salaries and professional fees related to compliance efforts and investments in the Sterling franchise, including the new branches, with higher expenses related to salaries, equipment and occupancy costs.

Provision for Income Taxes

The provision for income taxes for the second quarter of 2005 increased by $1.7 million from the 2004 period. The lower provision for taxes for the second quarter of 2004 was due primarily to the resolution in that quarter of certain state tax issues for the years 1999-2001.

Comparisons of the Six Months Ended June 30, 2005 and 2004

The Company reported net income for the six months ended June 30, 2005 of $11.8 million, representing $0.63 per share, calculated on a diluted basis, compared to $11.8 million, or $0.61 per share calculated on a diluted basis, for the first half of 2004. This increase reflected continued growth in net interest income, a lower provision for loan losses and higher noninterest income, which were largely offset by increases in the provision for income taxes and in noninterest expenses.

Net Interest Income

Net interest income, on a tax-equivalent basis, increased to $41.9 million for the first six months of 2005 from $38.5 million for the 2004 period, due to higher average earning assets outstanding coupled with higher average yield on loans partially offset by higher balances for interest-bearing deposits coupled with higher rates paid on interest-bearing deposit balances and borrowed funds. The net interest margin, on a tax-equivalent basis, was 4.94% for the first six months of 2005 compared to 4.87% for the 2004 period. The increase in the net interest margin was primarily the result of the impact of the higher interest rate environment in 2005, and of an increase in average loan outstandings and noninterest-bearing deposits partially offset by the impact of higher average interest-bearing deposits.

Total interest income, on a tax-equivalent basis, aggregated $54.4 million for the first six months of 2005, up from $47.5 million for the 2004 period. The tax-equivalent yield on interest-earning assets was 6.43% for the first six months of 2005 compared to 6.04% for the 2004 period.

Interest earned on the loan portfolio amounted to $37.9 million for the first six months of 2005, up $7.4 million from a year ago. Average loan balances amounted to $1,006.1 million an increase of $124.2 million from an average of $881.9 million in the prior year period. The increase in average loans (across virtually all segments of the Company s loan portfolio), primarily due to the Company s business development activities and the ongoing consolidation of banks in the Company s marketing area, accounted for $4.2 million of the $7.4 million increase in interest earned on loans. The increase in the yield on the domestic loan portfolio to 7.94% for the first six months of 2005 from 7.22% for the 2004 period was primarily attributable to the mix of outstanding balances on average among the components of the loan portfolio and the higher interest rate environment in 2005.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $16.3 million for the first six months of 2005 from $17.0 million in the prior year period. The decrease in yields on most of the securities portfolio reflects the impact of purchases made during the lower rate environment on average in 2004. Average outstandings increased to $713.3 million (41.0% of average earning assets for the first six months of 2005) from $706.2 million (44.1% of average earning assets) in the prior year period. The average life of the securities portfolio was approximately 4.2 years at June 30, 2005 compared to 3.9 years at June 30, 2004, reflecting the impact of purchases made during 2004.

Total interest expense increased to $12.4 million for the first six months of 2005 from $9.1 million for the 2004 period, primarily due to higher rates paid for interest-bearing deposits and for borrowed funds and higher average balances for interest-bearing deposits.

Interest expense on deposits increased to $7.5 million for the first six months of 2005 from $4.8 million for the 2004 period due to an increase in average balances, primarily for time deposits, coupled with an increase in the cost of those funds. Average interest-bearing deposit balances increased to $909.8 million for the first six months of 2005 from $796.2 million in the 2004 period primarily the result of the Company s branching initiatives and other business development activities. Average rate paid on interest-bearing deposits was 1.67% which was 45 basis points higher than the prior year period. The increase in average cost of deposits reflects the higher interest rate environment during 2005.

Interest expense on borrowings increased to $4.9 million for the first six months of 2005 from $4.2 for the 2004 period primarily due to the higher interest rate environment during 2005. The average rate paid on borrowed funds was 3.27% which was 60 basis points higher than the prior year period.

Provision for Loan Losses

Based on management s continuing evaluation of the loan portfolio (discussed under Asset Quality below), the provision for loan losses for the first half of 2005 decreased to $4.7 million from $4.9 million for the prior year period. Factors affecting the level of provision included the growth in the loan portfolios, changes in general economic conditions and the amount of nonaccrual loans.

Noninterest Income

Noninterest income increased to $17.3 million for the first six months of 2005 from $16.8 million in the 2004 period, primarily due to higher revenues from mortgage banking activities, bank owned life insurance and fees for deposit services. Partially offsetting those increases were lower gains on sales of available for sale securities and fees for factoring services.

Noninterest Expenses

Noninterest expenses increased $3.1 million for the first six months of 2005 when compared to the 2004 period. The increase was primarily due to higher salaries and professional fees related to compliance efforts and investments in the Sterling franchise, including the new branches, with higher expenses related to salaries, equipment and occupancy costs.

Provision for Income Taxes

The provision for income taxes for the first six months of 2005 increased by $1.2 million from the 2004 period. The lower provision for taxes in the 2004 period was due primarily to the resolution, during the second quarter of 2004, of certain state tax issues for the years 1999-2001.

BALANCE SHEET ANALYSIS

Securities

The Company s securities portfolios are comprised principally of U.S. government and U.S. government corporation and agency guaranteed mortgage-backed securities. At June 30, 2005, the Company s portfolio of securities totaled $725.2 million, of which U.S. government corporation and agency guaranteed mortgage-backed securities and collateralized mortgage obligations having an average life of approximately 4.6 years amounted to $624.3 million. The Company has the intent and ability to hold to maturity securities classified as held to maturity. These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The gross unrealized gains and losses on held to maturity securities were $3.4 million and $3.2 million, respectively. Securities classified as available for sale may be sold in the future, prior to maturity. These securities are carried at market value. Net aggregate unrealized gains or losses on these securities are included in a valuation allowance account and are shown net of taxes, as a component of shareholders equity. Available for sale securities included gross unrealized gains of $1.6 million and gross unrealized losses of $2.2 million. Given the generally high credit quality of the portfolio, management expects to realize all of its investment upon the maturity of such instruments and thus believes that any market value impairment is temporary.

The following table presents information regarding securities available for sale:

June 30,2005	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Obligations of U.S. government corporations and agencies mortgage-backed securities	$ 121,616,438	$ 1,044,166	$ 852,171	$ 121,808,433
Obligations of U.S. government corporations and agencies collateralized mortgage obligations	38,432,884		961,463	37,471,421
Obligations of state and political institutions	21,912,816	519,777	570	22,432,023
Other debt securities	24,996,229		399,354	24,596,875
Federal Reserve Bank and other equity securities	7,619,242	18,607		7,637,849
Total	$ 214,577,609	$ 1,582,550	$ 2,213,558	$ 213,946,601

The following table presents information regarding securities held to maturity:

June 30, 2005	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Obligations of U.S. government corporations and agencies mortgage-backed securities	$ 416,402,980	$ 3,342,322	$ 1,985,526	$ 417,759,776
Obligations of U.S. government corporations and agencies collateralized mortgage obligations	48,654,217	62,682	712,192	48,004,707
Other Debt securities	44,992,657		466,094	44,526,563
Debt securities issued by foreign governments	1,250,000			1,250,000
Total	$ 511,299,854	$ 3,405,004	$ 3,163,812	$ 511,541,046

Loan Portfolio

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

The Company s commercial and industrial loan portfolio represents approximately 52% of all loans. Loans in this category are typically made to small and medium-sized businesses and range between $25,000 and $10 million. Sources of repayment are from 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 Company s real estate loan portfolio, which represents approximately 28% of all loans, is secured by mortgages on real property located principally in the states of New York and Virginia. The Company s leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 16% of all loans. The collateral securing any loan may vary in value based on market conditions.

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

	June 30,			
	2005		2004	
	($ in thousands)			
	Balances	% of Total	Balances	% of Total
Domestic				
Commercial and industrial	$ 547,142	52.4%	$ 560,257	59.1%
Equipment lease financing	166,236	15.9	158,033	16.7
Real estate - mortgage	290,812	27.8	212,234	22.4
Real estate - construction	2,310	0.2	2,341	0.2
Installment - individuals	11,462	1.1	14,729	1.6
Loans to depository institutions	27,000	2.6		
Loans, net of unearned discounts	$ 1,044,962	100.0%	$ 947,594	100.0%

Asset Quality

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

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

At June 30, 2005, the ratio of the allowance to loans held in portfolio, net of unearned discounts, was 1.60% and the allowance was $16.2 million. At such date, the Company s nonaccrual loans amounted to $4.3 million; $1.2 million of such loans was judged to be impaired within the scope of SFAS No. 114. Loans 90 days past due and still accruing amounted to $0.9 million. Nonacrrual loans and loans 90 days past due and still accruing include leases, in the amount of $0.5 million and $0.9 million, respectively, of telecommunications equipment from a company that went into bankruptcy in July 2004. The service provider to the lessees discontinued service, resulting in the failure of certain lessees to make payments. While pursuing collection of the lease payments, past due amounts accrue. Legal action is typically commenced against lessees whose accounts are not paid within 180 days and are placed in nonaccrual status. Lessees remain unconditionally obligated to make payments. All are creditworthy and personally guaranteed; the reported delinquencies are not due to credit issues. Based on the foregoing, as well as management s judgment as to the current risks inherent in loans held in portfolio, the Company s allowance for loan losses was deemed adequate to absorb all reasonably anticipated losses on specifically known and other possible credit risks associated with the portfolio as of June 30, 2005. Net losses within loans held in portfolio are not statistically predictable and changes in conditions in the next twelve months could result in future provisions for loan losses varying from the level taken in the first six months of 2005. 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 $2.1 million at June 30, 2005.

Deposits

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

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

	June 30,			
	2005		2004	
	($ in thousands)			
	Balances	% of Total	Balances	% of Total
Domestic				
Demand	$ 457,565	33.3%	$ 444,343	35.4%
NOW	144,646	10.5	134,964	10.7
Savings	27,698	2.0	31,672	2.5
Money market	233,474	17.0	204,868	16.3
Time deposits	508,240	37.0	436,939	34.8
Total domestic deposits	1,371,623	99.8	1,252,786	99.7
Foreign				
Time deposits	3,015	0.2	3,000	0.3
Total deposits	$ 1,374,638	100.0%	$ 1,255,786	100.0%

Fluctuations of balances in total or among categories at any date may occur based on the Company s mix of assets and liabilities as well as on customers balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented on pages 25 and 26.

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% to 5%) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). Information regarding the Company s and the bank s risk-based capital is presented on page 29. In addition, the bank is subject to the Federal Deposit Insurance Corporation Improvement Act of 1981 (FDICIA) which imposes a number of mandatory supervisory measures. Among other matters, five capital categories, ranging from well capitalized to critically under capitalized , are used by regulatory agencies to determine a bank s deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a well capitalized bank must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the Company. At June 30, 2005, the Company and the bank exceeded the requirements for well capitalized institutions.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report, including but not limited to, statements concerning future results of operations or financial position, borrowing capacity and future liquidity, future investment results, future credit exposure, future loan losses and plans and objectives for future operations, and other statements contained herein regarding matters that are not historical facts, are forward-looking statements as defined in the Securities Exchange Act of 1934. These statements are not historical facts but instead are subject to numerous assumptions, risks and uncertainties, and represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Any forward-looking statements we may make speak only as of the date on which such statements are made. Our actual results and financial position may differ materially from the anticipated results and financial condition indicated in or implied by these forward-looking statements.

Factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, market and monetary fluctuations; geopolitical developments including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; 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 the financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); changes in accounting principles, policies and guidelines; the success of the Company at managing the risks involved in the foregoing as well as other risks and uncertainties indicated from time to time in press releases and other public filings. The foregoing list of important factors is not exclusive, and we will not update any forward-looking statement, whether written or oral, that may be made from time to time.

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

(dollars in thousands)

	2005			2004		
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-bearing deposits with other banks	$ 3,155	$ 16	2.02%	$ 2,952	$ 3	0.58%
Securities available for sale	197,236	2,185	4.43	291,038	3,126	4.30
Securities held to maturity	511,387	5,733	4.48	395,637	4,678	4.73
Securities tax-exempt [2]	25,130	459	7.33	30,494	516	6.81
Total investment securities	733,753	8,377	4.57	717,169	8,320	4.64
Federal funds sold	16,066	112	2.77	2,418	6	0.95
Loans, net of unearned discounts [3]	1,019,245	19,478	7.92	901,156	15,412	7.02
TOTAL INTEREST-EARNING ASSETS	1,772,219	27,983	6.42%	1,623,695	23,741	5.91%
Cash and due from banks	61,229			58,365		
Allowance for loan losses	(17,652)			(15,597)		
Goodwill	21,158			21,158		
Other assets	79,013			72,470		
TOTAL ASSETS	$ 1,915,967			$ 1,760,091		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 28,577	28	0.40%	$ 32,636	33	0.41%
NOW	155,218	269	0.69	135,345	147	0.44
Money market	214,740	469	0.88	203,133	191	0.38
Time	523,697	3,312	2.54	424,602	1,995	1.89
Foreign						
Time	3,012	8	1.09	3,000	8	1.10
Total interest-bearing deposits	925,244	4,086	1.77	798,716	2,374	1.20
Borrowings						
Securities sold under agreements to repurchase - customers	86,793	417	1.93	78,753	219	1.12
Securities sold under agreements to repurchase - dealers	54,284	420	3.11	50,730	146	1.16
Federal funds purchased	20,223	157	3.12	17,399	47	1.10
Commercial paper	37,211	223	2.40	28,323	78	1.12
Other short-term debt	7,760	61	3.17	18,886	94	1.99
Long-term debt	108,082	1,377	5.09	135,774	1,561	4.59
Total borrowings	314,353	2,655	3.38	329,865	2,145	2.60
TOTAL INTEREST-BEARING LIABILITIES	1,239,597	6,741	2.18%	1,128,581	4,519	1.61%
Noninterest-bearing deposits	445,933			408,520		

	2005			2004		
Other liabilities	79,973			81,029		
Total liabilities	1,765,503			1,618,130		
Shareholders equity	150,464			141,961		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 1,915,967			$ 1,760,091		
Net interest income/spread		21,242	4.24%		19,222	4.30%
Net yield on interest-earning assets (margin)			4.84%			4.75%
Less: Tax equivalent adjustment		177			188	
Net interest income		$ 21,065			$ 19,034	

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

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

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

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

(dollars in thousands)

	2005			2004		
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-bearing deposits with other banks	$ 2,770	$ 22	1.61%	$ 3,150	$ 7	0.82%
Securities available for sale	200,717	4,399	4.38	290,568	6,479	4.42
Securities held to maturity	486,814	10,943	4.50	384,888	9,384	4.88
Securities tax-exempt [2]	25,777	930	7.28	30,697	1,091	7.15
Total investment securities	713,308	16,272	4.56	706,153	16,954	4.79
Federal funds sold	17,304	222	2.56	11,703	56	0.95
Loans, net of unearned discounts [3]	1,006,064	37,854	7.94	881,878	30,494	7.22
TOTAL INTEREST-EARNING ASSETS	1,739,446	54,370	6.43%	1,602,884	47,511	6.04%
Cash and due from banks	62,625			62,511		
Allowance for loan losses	(17,450)			(15,460)		
Goodwill	21,158			21,158		
Other assets	79,559			70,207		
TOTAL ASSETS	$ 1,885,338			$ 1,741,300		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 28,804	54	0.38%	$ 32,791	65	0.40%
NOW	148,748	463	0.63	134,683	301	0.45
Money market	220,595	879	0.80	206,540	561	0.55
Time	508,667	6,126	2.43	419,143	3,904	1.87
Foreign						
Time	3,007	16	1.09	3,000	16	1.08
Total interest-bearing deposits	909,821	7,538	1.67	796,157	4,847	1.22
Borrowings						
Securities sold under agreements to repurchase - customers	86,281	754	1.76	77,061	430	1.12
Securities sold under agreements to repurchase - dealers	46,416	669	2.91	43,677	251	1.16
Federal funds purchased	11,826	178	2.99	11,653	63	1.08
Commercial paper	36,412	383	2.12	25,871	141	1.10
Other short-term debt	4,287	66	3.12	21,816	206	1.89
Long-term debt	115,276	2,855	4.95	135,774	3,120	4.59
Total borrowings	300,498	4,905	3.27	315,852	4,211	2.67
TOTAL INTEREST-BEARING LIABILITIES	1,210,319	12,443	2.07%	1,112,009	9,058	1.64%
Noninterest-bearing deposits	441,247			405,315		

	2005			2004		
Other liabilities	84,760			81,082		
Total liabilities	1,736,326			1,598,406		
Shareholders equity	149,012			142,894		
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 1,885,338			$ 1,741,300		
Net interest income/spread		41,927	4.36%		38,453	4.40%
Net yield on interest-earning assets (margin)			4.94%			4.87%
Less: Tax equivalent adjustment		360			424	
Net interest income		$ 41,567			$ 38,029	

[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)

(in thousands)

	Increase/(Decrease) Three Months Ended June 30, 2005 to June 30, 2004		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$	$ 13	$ 13
Securities available for sale	(1,033)	92	(941)
Securities held to maturity	1,312	(257)	1,055
Securities tax-exempt	(95)	38	(57)
Total investment securities	184	(127)	57
Federal funds sold	79	27	106
Loans, net of unearned discounts [3]	2,055	2,011	4,066
TOTAL INTEREST INCOME	$ 2,318	$ 1,924	$ 4,242
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (4)	$ (1)	$ (5)
NOW	25	97	122
Money market	12	266	278
Time	532	785	1,317
Foreign			
Time			
Total interest-bearing deposits	565	1,147	1,712
Borrowings			
Securities sold under agreements to repurchase - customers	24	174	198
Securities sold under agreements to repurchase - dealers	11	263	274
Federal funds purchased	9	101	110
Commercial paper	32	113	145
Other short-term debt	(72)	39	(33)
Long-term debt	(340)	156	(184)
Total borrowings	(336)	846	510

	Increase/(Decrease) Three Months Ended June 30, 2005 to June 30, 2004		
TOTAL INTEREST EXPENSE	$ 229	$ 1,993	$ 2,222
NET INTEREST INCOME	$ 2,089	$ (69)	$ 2,020

[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.

[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)

(in thousands)

	Increase/(Decrease) Six Months Ended June 30, 2005 to June 30, 2004		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ (1)	$ 16	$ 15
Securities available for sale	(2,022)	(58)	(2,080)
Securities held to maturity	2,313	(754)	1,559
Securities tax-exempt	(164)	3	(161)
Total investment securities	127	(809)	(682)
Federal funds sold	36	130	166
Loans, net of unearned discounts [3]	4,238	3,122	7,360
TOTAL INTEREST INCOME	$ 4,400	$ 2,459	$ 6,859
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (8)	$ (3)	$ (11)
NOW	32	130	162
Money market	39	279	318
Time	914	1,308	2,222
Foreign			
Time			
Total interest-bearing deposits	977	1,714	2,691
Borrowings			
Securities sold under agreements to repurchase - customers	54	270	324
Securities sold under agreements to repurchase - dealers	16	402	418
Federal funds purchased	1	114	115
Commercial paper	73	169	242
Other short-term debt	(225)	85	(140)
Long-term debt	(499)	234	(265)
Total borrowings	(580)	1,274	694

	Increase/(Decrease) Six Months Ended June 30, 2005 to June 30, 2004		
TOTAL INTEREST EXPENSE	$ 397	$ 2,988	$ 3,385
NET INTEREST INCOME	$ 4,003	$ (529)	$ 3,474

[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 effect of the extra day in 2004 has been included in the change in volume.

[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
(dollars in thousands)

	Actual		For Capital Adequacy Minimum		To Be Well Capitalized	
As of June 30, 2005	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital(to Risk Weighted Assets):						
The Company	$ 176,139	15.15%	$ 93,033	8.00%	$ 116,291	10.00%
The bank	131,411	12.03	87,399	8.00	109,248	10.00
Tier 1 Capital(to Risk Weighted Assets):						
The Company	161,583	13.89	46,517	4.00	69,775	6.00
The bank	117,736	10.78	43,699	4.00	65,549	6.00
Tier 1 Leverage Capital(to Average Assets):						
The Company	161,583	8.53	75,792	4.00	94,740	5.00
The bank	117,736	6.45	73,066	4.00	91,333	5.00
As of December 31, 2004						
Total Capital(to Risk Weighted Assets):						
The Company	$ 169,226	14.35%	$ 94,334	8.00%	$ 117,917	10.00%
The bank	129,267	11.56	89,466	8.00	111,832	10.00
Tier 1 Capital(to Risk Weighted Assets):						
The Company	154,467	13.10	47,167	4.00	70,750	6.00
The bank	115,262	10.31	44,733	4.00	67,099	6.00
Tier 1 Leverage Capital(to Average Assets):						
The Company	154,467	8.49	72,792	4.00	90,990	5.00
The bank	115,262	6.56	70,270	4.00	87,837	5.00

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

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

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

Market Risk

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

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

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

The Company s balance sheet structure is primarily short-term in nature with a substantial portion of assets and liabilities repricing or maturing within one year. The Company s gap analysis at June 30, 2005, presented on page 34, 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 with the corresponding amortization reflected in the yield of the related balance sheet assets being hedged. The Company has written policy guidelines, approved by the Board of Directors, governing the use of financial instruments, including approved counterparties, risk limits and appropriate internal control procedures. The credit risk of derivatives arises principally from the potential for a counterparty to fail to meet its obligation to settle a contract on a timely basis. During the second quarter of 2005, the Company did not enter into any derivative contracts to hedge its interest rate risk. At June 30,2005 and 2004, the Company was not a party to any derivative contracts to hedge its interest rate risk.

The Company utilizes income simulation models to complement its traditional gap analysis. While the Asset/Liability Committee routinely monitors simulated net interest income sensitivity over a rolling two-year horizon, it also utilizes additional tools to monitor potential longer-term interest rate risk.

The income simulation models measure the Company s net interest income volatility or sensitivity to interest rate changes utilizing statistical techniques that allow the Company to consider various factors which impact net interest income. These factors include actual maturities, estimated cash flows, repricing characteristics, deposits growth/retention and, most importantly, the relative sensitivity of the Company s assets and liabilities to changes in market interest rates. This relative sensitivity is important to consider as the Company s core deposit base has not been subject to the same degree of interest rate sensitivity as its assets. The core deposit costs are internally managed and tend to exhibit less sensitivity to changes in interest rates than the Company s adjustable rate assets whose yields are based on external indices and generally change in concert with market interest rates.

The Company s interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company s assets and the rates that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management projects the impact of changes in interest rates on net interest margin. The Company has established certain policy limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of June 30, 2005, the model indicated the impact of a 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 1.9% ($1.6 million) increase in net interest income, while the impact of a 200 basis point decline in rates over the same period would approximate a 3.0% ($2.6 million) decline from an unchanged rate environment.

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

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

The shape of the yield curve can cause downward pressure on net interest income. In general, if and to the extent that the yield curve is flatter (i.e., the differences between interest rates for different maturities are relatively smaller) than previously anticipated, then the yield on the Company s interest-earning assets and its cash flows will tend to be lower. Management believes that a relatively flat yield curve shape could adversely affect the Company s results in 2005.

Liquidity Risk

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

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

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

At June 30, 2005, the parent company s short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $38.0 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $31.7 million. The parent company also has back-up credit lines with banks of $24.0 million. Since 1979, the parent company has had no need to use the available back-up lines of credit.

The following table sets forth information regarding the Company s obligations and commitments to make future payments under contract as of June 30, 2005:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Long-Term Debt	$ 105,774	$	$ 35,774	$	$ 70,000
Operating Leases	27,948	3,448	6,768	5,914	11,818
Total Contractual Cash Obligations	$ 133,722	$ 3,448	$ 42,542	$ 5,914	$ 81,818

The following table sets forth information regarding the Company s obligations under other commercial commitments as of June 30, 2005:

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amount Committed	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Residential loans	$ 36,800	$ 36,800	$	$	$
Commercial Loans	15,674	10,158	3,639	1,877	
Total Loans	52,474	46,958	3,639	1,877	
Standby Letters of Credit	30,657	27,627	3,030		
Other Commercial Commitments	18,122	18,107			15
Total Commercial Commitments	$ 101,253	$ 92,692	$ 6,669	$ 1,877	$ 15

INFORMATION AVAILABLE ON OUR WEB SITE

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

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

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. Amounts are presented in thousands.

	Repricing Date					
	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 5 Years	Over 5 Years	Nonrate Sensitive	Total
ASSETS						
Interest-bearing deposits with other banks	$ 1,039	$	$	$	$	$ 1,039
Federal funds sold						
Investment securities	1,326	12,288	148,186	555,808	7,638	725,246
Loans, net of unearned discounts						
Commercial and industrial	529,323	732	14,233	3,090	(236)	547,142
Loans to depository institutions	27,000					27,000
Lease financing	14,810	13,642	151,827	10,171	(24,214)	166,236
Real estate	99,965	9,628	146,108	37,421		293,122
Installment	11,464				(2)	11,462
Noninterest-earning assets and allowance for loan losses					137,564	137,564
Total Assets	684,927	36,290	460,354	606,490	120,750	1,908,811
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing deposits						
Savings [1]			27,698			27,698
NOW [1]			144,646			144,646
Money market [1]	191,351		42,123			233,474
Time - domestic	238,318	177,188	92,734			508,240
- foreign	1,645	1,370				3,015
Securities sold u/a/r - cust	63,502					63,502
Securities sold u/a/r - deal	74,728					74,728
Federal funds purchased	20,000					20,000
Commercial paper	36,533					36,533
Other short-term borrowings	1,448					1,448
Long-term borrowings - FHLB			10,000	70,000	25,774	105,774
Noninterest-bearing liabilities and shareholders equity					689,753	689,753
Total Liabilities and Shareholders Equity	627,525	178,558	317,201	70,000	715,527	1,908,811
Net Interest Rate Sensitivity Gap	$ 57,402	$ (142,268)	$ 143,153	$ 536,490	$ (594,777)	$
Cumulative Gap June 30, 2005	$ 57,402	$ (84,866)	$ 58,287	$ 594,777	$	$
Cumulative Gap June 30, 2004	$ 124,098	$ (12,354)	$ (16,765)	$ 547,508	$	$

	Repricing Date					
Cumulative Gap						
December 31, 2004	**$ 250,603**	**$ 160,810**	**$ 187,606**	**$ 663,246**	**$**	**$**

[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.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of the Company s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this quarterly report. Based upon that evaluation, and the identification of a material weakness in the Company s internal control over financial reporting as of December 31, 2004 (relating to inadequate resources for controls over the accounting for Company-owned split-dollar life insurance policies on the lives of certain officers of the Company) described in Item 9A of the Company s annual report on Form 10-K for the fiscal year ended December 31, 2004, as amended by Amendment No. 1 on Form 10-K/A, the Company s management, including the Chief Executive Officer and Chief Financial Officer, have concluded that, as of the end of the period covered by this quarterly report, the Company s disclosure controls and procedures were not effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. For a discussion of the reasons and matters on which this conclusion was based, see Item 9A of the Company s annual report on Form 10-K for the fiscal year ended December 31, 2004, as amended by Amendment No. 1 on Form 10-K/A.

The Company is currently working to eliminate the material weakness referred to above, and the following change in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended June 30,2005: The Company enhanced its staffing by hiring an additional person with expertise in generally accepted accounting principles.

For a discussion of the development and implementation of new procedures and other changes in the Company s internal control over financial reporting that occurred during the first quarter of 2005, see Item 4 of Part I of the Company s quarterly report on Form 10-Q for the quarter ended March 31, 2005. The Company will conduct tests of these new procedures and other changes to its 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 following table discloses the Company s repurchases of the Company s common shares during the second quarter of 2005.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 1-30, 2005				147,919
May 1-31, 2005	14,000	$ 21.51	14,000	133,919
June 1-30,2005	17,100	21.94	17,100	916,819
Total	31,100		31,100	

All shares were repurchased through the Company s share repurchase program.

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 last increase prior to 2005 was announced on February 27, 2002, when the Board of Directors increased the Company s authority to repurchase common shares by an additional 700,000 shares, thereby raising the number of shares that could then be repurchased to approximately 900,000. As of January 1, 2005, the remaining number of shares that could be repurchased was 147,919. On June 16, 2005, the Company announced that 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, October 28, 2004 (Filed as Exhibit 3(i) to the Registrant s Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).

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

11. Statement Re: Computation of Per Share Earnings.

31. Certifications of the CEO and CFO pursuant to Exchange Act Rule 13a-14(a).

32. Certifications of the CEO and CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.

SIGNATURES

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

STERLING BANCORP

(Registrant)

Date	August 9, 2005	/s/	Louis J. Cappelli
			Louis J. Cappelli Chairman and Chief Executive Officer
Date	August 9, 2005	/s/	John W. Tietjen
			John W. Tietjen Executive Vice President and Chief Financial Officer

STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	**Description**	**Sequential Page No.**
11	Statement re: Computation of Per Share Earnings.	40
31	Certifications of the CEO and CFO pursuant to Exchange Act Rule 13a-14(a).	41
32	Certifications of the CEO and CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code.	43