STERLING BANCORP
Form 10-Q
November 12, 2002

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, 2002

or

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

For the transition period from _______________ to _________________

Commission File Number: 1-5273-1

Sterling Bancorp
(Exact name of registrant as specified in its charter)

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

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

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

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

[X] Yes [] No

As of October 31, 2002 there were 9,887,996 shares of common stock, $1.00 par value, outstanding.

STERLING BANCORP

Sarbanes-Oxley Act of 2002 35

STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

ASSETS	September 30, 2002
Cash and due from banks	$ 49,427,001
Interest-bearing deposits with other banks	1,905,755
Federal funds sold	--
Securities available for sale	190,866,033
Securities available for sale - pledged	81,055,633
Securities held to maturity	138,013,251
Securities held to maturity - pledged	182,457,720
Total investment securities	592,392,637
Loans held for sale	33,093,148
Loans held in portfolio, net of unearned discounts	795,197,068
Less allowance for loan losses	12,822,381
Loans, net	815,467,835
Customers' liability under acceptances	1,524,201
Excess cost over equity in net assets of the banking subsidiary	21,158,440
Premises and equipment, net	8,562,325
Other real estate	998,668
Accrued interest receivable	5,746,802
Bank owned life insurance	20,814,366
Other assets	11,779,426
	$1,529,777,456
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	
Noninterest-bearing deposits	$ 326,243,038
Interest-bearing deposits	707,781,772
Total deposits	1,034,024,810
Federal funds purchased and securities sold under agreements to repurchase	78,073,794
Commercial paper	29,712,600
Other short-term borrowings	24,917,302
Acceptances outstanding	1,524,201
Accrued expenses and other liabilities	83,038,063
Long-term debt - FHLB	125,000,000
Total liabilities	1,376,290,770

Corporation Obligated Mandatorily Redeemable Capital Securities of Subsidiary Trust	25,000,000
Shareholders' equity	
Preferred stock, $5 par value. Authorized 644,389 shares Series D; issued 232,305 and 234,606 shares, respectively	2,323,050
Common stock, $1 par value. Authorized 20,000,000 shares; issued 11,148,692 and 10,834,853 shares, respectively	11,148,692
Capital surplus	102,745,307
Retained earnings	43,033,863
Accumulated other comprehensive income, net of tax	3,984,283
	163,235,195
Less	
Common shares in treasury at cost, 1,262,516 and 745,023 shares, respectively	32,435,473
Unearned compensation	2,313,036
Total shareholders' equity	128,486,686
	$1,529,777,456

See Notes to Consolidated Financial Statements.

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STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended September 30,	
	2002	2001
INTEREST INCOME		
Loans	$14,547,213	$16,327,504
Investment securities		
Available for sale	4,174,794	3,232,726
Held to maturity	4,942,536	4,033,164
Federal funds sold	44,352	54,933
Deposits with other banks	6,708	28,296
Total interest income	23,715,603	23,676,623
INTEREST EXPENSE		
Deposits	3,110,679	4,831,922
Federal funds purchased and securities sold under agreements to repurchase	296,377	547,627
Commercial paper	156,643	357,027
Other short-term borrowings	135,132	38,698
Long-term debt	1,148,669	466,803

Total interest expense	4,847,500	6,242,077	1
Net interest income	18,868,103	17,434,546	5
Provision for loan losses	2,153,100	2,017,800	
Net interest income after provision for loan losses	16,715,003	15,416,746	4
NONINTEREST INCOME			
Factoring income	1,807,632	1,371,780	
Mortgage banking income	2,381,723	2,216,606	
Service charges on deposit accounts	1,300,524	1,478,183	
Trade finance income	797,794	646,189	
Trust fees	124,334	171,178	
Other service charges and fees	416,389	475,376	
Bank owned life insurance income	298,185	--	
Securities gains	24,947	--	
Other income	141,854	158,297	
Total noninterest income	7,293,382	6,517,609	2
NONINTEREST EXPENSES			
Salaries and employee benefits	8,253,632	7,072,561	2
Occupancy expenses, net	1,294,747	1,346,724	
Equipment expenses	602,868	698,595	
Advertising and marketing	895,641	670,824	
Professional fees	848,642	1,351,293	
Data processing fees	259,246	328,329	
Stationery and printing	296,386	213,615	
Communications	403,992	456,092	
Capital securities costs	534,449	--	
Other expenses	1,517,477	1,383,725	
Total noninterest expenses	14,907,080	13,521,758	4
Income before income taxes	9,101,305	8,412,597	2
Provision for income taxes	3,556,613	3,419,876	
Net income	$ 5,544,692	$ 4,992,721	$1
Average number of common shares outstanding			
Basic	9,922,478	10,250,508	1
Diluted	10,526,878	10,933,626	1
Per average common share			
Basic	$ 0.56	$ 0.49	$
Diluted	0.52	0.46	
Dividends per common share	0.18	0.16	

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

(Unaudited)

	Three Months Ended September 30,		
	2002	2001	
Net income	$ 5,544,692	$ 4,992,721	$
Other comprehensive income, net of tax:			
Unrealized holding gains arising during the period	1,664,427	2,280,244	
Reclassification adjustment for gains included in net income	(13,496)	--	
Comprehensive income	$ 7,195,623	$ 7,272,965	$

See Notes to Consolidated Financial Statements.

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

	Nine Months September
	2002
Preferred Stock	
Balance at January 1	$ 2,346,060
Conversions of Series B shares	--
Redemption of Series B shares	--
Conversions of Series D shares	(23,010)
Balance at September 30	$ 2,323,050
Common Stock	
Balance at January 1	$ 10,834,853
Conversions of preferred shares into common shares	2,919
Options exercised	310,920
Balance at September 30	$ 11,148,692
Capital Surplus	
Balance at January 1	$ 98,487,765
Conversions of preferred shares into common shares	20,091
Redemption of Series B shares	--

Issuance of shares under incentive compensation plan	386,400
Options exercised	3,851,051
Balance at September 30	$ 102,745,307
Retained Earnings	
Balance at January 1	$ 32,419,767
Net Income	16,041,602
Cash dividends paid - common shares	(5,342,879)
- preferred shares	(84,627)
Balance at September 30	$ 43,033,863
Accumulated Other Comprehensive Income	
Balance at January 1	$ 1,119,223
Unrealized holding gains arising during the period:	
Before tax	6,165,148
Tax effect	(2,829,802)
Net of tax	3,335,346
Reclassification adjustment for gains included in net income:	
Before tax	(869,290)
Tax effect	399,004
Net of tax	(470,286)
Balance at September 30	$ 3,984,283
Treasury Stock	
Balance at January 1	$ (15,542,454)
Issuance of shares under incentive compensation plan	1,267,200
Surrender of shares issued under incentive compensation plan	(3,034,547)
Purchase of common shares	(15,125,672)
Balance at September 30	$ (32,435,473)
Unearned Compensation	
Balance at January 1	$ (1,187,798)
Issuance of shares under incentive compensation plan	(1,653,600)
Amortization of unearned compensation	528,362
Balance at September 30	$ (2,313,036)
Total Shareholders' Equity	
Balance at January 1	$ 128,477,416
Net changes during the period	9,270
Balance at September 30	$ 128,486,686

See Notes to Consolidated Financial Statements.

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

	Nine Months Septembe
	2002
Operating Activities	
Net Income	$ 16,041,602
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	8,432,400
Depreciation and amortization of premises and equipment	1,263,032
Securities gains	(869,290)
Income from bank owned life insurance	(814,366)
Deferred income tax provision (benefit)	435,151
Net decrease (increase) in loans held for sale	15,509,693
Amortization of unearned compensation	528,362
Amortization of premiums of securities	1,042,469
Accretion of discounts on securities	(666,212)
Decrease (Increase) in accrued interest receivable	120,319
Increase in accrued expenses and other liabilities	7,413,628
Increase in other assets	(289,623)
Issuance cost for preferred securities, net of amortization	(916,667)
Other, net	(2,486,501)
Net cash provided by operating activities	44,743,997
Investing Activities	
Purchase of premises and equipment	(1,972,995)
Decrease (Increase) in interest-bearing deposits	581,423
Decrease (Increase) in Federal funds sold	10,000,000
Increase in other real estate	(189,484)
Net increase in loans	(44,761,376)
Purchase of investment in bank owned life insurance	(20,000,000)
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	69,589,504
Purchases of securities - held to maturity	(83,926,203)
Purchases of securities - available for sale	(163,152,563)
Proceeds from sales of securities - available for sale	39,923,352
Proceeds from prepayments, redemptions or maturities of securities - available for sale	126,989,991
Net cash used in investing activities	(66,918,351)
Financing Activities	
Decrease in noninterest-bearing deposits	(30,060,270)
Increase in interest-bearing deposits	79,161,126
Net proceeds from issuance of Corporation Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust	24,062,500
Decrease in Federal funds purchased and securities sold under agreements to repurchase	(69,021,841)

Increase in commercial paper and other short-term borrowings	3,839,031
Purchase of treasury stock	(15,125,672)
Redemption of preferred stock	--
Increase in other long-term debt	29,650,000
Proceeds from exercise of stock options	4,161,971
Cash dividends paid on common and preferred stock	(5,427,506)
Net cash provided by financing activities	21,239,339
Net decrease in cash and due from banks	(935,015)
Cash and due from banks - beginning of period	50,362,016
Cash and due from banks - end of period	$ 49,427,001
Supplemental disclosures:	
Interest paid	$ 15,707,793
Income taxes paid	9,678,303

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 Company follows accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. The consolidated financial statements as of and for the interim periods ended September 30, 2002 and 2001 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 2001 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, 2001. The Company paid stock dividends as follows: a 10% stock dividend on December 10, 2001; a 10% stock dividend on December 11, 2000; and a 5% stock dividend on December 14, 1999. Fractional shares were cashed-out and payments were made to shareholders in lieu of fractional shares. The basic and diluted average number of shares outstanding and earnings per share information for all prior reporting periods have been restated to reflect the effect of the stock dividend.

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

3. The Company's outstanding Preferred Shares comprise 232,305 Series D shares (300,000 Series D shares authorized). Each Series D share (all of such shares are owned by the Company's Employee Stock Ownership Trust) is entitled to dividends at the rate of $0.6125 per year, is convertible into 1.2723 Common Shares, and is entitled to a liquidation preference of $10 (together with accrued dividends). All preferred

shares are entitled to one vote per share (voting with the Common Shares except as otherwise required by law).

4. The Financial Accounting Standards Board Statement of Financial Accounting Standards ("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 issued to stockholders.

The Company provides a full range of financial products and services, including commercial loans, asset-based financing, accounts receivable management services, trade financing, equipment leasing, business 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 2002 year-to-date average interest-earning assets were 54.1% loans (business lending was 75.6% and real estate lending was 21.3% of total loans, respectively) and 45.9% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the business loan portfolio. Approximately 67% of loans are to borrowers located in the metropolitan New York area. The Company has determined that it has three reportable operating segments: business lending, real estate lending and company-wide treasury.

The following tables provide certain information regarding the Company's operating segments for the three and nine month periods ended September 30, 2002 and 2001:

	Business Lending	Real Estate Lending	Company Treas
Three Months Ended September 30, 2002			
Net interest income	$ 7,530,877	$ 3,436,493	$ 7,4
Noninterest income	3,720,570	2,403,740	3
Depreciation and amortization	48,060	52,189	
Segment profit	4,625,923	2,571,043	7,8
Segment assets	620,991,983	165,103,648	696,4
Three Months Ended September 30, 2001			
Net interest income	$ 7,386,074	$ 3,606,566	$ 5,9
Noninterest income	3,283,578	2,240,090	
Depreciation and amortization	54,234	64,783	
Segment profit	4,206,830	3,166,087	6,6
Segment assets	598,165,252	148,412,334	572,0
Nine Months Ended September 30, 2002			
Net interest income	$ 21,805,357	$ 10,068,686	$ 22,5

Noninterest income	9,729,831	7,578,130	1,7
Depreciation and amortization	141,559	146,332	
Segment profit	12,439,592	8,342,383	24,6
Segment assets	620,991,983	165,103,648	696,4
Nine Months Ended September 30, 2001			
Net interest income	$ 23,098,725	$ 10,553,734	$ 15,9
Noninterest income	9,665,583	5,807,984	
Depreciation and amortization	140,721	163,366	
Segment profit	13,720,942	8,720,781	18,4
Segment assets	598,165,252	148,412,334	572,0

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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 September 30,		Ni
	2002	2001	
Net interest income:			
Total for reportable operating segments	$ 18,455,107	$ 16,971,162	$
Other [1]	412,996	463,384	
Consolidated net interest income	$ 18,868,103	$ 17,434,546	$
Noninterest income:			
Total for reportable operating segments	$ 6,474,252	$ 5,544,488	$
Other [1]	819,130	973,121	
Consolidated noninterest income	$ 7,293,382	$ 6,517,609	$
Profit:			
Total for reportable operating segments	$ 15,070,174	$ 14,026,308	$
Other [1]	(5,968,869)	(5,613,711)	(
Consolidated income before income taxes	$ 9,101,305	$ 8,412,597	$
Assets:			

Total for reportable operating segments	$ 1,482,560,960	$ 1,318,648,832	$ 1,4
Other [1]	47,216,496	45,080,431	
Consolidated assets	$ 1,529,777,456	$ 1,363,729,263	$ 1,5

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

5. In July 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting for goodwill, including goodwill recorded in past business combinations. The previous accounting principles governing goodwill generated from a business combination ceased upon adoption of SFAS No. 142 on January 1, 2002. The adoption of SFAS No. 142 had no impact on the Company's balance sheet and statement of income

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

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

	Three Months Ended September 30,		Nine Months
	2002	2001	2002
Proceeds	$ 354,838	$ --	$39,923,352
Gross gains	24,947	--	869,290
Gross losses	--	--	--

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 consolidated results of operations and financial condition of Sterling Bancorp (the "parent company"), a bank holding company and a financial holding company as defined by the Bank Holding Company Act of 1956, as amended, and its wholly-owned subsidiaries Sterling Financial Services Company, Inc., Sterling Banking Corporation and Sterling National Bank. Sterling National Bank, which is the principal subsidiary, owns all of the outstanding shares of Sterling Factors Corporation, Sterling National Mortgage Company, Inc., Sterling National Servicing, Inc., Sterling Trade Services, Inc. and Sterling Holding Company of Virginia, Inc. Sterling Trade Services, Inc. owns all of the outstanding Common Shares of Sterling National Asia Limited, Hong Kong. Sterling Holding Company of Virginia, Inc. owns all of the outstanding shares of Sterling Real Estate Holding Company, Inc. 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 Company's annual report on Form 10-K for the year ended December 31, 2001.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein, 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" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. It is possible that our actual results and financial position may differ, possibly 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, possibly 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; changes, particularly declines, in general economic conditions and in the local economies in which the Company operates; the financial condition of the Company's borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance); changes in accounting principles, policies and guidelines; the success of the Company at managing the risks involved in the foregoing as well as other risks and uncertainties detailed from time to time in press releases and other public filings. The foregoing list of important factors is not exclusive, and we will not update any forwarding-looking statement, whether written or oral, that may be made from time to time.

BUSINESS

The Company provides a wide range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposits services, trust and estate administration, and investment management services. The Company has operations in metropolitan New York area, as well as Virginia and other mid-Atlantic states and conducts business throughout the United States.

There is intense competition in all areas in which the Company conducts its business. In addition to competing with other banks, the Company competes in most areas of its business with other financial institutions. At September 30, 2002, the bank's year-to-date average earning assets (of which loans were 52% and investment securities were 46%) represented approximately 96% of the Company's year-to-date average earning assets.

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.

Results for the Three Months Ended September 30, 2002 and 2001

OVERVIEW

The Company reported net income for the three months ended September 30, 2002 of $5.5 million, representing $0.52 per share, calculated on a diluted basis, compared to $5.0 million, or $0.46 per share, calculated on a diluted basis, for the like period in 2001. This increase reflects higher net interest income and continued growth in noninterest income, which together more than offset increases in noninterest expenses.

Net interest income, on a tax equivalent basis, increased to $19.1 million for the third quarter of 2002 compared with $17.7 million for the same period in 2001, due to higher average earning assets outstanding coupled with lower average cost of funding. The net interest margin, on a tax equivalent basis, was 5.79% for the third quarter of 2002 compared to 6.16% for the like 2001 period. The decrease in the net interest margin was the result of a higher proportion of earning assets funded with interest-bearing liabilities and the decrease of 109 basis points in the average yield on earning assets partially offset by a decrease of 119 basis points in the average cost of funds.

Noninterest income rose to $7.3 million for the three months ended September 30, 2002 compared to $6.5 million for the like 2001 period principally due to growth in income from factoring, mortgage banking and trade finance activities, and from a bank-owned life insurance program implemented in January 2002.

INCOME STATEMENT ANALYSIS

Net Interest Income

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. Net interest spread is the

difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets ("net interest margin") is calculated by dividing tax equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate are provided in the Rate/Volume Analysis shown on page 24. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on page 22.

Net interest income, on a tax equivalent basis, for the three months ended September 30, 2002 increased to $19,117,000, from $17,699,000 for the comparable period in 2001.

Total interest income, on a tax equivalent basis, aggregated $23,964,000 for the third quarter of 2002, substantially unchanged from $23,941,000 for the same period of 2001. The tax equivalent yield on interest earning assets was 7.29% for the three months ended September 30, 2002 compared with 8.38% for the same period in 2001.

Interest earned on the loan portfolio amounted to $14,547,000 for the third quarter of 2002 was down $1,781,000 from a year ago. Average loan balances amounted to $745,821,000 which were up $34,835,000 from the prior year period. The increase in the average loans was primarily in the commercial and industrial, leasing and real estate loan segments. The decrease in the yield on the domestic loan portfolio to 8.25% for the three months ended September 30, 2002 from 9.63% for the comparable 2001 period was primarily attributable to a lower interest rate environment on average in the 2002 period.

Interest earned on the securities portfolio, on a tax equivalent basis, increased to $9,367,000 for the three months ended September 30, 2002 from $7,530,000 in the prior year period. Average outstandings increased to $593,295,000 which were up $143,049,000 from $450,246,000 in the prior year period. The increase in average securities balances, the result of the implementation of asset/liability management strategies designed to take advantage of the steepness of the yield curve principally in the fourth quarter of 2001 and the first quarter of 2002, was primarily in mortgage-backed securities and collateralized mortgage obligations of U.S. government corporations and agencies.

Interest expense on deposits decreased $1,720,000 for the three months ended September 30, 2002 to $3,111,000 from $4,831,000 for the comparable 2001 period due to lower rates paid. Average savings, NOW, and money market deposits, which historically have represented a stable funding source, decreased to $310,923,000 for the quarter ended September 30, 2002 from $326,825,000 in the prior year period. Average domestic time deposits increased $83,748,000 to $374,160,000 for the three months ended September 30, 2002. The growth in deposit balances was due to the current economic and interest rate environment, the branch opening in Great Neck, Long Island, and ongoing business development activities, including cross-selling of these products to existing customers. Average rate paid on interest-bearing deposits was 1.79% which was 130 basis points lower than the prior year period. The decrease in average cost of deposits reflects the lower interest rate environment during the 2002 period.

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Interest expense associated with borrowed funds increased to $1,736,000 for the third quarter of 2002 from $1,411,000 in the comparable 2001 period principally as a result of higher average long-term debt outstandings partially offset by lower rates paid. Average amounts of long-term debt outstanding were up $84,650,000 to $125,000,000 from $40,350,000 in the prior year period. These borrowings were advances from the Federal Home Loan Bank of New York utilized in connection with the asset/liability management strategies discussed above. The average cost of borrowings was 2.88% for the three months ended September 30, 2002 compared with 4.07% in the comparable prior year period.

Noninterest Income

Noninterest income increased $775,000 for the third quarter of 2002 when compared with the like 2001 period primarily as a result of increased income from factoring, mortgage banking and trade finance activities, from fees for various other services, and from a bank-owned life insurance program implemented in January, 2002.

Noninterest Expenses

Noninterest expenses increased $1,385,000 for the third quarter of 2002 when compared with the like 2001 period primarily due to increased salary expenses, pension costs, advertising and marketing expenses, expenses related to the trust preferred securities placement of which was completed in February, 2002, losses on sales of assets, and various other expenses incurred to support growing levels of business activity and continued investment in the business franchise. Partially offsetting these increases were reductions in fees for various professional services.

Results for the Nine Months Ended September 30, 2002 and 2001

OVERVIEW

The Company reported net income for the nine months ended September 30,2002 of $16.0 million, representing $1.49 per share, calculated on a diluted basis, compared to $14.2 million, or $1.33 per share calculated on a diluted basis, for the like period in 2001. This increase reflects continued growth in both net interest income and noninterest income, which together with a lower provision for income taxes, more than offset increases in noninterest expenses and the provision for loan losses.

Net interest income, on a tax equivalent basis, increased to $56.4 million for the first nine months of 2002 compared with $51.9 million for the same period in 2001, due to higher average earning assets outstanding coupled with lower average cost of funding. The net interest margin, on a tax equivalent basis, was 5.81% for the first nine months of 2002 compared to 6.27% for the like 2001 period. The decrease in the net interest margin was the result of a higher proportion of earning assets funded with interest-bearing liabilities and the decrease of 151 basis points in the average yield on earning assets partially offset by a decrease of 164 basis points in the average cost of funds.

Noninterest income rose to $21.9 million for the nine months ended September 30,2002 compared to $18.0 million for the like 2001 period principally due to growth in fees from mortgage banking, factoring and other services, from gains on sales of available for sale securities and from a bank-owned life insurance program implemented in January 2002.

INCOME STATEMENT ANALYSIS

Net Interest Income

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 for the first nine months, expressed in terms of fluctuation in average volume and rate are provided in the Rate/Volume Analysis shown on page 25. Information as to the components of interest income and interest expense and average rates for the first nine months is provided in the Average Balance Sheets shown on page 23.

Net interest income, on a tax equivalent basis, for the nine months ended September 30,2002 increased $4,524,000 to $56,425,000 from $51,901,000 for the comparable period in 2001.

Total interest income, on a tax equivalent basis, aggregated $71,491,000 for the first nine months of 2002, down $1,740,000 from $73,231,000 for the same period of 2001. The tax equivalent yield on interest-earning assets was 7.38% for the first nine months of 2002 compared with 8.89% for the same period in 2001.

Interest earned on the loan portfolio amounted to $42,959,000 for the first nine months of 2002, down $7,384,000 from a year ago. Average loan balances amounted to $728,405,000 up $30,534,000 from an average of $697,871,000 in the prior year period. The increase in the average loans, primarily in the leasing and real estate loan portfolios, accounted for the increase in interest earned on loans. The decrease in the yield on the domestic loan portfolio to 8.51% for the nine months ended September 30,2002 from 10.41% for the comparable 2001 period was primarily attributable to the lower interest rate environment in the 2002 period.

Interest earned on the securities portfolio, on a tax equivalent basis, increased to $28,281,000 for the nine months ended September 30, 2002 from $22,722,000 in the prior year period. Average outstandings increased to $596,204,000 which were up $149,461,000 from $446,743,000 in the prior year period. The increase in average securities balances, the result of the implementation of asset/liability management strategies designed to take advantage of the steepness of the yield curve principally in the fourth quarter of 2001 and the first quarter of 2002, was primarily in mortgage-backed securities and collateralized mortgage obligations of U.S. government corporations and agencies. The decrease in yields on most of the securities portfolio reflects the impact of the lower rate environment on average in the 2002 period.

Total interest expense decreased $6,264,000 to $15,066,000 for the first nine months of 2002 from $21,330,000 for the comparable period in 2001. The decrease in interest expense was primarily due to lower average rates paid partially offset by higher average balances principally for domestic time deposits and long-term debt.

Interest expense on deposits decreased $5,328,000 for the nine months ended September 30,2002 to $9,743,000 from $15,071,000 for the comparable 2001 period due to the decrease in the cost of funds partially offset by higher average domestic time deposit balances. Average savings, NOW, and money market deposits, which historically have represented a stable funding source, were $301,972,000 for the nine months ended September 30, 2002, compared to $299,320,000 in the prior year period. Average time deposits increased $100,391,000 to $372,000,000 for the nine months ended September 30, 2002. The growth in deposit balances was due to the current economic and interest rate environment, the branch opening

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in Great Neck, Long Island, and ongoing business development activities, including cross-selling of these products to existing customers. Average rate paid on interest-bearing deposits was 1.93% which was 160 basis points lower than the prior year period. The decrease in average cost of deposits reflects the lower interest rate environment during the 2002 period.

Interest expense associated with borrowed funds decreased to $5,323,000 for the first nine months of 2002 from $6,259,000 in the comparable 2001 period as a result of lower rates paid partially offset by higher average long-term debt outstandings. The average cost of borrowings was 2.85% for the first nine months ended September 30, 2002 compared with 4.74% in the comparable prior year period. Average amounts of long-term debt outstanding were up $84,102,000 to $119,552,000 from $35,450,000 in the prior year period. These borrowings were advances from the Federal Home Loan Bank of New York utilized in connection with the asset/liability management strategies discussed above.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" below), and principally as the result of the charge-off of one loan as well as the growth in the loan portfolios, the provision for loan losses for the first nine months of 2002 increased to $8,432,000 from $5,231,000 for the comparable prior year period. During the second quarter of 2002 a $5.4 million loan to a corporate borrower which had become the subject of an involuntary bankruptcy was charged off.

Noninterest Income

Noninterest income increased $3,955,000 for the first nine months of 2002 when compared with the like 2001 period primarily as a result of increased income from mortgage banking and factoring activities, from fees for various other services, from gains on sales of available for sale securities, and from a bank-owned life insurance program implemented in January, 2002.

Noninterest Expenses

Noninterest expenses increased $4,317,000 for the first nine months of 2002 when compared with the like 2001 period primarily due to increased salary expenses, pension costs, occupancy, equipment, stationery and printing expenses, expenses related to the trust preferred securities placement completed in February, 2002, losses on sales of assets, and various other expenses incurred to support growing levels of business activity and continued investment in the business franchise. Partially offsetting these increases were reductions in fees for various professional services.

Provision for Income Taxes

The provision for income taxes decreased $850,000 for the first nine months of 2002 when compared with the like 2001 period. During the second quarter of 2002, New York State completed an examination of Sterling's tax returns through 1998 and issued a no charge finding. As a result, based on management's review of required tax reserves with outside professionals, approximately $1.0 million in excess reserves was adjusted through the provision that quarter.

BALANCE SHEET ANALYSIS

Securities

The Company's securities portfolios are comprised of principally U.S. Government and U.S. Government corporation and agency guaranteed mortgage-backed securities along with other debt and equity securities. At September 30, 2002, the Company's portfolio of securities totalled $592,393,000 of which U.S. Treasury and U.S. Government corporations and agencies guaranteed mortgage-backed and collateralized mortgage obligations securities having an average life of approximately 3.0 years amounted to $541,150,000.

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. The following table presents information regarding securities available for sale:

September 30, 2002	Amortized Cost	Gross Unrealized Gains	Gross Unrealize Losses
U.S. Treasury securities	$ 2,496,430	$ 602	$ --
Obligations of U.S. government corporations and agencies--mortgage-backed securities	91,122,034	3,064,911	1,6
Obligations of U.S. government corporations and agencies-collateralized mortgage obligations	126,448,770	1,545,125	--
Obligations of state and political institutions	32,564,497	2,496,570	--
Trust preferred securities	3,222,628	241,527	--
Federal Reserve Bank and other equity securities	8,702,642	17,957	4
Total	$264,557,001	$ 7,366,692	$ 2,0

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 in nature.

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 following table presents information regarding securities held to maturity:

September 30, 2002	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses
Obligations of U.S. government corporations and agencies--mortgage-backed securities	$284,064,419	$ 11,480,320	$ 70,8
Obligations of U.S. government corporations and agencies-collateralized mortgage obligations	34,906,552	125,301	14,6
Debt securities issued by			

foreign governments	1,500,000	--	--
Total	$320,470,971	$ 11,605,621	$ 85,4

Loans Held In Portfolio

A key 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 and the designation of lending limits for each borrower. The portfolio strategies seek to avoid concentrations by industry or loan size in order to minimize credit exposure and to originate loans in markets with which the Company is familiar.

The Company's commercial and industrial loan portfolio represents approximately 61% of gross loans. Loans in this category are typically made to small and medium sized businesses and range between $250,000 and $10 million. The primary source of repayment is from the borrower's operating profits and cash flows. Based on underwriting standards, loans may be secured in whole or in part by collateral such as liquid assets, accounts receivable, equipment, inventory or real property. The Company's real estate loan portfolio, which represents approximately 19% of gross loans, is secured by mortgages on real property located principally in the State of New York and the Commonwealth of Virginia. Included in the Company's real estate loan portfolio are $33,093,000 of loans held for sale. These loans are collateralized by mortgages on 1-4 family residential properties and are carried at the lower of cost or market. The Company's leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 16% of gross 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 loan portfolio:

	September 30,		
	2002		
	($ in thousands)		
	Balances	% of Gross	Bal
Domestic			
Commercial and industrial	$512,010	60.6%	51
Equipment lease financing	138,260	16.4	10
Real estate	157,772	18.7	14
Installment - individuals	9,016	1.1	
Loans to depository institutions	27,000	3.2	2
Foreign			
Government and official institutions	--	--	
Gross loan	844,058	100.0%	79
Unearned discounts	15,768		1

Loans, net of unearned discounts	$828,290	$78
	========	===

Asset Quality

Intrinsic to the lending process is the possibility of loss. In times of economic slowdown, the risk 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 depends on current and expected economic conditions, the financial condition of borrowers and the credit management process.

The allowance for loan losses is maintained through the provision for loan losses, which is a charge to operating earnings. The adequacy of the provision and the resulting allowance for loan losses is determined by management's continuing review of the loan portfolio, including identification and review of individual problem situations that may affect the borrower's ability to repay, review of overall portfolio quality through an analysis of current charge-offs, delinquency and nonperforming loan data, estimates of the value of any underlying collateral, review of regulatory examinations, an assessment of current and expected economic conditions and changes in the size and character of the loan

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portfolio. The allowance reflects management's evaluation of both loans presenting identified loss potential and of the risk inherent in various components of the portfolio, including loans identified as impaired as required by SFAS No. 114. Thus, an increase in the size of the portfolio or in any of its components could necessitate an increase in the allowance even though there may not be a decline in credit quality or an increase in potential problem loans. A significant change in any of the evaluation factors described above could result in future additions to the allowance. At September 30, 2002 the ratio of the allowance to loans, net of unearned discounts, was 1.55% and the allowance was $12,822,000. At such date, the Company's non-accrual loans amounted to $1,824,000; $556,000 of such loans were judged to be impaired within the scope of SFAS No. 114 and required valuation allowances of $340,000. Based on the foregoing, as well as management's judgment as to the current risks inherent in the loan portfolio, the Company's allowance for loan losses was deemed adequate to absorb all estimable losses on specifically known and other possible credit risks associated with the portfolio as of September 30, 2002. 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 cause management to have serious doubts as to the ability of the borrowers to continue to comply with the present repayment terms, aggregated $737,000 at September 30, 2002.

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,

($ in thousands)

	2002		
	Balances	% of Total	Balanc
Domestic			
Demand	$ 326,243	31.6%	$ 323,
NOW	114,107	11.0	99,
Savings	24,997	2.4	31,
Money market	175,990	17.0	221,
Time deposits	389,688	37.7	321,
Total domestic deposits	1,031,025	99.7	997,
Foreign			
Time deposits	3,000	0.3	2,
Total deposits	$1,034,025	100.0%	$1,000,

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 customer's balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented on pages 22 and 23.

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CAPITAL

The Company and the bank are subject to risk-based capital regulations. The purpose of these regulations is to quantitatively measure capital against risk-weighted assets, including off-balance sheet items. These regulations define the elements of total capital into Tier 1 and Tier 2 components 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 26. In addition, the Company and the bank are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1981 ("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 and for other supervisory and regulatory purposes. Under the provisions of FDICIA a "well capitalized" institution must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. At September 30, 2002, the Company and the bank exceeded the requirements for "well capitalized" institutions. Under the provisions of the Gramm-Leach-Bliley Act of 1999, in order for the parent company to maintain its status as a financial holding company, the bank must remain "well capitalized."

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STERLING BANCORP AND SUBSIDIARIES

Average Balance Sheets [1]
Three Months Ended September 30,
(dollars in thousands)

	2002			20	
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Inter
Interest-bearing deposits with other banks	$ 3,067	$ 6	0.87 %	$ 4,039	$
Investment securities:					
Available for sale	246,248	3,817	6.20	176,281	2,
Held to maturity	314,303	4,943	6.29	239,305	4,
Tax-exempt [2]	32,744	607	7.35	34,660	
Federal funds sold	10,185	44	1.70	6,130	
Loans, net of unearned discounts					
Domestic [3]	745,821	14,547	8.25	710,209	16,
Foreign	-	-	-	777	
TOTAL INTEREST-EARNING ASSETS	1,352,368	23,964	7.29 %	1,171,401	23,
Cash and due from banks	52,606			38,776	
Allowance for loan losses	(12,961)			(13,691)	
Goodwill	21,158			21,158	
Other assets	55,046			29,689	
TOTAL ASSETS	$1,468,217			$ 1,247,333	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing deposits					
Domestic					
Savings	$ 24,380	39	0.63 %	$ 30,267	
NOW	120,370	230	0.76	94,777	
Money market	166,173	295	0.70	201,781	1,
Time	374,160	2,533	2.69	290,412	3,
Foreign					
Time	3,000	14	1.80	2,975	
Total interest-bearing deposits	688,083	3,111	1.79	620,212	4,
Borrowings					
Federal funds purchased and securities sold under agreements to repurchase	63,438	296	1.85	56,529	
Commercial paper	29,297	157	2.12	36,552	
Other short-term debt	22,400	135	2.39	4,335	
Long-term debt	125,000	1,148	3.67	40,350	
Total borrowings	240,135	1,736	2.88	137,766	1,

TOTAL INTEREST-BEARING LIABILITIES	928,218	4,847	2.08 %	757,978	6,
Noninterest-bearing deposits	314,739			288,279	
Other liabilities	76,096			73,743	
Total liabilities	1,319,053			1,120,000	
Corporation Obligated Mandatorily Redeemable Preferred Securities	25,000			-	
Shareholders' equity	124,164			127,333	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,468,217			$ 1,247,333	
Net interest income/spread		19,117	5.21 %		17,
Net yield on interest-earning assets (margin)			5.79 %		
Less: Tax equivalent adjustment		249			
Net interest income		$ 18,868			$ 17,

[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 2001 amounts to conform to the current presentation.

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

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

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

	2002			2001	
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Interest

Interest-bearing deposits						
with other banks	$ 3,405	$ 26	1.03 %	$ 3,371	$ 86	
Investment securities:						
Available for sale	252,417	11,655	6.16	155,740	7,740	
Held to maturity	309,903	14,743	6.34	257,193	13,108	
Tax-exempt [2]	33,884	1,883	7.43	33,810	1,874	
Federal funds sold	17,791	225	1.67	2,681	80	
Loans, net of unearned discounts						
Domestic [3]	728,405	42,959	8.51	697,094	50,306	1
Foreign	-	-	-	777	37	
TOTAL INTEREST-EARNING ASSETS	1,345,805	71,491	7.38 %	1,150,666	73,231	
Cash and due from banks	49,899			42,510		
Allowance for loan losses	(14,119)			(13,443)		
Goodwill	21,158			21,158		
Other assets	52,200			27,536		
TOTAL ASSETS	$1,454,943			$1,228,427		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 26,072	123	0.63 %	$ 27,492	476	
NOW	110,514	694	0.84	80,928	1,242	
Money market	165,386	1,086	0.88	190,900	3,499	
Time	369,001	7,795	2.82	268,634	9,750	
Foreign						
Time	2,999	45	2.00	2,975	104	
Total interest-bearing deposits	673,972	9,743	1.93	570,929	15,071	
Borrowings						
Federal funds purchased and securities sold under agreements to repurchase	76,578	1,100	1.92	101,195	3,681	
Commercial paper	31,982	516	2.16	35,999	1,225	
Other short-term debt	21,014	373	2.37	3,588	124	
Long-term debt	119,552	3,334	3.72	35,450	1,229	
Total borrowings	249,126	5,323	2.85	176,232	6,259	
TOTAL INTEREST-BEARING LIABILITIES	923,098	15,066	2.18 %	747,161	21,330	
Noninterest-bearing deposits	309,486			287,785		
Other liabilities	76,760			71,520		
Total liabilities	1,309,344			1,106,466		
Corporation Obligated Mandatorily						

Redeemable Preferred Securities	19,780			-	
Shareholders' equity	125,819			121,961	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,454,943			$1,228,427	
Net interest income/spread		56,425	5.20 %		51,901
Net yield on interest-earning assets (margin)			5.81 %		
Less: Tax equivalent adjustment		774			771
Net interest income		$ 55,651			$51,130

[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 2001 amounts to conform to current presentation.

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

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

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STERLING BANCORP AND SUBSIDIARIES
Rate/Volume Analysis [1]

(in thousands)

	Increase/(Decrease) Three Months Ended September 30, 2002 to September 30, 2001		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ (6)	$ (16)	$ (22)
Investment securities			
Available for sale	1,533	(571)	962
Held to maturity	2,077	(1,168)	909
Tax-exempt	(39)	5	(34)

Total investment securities	3,571	(1,734)	1,837
Federal funds sold	87	(98)	(11)
Loans, net of unearned discounts			
Domestic [3]	3,341	(5,112)	(1,771)
Foreign	(5)	(5)	(10)
Total loans, net of unearned discount	3,336	(5,117)	(1,781)
TOTAL INTEREST INCOME	$ 6,988	$(6,965)	$ 23
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (27)	$ (99)	$ (126)
NOW	379	(556)	(177)
Money market	(164)	(621)	(785)
Time	2,776	(3,390)	(614)
Foreign			
Time	2	(20)	(18)
Total interest-bearing deposits	2,966	(4,686)	(1,720)
Borrowings			
Federal funds purchased and securities sold under agreements to repurchase	273	(525)	(252)
Commercial paper	(61)	(139)	(200)
Other short-term debt	158	(62)	96
Long-term debt	1,147	(466)	681
Total borrowings	1,517	(1,192)	325
TOTAL INTEREST EXPENSE	$ 4,483	$(5,878)	$(1,395)
NET INTEREST INCOME	$ 2,505	$(1,087)	$ 1,418

[1] The above 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] Nonaccrual loans have been included in the amounts outstanding and income has been included to the extent collected.

STERLING BANCORP AND SUBSIDIARIES
Rate/Volume Analysis [1]

(in thousands)

	Increase/(Decrease) Nine Months Ended September 30, 2002 to September 30, 2001		
	Volume	Rate	Net [2]
Interest-bearing deposits with other banks	$ 1	$ (61)	$ (60)
Investment securities			
Available for sale	4,828	(913)	3,915
Held to maturity	3,008	(1,373)	1,635
Tax-exempt	4	5	9
Total investment securities	7,840	(2,281)	5,559
Federal funds sold	241	(96)	145
Loans, net of unearned discounts			
Domestic [3]	3,780	(11,127)	(7,347)
Foreign	(18)	(19)	(37)
Total loans, net of unearned discount	3,762	(11,146)	(7,384)
TOTAL INTEREST INCOME	$ 11,844	$ (13,584)	$ (1,740)
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (24)	$ (329)	$ (353)
NOW	540	(1,088)	(548)
Money market	(416)	(1,997)	(2,413)
Time	4,222	(6,177)	(1,955)
Foreign			
Time	1	(60)	(59)
Total interest-bearing deposits	4,323	(9,651)	(5,328)
Borrowings			
Federal funds purchased and securities sold under agreements to repurchase	(740)	(1,841)	(2,581)
Commercial paper	(124)	(585)	(709)
Other short-term debt	373	(124)	249
Long-term debt	2,535	(430)	2,105

Total borrowings	2,044	(2,980)	(936)
TOTAL INTEREST EXPENSE	$ 6,367	$(12,631)	$ (6,264)
NET INTEREST INCOME	$ 5,477	$ (953)	$ 4,524

[1] The above 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] Nonaccrual loans have been included in the amounts outstanding and income has been included to the extent collected.

STERLING BANCORP AND SUBSIDIARIES
Regulatory Capital and Ratios

Ratios and Minimums
(dollars in thousands)

	Actual		For Capital Adequacy Minimum	
As of September 30, 2002	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):				
The Company	$139,684	15.42 %	$72,451	8.00 %
The bank	97,722	11.36	68,829	8.00
Tier 1 Capital (to Risk Weighted Assets):				
The Company	128,345	14.17	36,226	4.00
The bank	86,953	10.11	34,415	4.00
Tier 1 Leverage Capital (to Average Assets):				
The Company	128,345	8.87	57,882	4.00
The bank	86,953	6.21	56,029	4.00
As of December 31, 2001				
Total Capital (to Risk Weighted Assets):				
The Company	$116,912	13.70 %	$68,290	8.00 %
The bank	96,158	11.97	64,240	8.00
Tier 1 Capital (to Risk Weighted Assets):				
The Company	106,200	12.44	34,145	4.00
The bank	86,093	10.72	32,120	4.00
Tier 1 Leverage Capital (to Average Assets):				
The Company	106,200	7.79	54,553	4.00

The bank	86,093	6.54	52,681	4.00

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

The Company's primary earnings source is net interest income; therefore, the Company devotes significant time and has invested in resources to assist in the management of market risk, liquidity risk, capital 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 market risk, liquidity and capital. 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 and the Board, 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 off-balance sheet 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 on- and off-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 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 an institution's 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 an institution's net interest margin. However, the traditional gap analysis does not assess the relative sensitivity of assets and liabilities to changes in interest rates. The Company utilizes the gap analysis to complement its income simulations modeling.

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, 2002, is presented on page 30. The results of both the income simulation analysis and the gap analysis, reveal that net interest income would tend to increase during periods of rising interest rates and tend to decrease during periods of falling interest rates.

As part of its interest rate risk strategy, the Company uses certain financial instruments (derivatives) to hedge the interest rate sensitivity of assets with the corresponding amortization reflected in the yield of the related on-balance sheet assets being hedged. The Company has written policy guidelines, which have been approved by the Board of Directors based on recommendations of the Asset/Liability Committee, governing the use of certain financial instruments (derivatives), 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.

The Company purchased interest rate floor contracts to reduce the impact of falling rates on its floating rate commercial loans. Interest rate floor contracts require the counterparty to pay the Company at specified future dates the amount, if any, by which the specified interest rate (3 month LIBOR) falls below the fixed floor rates, applied to the notional amounts. The Company utilizes these financial instruments to adjust its interest rate risk position without exposing itself to principal risk and funding requirements.

At September 30, 2002, the Company utilized four interest rate floor contracts having a notional amount totalling $100 million consisting of two contracts with a notional amount of $25 million each and a final maturity of November 15, 2002 and two contracts with a notional amount of $25 million each and a final maturity of August 14, 2003. These financial instruments are being used as part of the Company's interest rate risk management and not for trading purposes. At September 30, 2002, all counterparties have investment grade credit ratings from the major rating agencies. Each counterparty is specifically approved for applicable credit exposure.

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 sensitivity or volatility 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 is not 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 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 which 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 can project the impact of changes in interest rates on net interest margin. The estimated effects of the Company's interest rate floors are included in the results of the sensitivity analysis. The Company has established certain 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 September 30, 2002, the model indicated the impact of a 200 basis point parallel and pro rata rise in rates over twelve months would approximate a 2.19% ($1,628,000) increase in net interest income, while the impact of a 200 basis point decline in rates over the same period would approximate a 4.95% ($3,677,000) decline from an unchanged rate environment.

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

Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to: prepayment/refinancing levels likely deviating from those assumed, the varying impact of interest rate change "caps" or "floors" on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals and product preference changes, and other internal and external 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.

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 throughout the Company. 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 have significant unused borrowing capacity. Contingency plans exist and could be implemented on a timely basis to minimize the impact of any dramatic change in market conditions.

The parent company generates income from its own operations. Its cash requirements are supplemented from funds maintained or generated by its subsidiaries, principally the bank. Such sources have been adequate to meet the parent company's cash requirements.

The bank can supply funds to the parent company and its nonbank subsidiaries subject to various legal restrictions. 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 that year to date combined with its retained net profits for the preceding two calendar years.

At September 30, 2002, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $30,063,000. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating

$52,845,000 and back-up credit lines with banks of $19,000,000. Since 1979, the parent company has had no need to use available back-up lines of credit.

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

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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 placed in a time of 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
ASSETS					
Interest-bearing deposits with other banks	$ 1,906	$ -	$ -	$ -	$ -
Investment securities	2,497	1,104	41,085	538,987	8,720
Loans, net of unearned discounts					
Commercial and industrial	500,476	2,003	9,502	29	(723)
Loans to depository institutions	27,000	-	-	-	-
Lease financing	67,628	3,373	64,750	2,509	(15,004)
Real estate	36,933	27,875	51,247	41,717	(20)
Installment	7,416	421	726	453	(21)
Noninterest-earning assets and allowance for loan losses	-	-	-	-	107,188
Total Assets	643,856	34,776	167,310	583,695	100,140
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing deposits					
Savings [1]	-	-	24,997	-	-
NOW [1]	-	-	114,107	-	-
Money market [1]	139,920	-	36,070	-	-
Time - domestic	233,729	77,417	78,542	-	-
- foreign	1,180	1,820	-	-	-
Federal funds purchased &					

securities sold u/a/r	78,074	-	-	-	-
Commercial paper	29,713	-	-	-	-
Other short-term borrowings	4,567	20,350	-	-	-
Long-term borrowings - FHLB	-	10,000	15,000	100,000	-
Noninterest-bearing liabilities and shareholders' equity	-	-	-	-	564,291
Total Liabilities and Shareholders' Equity	487,183	109,587	268,716	100,000	564,291
Net Interest Rate Sensitivity Gap	$156,673	$ (74,811)	$ (101,406)	$ 483,695	$(464,151)
Cumulative Gap September 30, 2002	$156,673	$ 81,862	$ (19,544)	$ 464,151	$ -
Cumulative Gap September 30, 2001	$155,428	$ 87,832	$ 7,300	$ 464,924	$ -
Cumulative Gap December 31, 2001	$129,150	$ 64,668	$ (47,649)	$ 483,188	$ -

[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 runoff experience.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including our 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-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this report:

(11) Statement Re: Computation of Per Share Earnings
(99.1) Certifications of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
(99.2) Certifications of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(b) In a report on Form 8-K dated August 14, 2002 and filed on August 15, 2002, the Company reported, under Item 9. "Regulation FD Disclosure", (a) the filing by the Company's Chief Executive Officer and Chief Financial Officer of certifications relating to the Company's Form 10-Q for the quarter ended June 30, 2002 required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and (b) the Company's declaration of a quarterly dividend payable September 30, 2002.

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 11/12/02 /s/ Louis J. Cappelli

Louis J. Cappelli
Chairman and Chief Executive Officer

Date 11/12/02 /s/ John W. Tietjen

John W. Tietjen
Executive Vice President, Treasurer and Chief Financial Officer

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STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

Sequential Exhibit Number	Description	Incorporated Herein By Reference To	Filed Herewith	Page No.
11	Computation of Per Share Earnings		X	33
99.1	Certification of Chief Executive Officer pursuant to			

	Section 302 of the Sarbanes-Oxley Act of 2002	X	34
99.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X	35