

STERLING BANCORP
Form 10-Q
May 07, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

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)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(17 CFR § 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2010 there were 26,840,763 shares of common stock,
\$1.00 par value, outstanding.

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STERLING BANCORP

	<u>Page</u>	
PART I FINANCIAL INFORMATION		
Item 1. Financial Statements		
<u>Consolidated Financial Statements (Unaudited)</u>	3	
<u>Notes to Consolidated Financial Statements</u>	8	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations		
<u>Overview</u>	29	
<u>Income Statement Analysis</u>	30	
<u>Balance Sheet Analysis</u>	34	
<u>Capital</u>	41	
<u>Recently Issued Accounting Pronouncements</u>	42	
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	42	
<u>Average Balance Sheets</u>	43	
<u>Rate/Volume Analysis</u>	44	
<u>Regulatory Capital and Ratios</u>	45	
Item 3. Quantitative and Qualitative Disclosures About Market Risk		
<u>Asset/Liability Management</u>	46	
<u>Interest Rate Sensitivity</u>	50	
Item 4. Controls and Procedures	51	
<u>PART II OTHER INFORMATION</u>		
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	52	
Item 6. Exhibits	52	
<u>SIGNATURES</u>	53	
EXHIBIT INDEX		
Exhibit 11	Statement Re: Computation of Per Share Earnings	55
Exhibit 31.1	Certification of the CEO pursuant to Exchange Act Rule 13a-14(a)	56
Exhibit 31.2	Certification of the CFO pursuant to Exchange Act Rule 13a-14(a)	57
Exhibit 32.1	Certification of the CEO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code	58
Exhibit 32.2	Certification of the CFO required by Section 1350 of Chapter 63 of Title 18 of the U.S. Code	59

STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)
(dollars in thousands)

	March 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 29,315	\$ 24,911
Interest-bearing deposits with other banks	46,657	36,958
Securities available for sale (at estimated fair value; pledged: \$147,115 in 2010 and \$150,034 in 2009)	425,339	346,526
Securities held to maturity (pledged: \$215,482 in 2010 and \$278,598 in 2009) (estimated fair value: \$345,649 in 2010 and \$396,150 in 2009)	337,355	390,539
Total investment securities	762,694	737,065
Loans held for sale	20,885	33,889
Loans held in portfolio, net of unearned discounts	1,195,042	1,195,415
Less allowance for loan losses	19,963	19,872
Loans, net	1,175,079	1,175,543
Federal Reserve and Federal Home Loan Bank stock, at cost	8,032	8,482
Customers' liability under acceptances	928	27
Goodwill	22,901	22,901
Premises and equipment, net	11,556	9,658
Other real estate	874	1,385
Accrued interest receivable	7,576	9,001
Cash surrender value of life insurance policies	49,537	49,009
Other assets	58,280	56,780
	\$ 2,194,314	\$ 2,165,609
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand deposits	\$ 509,453	\$ 546,337
Savings, NOW and money market deposits	562,688	592,015
Time deposits	541,901	442,315
Total deposits	1,614,042	1,580,667
Securities sold under agreements to repurchase - customers	21,060	21,048
Federal funds purchased	—	41,000
Commercial paper	15,847	17,297
Short-term borrowings - FRB	—	50,000
Short-term borrowings - other	3,290	2,509
Long-term borrowings - FHLB	120,000	130,000

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Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	185,971	287,628
Acceptances outstanding	928	27
Accrued interest payable	1,556	1,291
Due to factored clients	88,471	82,401
Accrued expenses and other liabilities	75,182	51,645
Total liabilities	1,966,150	2,003,659
Shareholders' equity		
Preferred stock, Series A, \$5 par value; \$1,000 liquidation value Authorized 644,389 shares; issued 42,000 shares, respectively	40,224	40,113
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 31,138,545 and 22,226,425 shares, respectively	31,139	22,227
Warrants to purchase common stock	2,615	2,615
Capital surplus	236,200	178,734
Retained earnings	16,125	15,828
Accumulated other comprehensive loss	(11,583)	(12,399)
Common shares in treasury at cost, 4,297,782 and 4,107,191 shares, respectively	(86,556)	(85,168)
Total shareholders' equity	228,164	161,950
	\$ 2,194,314	\$ 2,165,609

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2010	2009
INTEREST INCOME		
Loans	\$ 16,511	\$ 17,552
Investment securities		
Available for sale	2,953	5,470
Held to maturity	4,412	3,534
FRB and FHLB stock	121	19
Deposits with other banks	19	10
Total interest income	24,016	26,585
INTEREST EXPENSE		
Deposits		
Savings, NOW and money market	965	1,125
Time	1,675	2,166
Securities sold under agreements to repurchase - customers	61	115
Federal funds purchased	4	34
Commercial paper	13	23
Short-term borrowings - FHLB	—	11
Short-term borrowings - FRB	9	99
Short-term borrowings - other	—	1
Long-term borrowings - FHLB	871	1,122
Long-term borrowings - subordinated debentures	523	523
Total interest expense	4,121	5,219
Net interest income	19,895	21,366
Provision for loan losses	6,000	6,200
Net interest income after provision for loan losses	13,895	15,166
Total noninterest income	11,102	10,804
Total noninterest expenses	21,336	20,052
Income before income taxes	3,661	5,918
Provision for income taxes	1,098	2,306
Net income	2,563	3,612
Dividends on preferred shares and accretion	636	842

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Net income available to common shareholders	\$ 1,927	\$ 2,770
Average number of common shares outstanding		
Basic	19,208,189	18,100,407
Diluted	19,212,768	18,277,196
Net income available to common shareholders, per average common share		
Basic	\$ 0.10	\$ 0.15
Diluted	0.10	0.15
Dividends per common share	0.09	0.19
<i>See Notes to Consolidated Financial Statements.</i>		

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

	Three Months Ended March 31,	
	2010	2009
Net Income	\$ 2,563	\$ 3,612
Other comprehensive income (loss), net of tax:		
Unrealized gains on securities:		
Unrealized holding gains on available for sale securities and other investments arising during the year	1,214	21
Reclassification adjustment for (gains) included in net income	(820)	(1,674)
Reclassification adjustment for amortization of:		
Prior service cost	9	9
Net actuarial losses	413	354
Other comprehensive income (loss)	816	(1,290)
Comprehensive income	\$ 3,379	\$ 2,322

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2010	2009
Preferred Stock		
Balance at January 1,	\$ 40,113	\$ 39,440
Discount accretion	111	317
Balance at March 31,	\$ 40,224	\$ 39,757
Common Stock		
Balance at January 1,	\$ 22,227	\$ 22,203
Common shares issued	8,625	—
Restricted shares issued	84	—
Common shares issued under stock incentive plan	203	24
Balance at March 31,	\$ 31,139	\$ 22,227
Warrants to Purchase Common Stock		
Balance at January 1,	\$ 2,615	\$ 2,615
Balance at March 31,	\$ 2,615	\$ 2,615
Capital Surplus		
Balance at January 1,	\$ 178,734	\$ 178,417
Common shares issued	56,240	—
Restricted shares issued	(84)	—
Common shares issued under stock incentive plan and related tax benefits	1,274	185
Stock option compensation expense	36	33
Balance at March 31,	\$ 236,200	\$ 178,635
Retained Earnings		
Balance at January 1,	\$ 15,828	\$ 19,088
Net income	2,563	3,612
Cash dividends paid - preferred shares	(525)	(303)
Cash dividends paid - common shares	(1,630)	(3,437)
Discount accretion on series A preferred stock	(111)	(317)
Balance at March 31,	\$ 16,125	\$ 18,643
Accumulated Other Comprehensive Loss		
Balance at January 1,	\$ (12,399)	\$ (16,259)
Other comprehensive income (loss), net of tax	816	(1,290)
Balance at March 31,	\$ (11,583)	\$ (17,549)

Treasury Stock		
Balance at January 1,	\$ (85,168)	\$ (85,024)
Surrender of shares issued under stock incentive plan	(1,388)	(144)
Balance at March 31,	\$ (86,556)	\$ (85,168)
Total Shareholders' Equity		
Balance at January 1,	\$ 161,950	\$ 160,480
Net changes during the period	66,214	(1,320)
Balance at March 31,	\$ 228,164	\$ 159,160

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2010	2009
Operating Activities		
Net Income	\$ 2,563	\$ 3,612
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	6,000	6,200
Depreciation and amortization of premises and equipment	551	590
Securities gains	(1,502)	(3,065)
Income from life insurance policies, net	(54)	(323)
Deferred income tax benefit	(512)	(1,127)
Proceeds from sale of loans	104,778	139,642
Gains on sales of loans, net	(1,685)	(2,105)
Originations of loans held for sale	(90,089)	(158,964)
Amortization of premiums on securities	657	317
Accretion of discounts on securities	(198)	(159)
Decrease in accrued interest receivable	1,425	1,879
Increase (decrease) in accrued interest payable	265	(90)
Increase in due to factored clients	6,070	2,706
Increase (decrease) in accrued expenses and other liabilities	2,349	(16,131)
Increase in other assets	(1,831)	(294)
(Gain) loss on other real estate owned	(14)	2
Net cash provided by (used in) operating activities	28,773	(27,310)
Investing Activities		
Purchase of premises and equipment	(2,449)	(249)
Net increase in interest-bearing deposits with other banks	(9,699)	(1,665)
Net decrease in loans held in portfolio	5,513	21,222
Net increase in short-term factored receivables	(11,127)	(109)
Decrease in other real estate	604	239
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	14,414	15,860
Purchases of securities - held to maturity	(14,508)	(20,852)
Proceeds from calls of securities - held to maturity	54,380	—
Proceeds from calls/sales of securities - available for sale	123,285	130,612
Proceeds from prepayments, redemptions or maturities of securities - available for sale	28,286	10,468
Purchases of securities - available for sale	(208,128)	(66,720)
Proceeds from redemptions or maturities of securities - FHLB & FRB stock	450	3,375
Net cash (used in) provided by investing activities	(18,979)	92,181
Financing Activities		
Net decrease in noninterest-bearing demand deposits	(36,884)	(7,309)
Net (decrease) increase in savings, NOW and money market deposits	(29,327)	1,638
Net increase (decrease) in time deposits	99,586	(6,671)
Net decrease in Federal funds purchased	(41,000)	(86,000)
Net increase (decrease) in securities sold under agreements to repurchase	12	(750)
Net (decrease) increase in commercial paper and other short-term borrowings	(50,669)	36,666
Decrease in long-term borrowings	(10,000)	—

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Proceeds from exercise of stock options	182	98
Proceeds from issuance of common stock	64,865	—
Cash dividends paid on preferred stock	(525)	(303)
Cash dividends paid on common stock	(1,630)	(3,437)
	<u> </u>	<u> </u>
Net cash used in financing activities	(5,390)	(66,068)
	<u> </u>	<u> </u>
Net increase (decrease) in cash and due from banks	4,404	(1,197)
Cash and due from banks - beginning of period	24,911	31,832
	<u> </u>	<u> </u>
Cash and due from banks - end of period	\$ 29,315	\$ 30,635
	<u> </u>	<u> </u>

Supplemental disclosures:

Interest paid	\$ 3,856	\$ 5,302
Income taxes paid	904	3,161
Loans transferred to other real estate	79	120
Due from brokers on sales of securities - AFS	—	73,361
Due to brokers on purchases of securities - AFS	20,830	—
Due to brokers on purchases of securities - HTM	1,074	—

See Notes to Consolidated Financial Statements.

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

Note 1. Significant Accounting Policies

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

The Company’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) which, effective for all interim and annual periods ending after September 15, 2009, principally consist of the Financial Accounting Standards Board Accounting Standards Codification (“FASB Codification”). FASB Codification Topic 105: *Generally Accepted Accounting Principles* establishes the FASB codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. All guidance contained in the FASB Codification carries an equal level of authority. All non-grandfathered, non-SEC accounting literature not included in the FASB Codification is superseded and deemed non-authoritative.

Basis of Presentation. The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally the bank, after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended March 31, 2010 and 2009 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year’s consolidated financial statements to conform to the current presentation. 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, 2009 (the “2009 Form 10-K”).

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

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

Note 2. Investment Securities

The following tables present information regarding securities available for sale:

March 31, 2010	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 2,790	\$ 6	\$ —	\$ 2,796
CMO's (Federal Home Loan Mortgage Corporation)	5,313	198	—	5,511
CMO's (Government National Mortgage Association)	28,690	—	297	28,393
Federal National Mortgage Association	15,485	664	62	16,087
Federal Home Loan Mortgage Corporation	1,364	85	—	1,449
Government National Mortgage Association	3,585	315	—	3,900
	<u>57,227</u>	<u>1,268</u>	<u>359</u>	<u>58,136</u>
Agency Notes				
Federal National Mortgage Association	55,285	25	498	54,812
Federal Home Loan Bank	86,843	69	139	86,773
Federal Home Loan Mortgage Corporation	64,975	17	179	64,813
Federal Farm Credit Bank	10,000	—	44	9,956
	<u>274,330</u>	<u>1,379</u>	<u>1,219</u>	<u>274,490</u>
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions-New York Bank Qualified	22,796	978	16	23,758
Single-issuer, trust preferred securities	3,878	11	236	3,653
Corporate debt securities	113,077	471	155	113,393
Other securities	10,037	13	5	10,045
	<u>149,788</u>	<u>1,477</u>	<u>412</u>	<u>151,673</u>
Total	\$ 424,118	\$ 2,852	\$ 1,631	\$ 425,339

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

December 31, 2009	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 2,882	\$ —	\$ 5	\$ 2,877
CMO's (Federal Home Loan Mortgage Corporation)	5,563	171	—	5,734
CMO's (Government National Mortgage Association)	9,181	—	133	9,048
Federal National Mortgage Association	21,055	868	71	21,852
Federal Home Loan Mortgage Corporation	10,321	299	—	10,620
Government National Mortgage Association	6,807	351	1	7,157
	<u>55,809</u>	<u>1,689</u>	<u>210</u>	<u>57,288</u>
Agency Notes				
Federal National Mortgage Association	20,291	—	835	19,456
Federal Home Loan Bank	83,983	6	1,039	82,950
Federal Home Loan Mortgage Corporation	4,995	—	96	4,899
Federal Farm Credit Bank	24,999	—	669	24,330
	<u>190,077</u>	<u>1,695</u>	<u>2,849</u>	<u>188,923</u>
Total obligations of U.S. government corporations and government sponsored enterprises				
Obligations of state and political institutions-New York Bank Qualified	22,820	1,061	17	23,864
Single-issuer, trust preferred securities	4,878	—	395	4,483
Corporate debt securities	127,900	1,382	82	129,200
Other securities	44	12	—	56
	<u>345,719</u>	<u>4,150</u>	<u>3,343</u>	<u>346,526</u>
Total	\$ 345,719	\$ 4,150	\$ 3,343	\$ 346,526

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

The following tables present information regarding securities held to maturity:

March 31, 2010	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 10,468	\$ 288	\$ 11	\$ 10,745
CMO's (Federal Home Loan Mortgage Corporation)	15,825	510	—	16,335
Federal National Mortgage Association	96,457	4,455	2	100,910
Federal Home Loan Mortgage Corporation	55,867	2,161	—	58,028
Government National Mortgage Association	5,727	565	—	6,292
Total mortgage-backed securities	184,344	7,979	13	192,310
Agency Notes				
Federal National Mortgage Association	62,773	255	150	62,878
Federal Home Loan Bank	9,851	99	—	9,950
Federal Farm Credit Bank	5,085	38	—	5,123
Total obligations of U.S. government corporations and government sponsored enterprises	262,053	8,371	163	270,261
Obligations of state and political institutions-New York Bank Qualified	75,052	689	603	75,138
Debt securities issued by foreign governments	250	—	—	250
Total	\$ 337,355	\$ 9,060	\$ 766	\$ 345,649

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

December 31, 2009	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 10,863	\$ 339	\$ —	\$ 11,202
CMO's (Federal Home Loan Mortgage Corporation)	16,964	573	—	17,537
Federal National Mortgage Association	103,821	4,329	2	108,148
Federal Home Loan Mortgage Corporation	61,095	2,005	—	63,100
Government National Mortgage Association	5,989	501	—	6,490
Total mortgage-backed securities	198,732	7,747	2	206,477
Agency Notes				
Federal National Mortgage Association	97,147	14	1,742	95,419
Federal Home Loan Bank	19,849	—	474	19,375
Federal Home Loan Mortgage Corporation	10,000	—	218	9,782
Federal Farm Credit Bank	5,088	—	94	4,994
Total obligations of U.S. government corporations and government sponsored enterprises	330,816	7,761	2,530	336,047
Obligations of state and political institutions-New York Bank Qualified	59,473	737	357	59,853
Debt securities issued by foreign governments	250	—	—	250
Total	\$ 390,539	\$ 8,498	\$ 2,887	\$ 396,150

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

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

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities CMO's (Government National Mortgage Association)	\$ 24,757	\$ 287	\$ 3,637	\$ 9	\$ 28,394	\$ 296
Federal National Mortgage Association	2,058	63	—	—	2,058	63
Government National Mortgage Association	—	—	121	—	121	—
Total mortgage-backed securities	26,815	350	3,758	9	30,573	359
Agency Notes						
Federal National Mortgage Association	39,788	498	—	—	39,788	498
Federal Home Loan Bank	41,704	139	—	—	41,704	139
Federal Home Loan Mortgage Corporation	54,796	179	—	—	54,796	179
Federal Farm Credit Bank	—	—	9,956	44	9,956	44
Total obligations of U.S. government corporations and government sponsored enterprises	163,103	1,166	13,714	53	176,817	1,219
Obligations of state and political institutions-New York						
Bank Qualified	1,425	16	—	—	1,425	16
Single-issuer, trust preferred securities	—	—	1,900	236	1,900	236
Corporate debt securities	40,497	155	—	—	40,497	155
Other securities	9,988	5	—	—	9,988	5
Total	\$ 215,013	\$ 1,342	\$ 15,614	\$ 289	\$ 230,627	\$ 1,631
December 31, 2009						
Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 2,877	\$ 5	\$ —	\$ —	\$ 2,877	\$ 5
CMO's (Government National Mortgage Association)	4,926	91	4,122	42	9,048	133
Federal National Mortgage Association	2,057	71	—	—	2,057	71
Government National Mortgage Association	—	—	123	1	123	1
Total mortgage-backed securities	9,860	167	4,245	43	14,105	210

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Agency Notes						
Federal National Mortgage Association	19,456	835	—	—	19,456	835
Federal Home Loan Bank	68,231	751	9,713	288	77,944	1,039
Federal Home Loan Mortgage Corporation	4,899	96	—	—	4,899	96
Federal Farm Credit Bank	24,330	669	—	—	24,330	669
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total obligations of U.S. government corporations and government sponsored enterprises	126,776	2,518	13,958	331	140,734	2,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Obligations of state and political institutions-New York						
Bank Qualified	872	17	—	—	872	17
Single-issuer, trust preferred securities	—	—	3,540	395	3,540	395
Corporate debt securities	23,575	82	—	—	23,575	82
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 151,223	\$ 2,617	\$ 17,498	\$ 726	\$ 168,721	\$ 3,343
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010						
Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities CMO's (Federal National Mortgage Association)	\$ 1,679	\$ 11	\$ —	\$ —	\$ 1,679	\$ 11
Federal National Mortgage Association	—	—	398	2	398	2
Federal Home Loan Mortgage Corporation	—	—	3	—	3	—
Total mortgage-backed securities	1,679	11	401	2	2,080	13
Agency Notes						
Federal National Mortgage Association	32,745	150	—	—	32,745	150
Total obligations of U.S. government corporations and government sponsored enterprises	34,424	161	401	2	34,825	163
Obligations of state and political institutions-New York Bank Qualified	30,111	603	—	—	30,111	603
Total	\$ 64,535	\$ 764	\$ 401	\$ 2	\$ 64,936	\$ 766
December 31, 2009						
Obligations of U.S. government corporations and government sponsored enterprises						
Mortgage-backed securities Federal National Mortgage Association	\$ —	\$ —	\$ 459	\$ 2	\$ 459	\$ 2
Total mortgage-backed securities	—	—	459	2	459	2
Agency Notes						
Federal National Mortgage Association	86,027	1,742	—	—	86,027	1,742
Federal Home Loan Bank	19,375	474	—	—	19,375	474
Federal Home Loan Mortgage Corporation	9,782	218	—	—	9,782	218
Federal Farm Credit Bank	4,994	94	—	—	4,994	94
Total obligations of U.S. government corporations and government sponsored enterprises	120,178	2,528	459	2	120,637	2,530
	16,478	357	—	—	16,478	357

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Obligations of state and political institutions-New York
Bank Qualified

Total	\$ 136,656	\$ 2,885	\$ 459	\$ 2	\$ 137,115	\$ 2,887
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STERLING BANCORP AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

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

At March 31, 2010, approximately \$54.7 million, representing approximately 7.2%, of the Company's held to maturity and available for sale securities are comprised of securities issued by financial service companies/banks including single-issuer trust preferred securities (6 issuers), corporate debt (12 issuers) and equity securities (8 issuers). These investments may pose a higher risk of future impairment charges as result of a possible further deterioration of the U.S. economy. The Company would be required to recognize impairment charges on these securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators or unanticipated changes in the competitive environment could have a negative effect on the Company's investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

At March 31, 2010, the Company held 1 issue of a residential mortgage-backed security issued by U.S. government sponsored enterprises and 1 issue of a U.S. government agency debt security, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months. Management has concluded that the unrealized losses are due to changes in market interest rates and/or changes in securities markets which resulted from temporary illiquidity and/or uncertainty in those markets. As a result, the unrealized losses are deemed to be temporary.

At March 31, 2010, the Company held 25 debt securities positions issued by commercial and industrial enterprises, in the available for sale portfolio, all of which are paying in accordance with their terms and have no deferrals of interest or principal. All of these debt securities mature within the next 18 months. Management performs an initial credit review prior to purchasing these securities and monitors their performance on a quarterly basis. Based upon management's review of the issuers, their performance record for paying all principal and interest when due and the relatively short-term maturity of each issue, the unrealized losses are deemed to be temporary.

At March 31, 2010, the Company held 6 securities positions of single-issuer, trust preferred securities and 20 security positions of corporate debt securities issued by financial institutions, in the available for sale portfolio, all of which are paying in accordance with their terms and have no deferrals of interest or other deferrals. In addition, management analyzes the performance of the issuers on a periodic basis, including a review of the issuers most recent bank regulatory report to assess credit risk and the probability of impairment of the contractual cash flows of the applicable securities. Based upon management's first quarter review, all of the issuers have maintained performance levels adequate to support the contractual cash flows of the securities.

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

The following table presents information regarding single-issuer, trust preferred securities at March 31, 2010:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
(in thousands)					
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes	NA	\$ 979	\$ 983	\$ 4
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes	NA	127	120	(7)
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes	BBB-	22	22	0
HSBC Finance, 6.875%, due 1/30/2033, owned by HSBC Group, plc	No No	A	740	747	7
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes	BB-	1,508	1,320	(188)
Fleet Capital Trust VIII, 7.20%, due 3/15/2032, owned by Bank of America Corporation	No Yes	BB	502	461	(41)
			<u>\$ 3,878</u>	<u>\$ 3,653</u>	<u>\$ (225)</u>

At March 31, 2010, the Company held 2 mortgage-backed debt securities, in the held to maturity portfolio, that were in an unrealized loss position for more than 12 months. Both of these securities were obligations of U.S. government corporations or government sponsored enterprises which guarantee principal and interest payments. Management has concluded that the unrealized losses are due to changes in market interest rates and/or changes in securities markets which resulted from temporary illiquidity and/or uncertainty in those markets. Further, management has made an evaluation that it has the intent to hold these securities until maturity and it is not more likely than not that the Company would be required to sell before anticipated recovery. As a result, the unrealized losses are deemed to be temporary.

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

The following tables present information regarding securities available for sale and securities held to maturity at March 31, 2010, based on contractual maturity. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Available for sale	Amortized Cost	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Mortgage-backed securities		
CMO's (Federal National Mortgage Association)	\$ 2,790	\$ 2,796
CMO's (Federal Home Loan Mortgage Corporation)	5,313	5,511
CMO's (Government National Mortgage Association)	28,690	28,393
Federal National Mortgage Association	15,485	16,087
Federal Home Loan Mortgage Corporation	1,364	1,449
Government National Mortgage Association	3,585	3,900
Total mortgage-backed securities	57,227	58,136
Agency Notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	30,000	29,856
Due after 5 years but within 10 years	5,000	5,000
Due after 10 years	20,285	19,956
Federal Home Loan Bank		
Due after 1 year but within 5 years	61,850	61,739
Due after 5 years but within 10 years	14,993	14,984
Due after 10 years	10,000	10,050
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	34,995	34,932
Due after 5 years but within 10 years	29,980	29,881
Federal Farm Credit Bank		
Due after 10 years	10,000	9,956
Total obligations of U.S. government corporations and government sponsored enterprises	274,330	274,490
Obligations of state and political institutions - New York Bank Qualified		
Due within 1 year	401	409
Due after 1 year but within 5 years	12,486	13,165
Due after 5 years but within 10 years	4,032	4,266
Due after 10 years	5,877	5,918
Total obligations of state and political institutions - New York Bank Qualified	22,796	23,758

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Single-issuer, trust preferred securities		
Due after 10 years	3,878	3,653
	<u> </u>	<u> </u>
Corporate debt securities		
Due within 6 months	56,192	56,483
Due after 6 months but within 1 year	28,850	28,944
Due after 1 year but within 2 years	28,035	27,966
	<u> </u>	<u> </u>
Total corporate debt securities	113,077	113,393
	<u> </u>	<u> </u>
Other securities	10,037	10,045
	<u> </u>	<u> </u>
Total	\$ 424,118	\$ 425,339
	<u> </u>	<u> </u>

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

Held to maturity	Carrying Value	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Mortgage-backed securities		
CMO's (Federal National Mortgage Association)	\$ 10,468	\$ 10,745
CMO's (Federal Home Loan Mortgage Corporation)	15,825	16,335
Federal National Mortgage Association	96,457	100,910
Federal Home Loan Mortgage Corporation	55,867	58,028
Government National Mortgage Association	5,727	6,292
	<u>184,344</u>	<u>192,310</u>
Agency Notes		
Federal National Mortgage Association		
Due after 10 years	62,773	62,878
Federal Home Loan Bank		
Due after 10 years	9,851	9,950
Federal Farm Credit Bank		
Due after 5 years but within 10 years	5,085	5,123
	<u>262,053</u>	<u>270,261</u>
Obligations of state and political institutions - New York Bank Qualified		
Due after 5 years but within 10 years	887	905
Due after 10 years	74,165	74,233
	<u>75,052</u>	<u>75,138</u>
Debt securities issued by foreign governments		
Due within 1 year	250	250
	<u>250</u>	<u>250</u>
Total	\$ 337,355	\$ 345,649

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

	Three Months Ended March 31,	
	2010	2009
Proceeds	\$ 123,285	\$ 203,973
Gross gains	1,500	3,065

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Gross losses	1	—
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Information regarding calls of held to maturity securities is as follows:

	Three Months Ended March 31,	
	2010	2009
Proceeds	\$ 54,380	\$ —
Gross gains	3	—
Gross losses	—	—

