STERLING BANCORP
Form 10-Q
August 14, 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 June 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 July 31, 2002 there were 9,948,155 shares of common stock, $1.00 par value, outstanding.

STERLING BANCORP

STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

	June 30, 2002	Decembe 2001
ASSETS		
Cash and due from banks	$ 38,507,377	$ 50,362
Interest-bearing deposits with other banks	2,871,199	2,487
Federal funds sold	-	10,000
Securities available for sale	202,613,644	177,810
Securities available for sale - pledged	88,465,307	91,752
Securities held to maturity	121,180,832	101,077
Securities held to maturity - pledged	198,549,621	205,387
Total investment securities	610,809,404	576,027
Loans, net of unearned discounts	796,873,439	808,686
Less allowance for loan losses	12,230,552	14,038
Loans, net	784,642,887	794,648
Customers' liability under acceptances	2,403,049	608
Excess cost over equity in net assets of the banking subsidiary	21,158,440	21,158
Premises and equipment, net	8,599,745	7,852
Other real estate	1,167,074	809
Accrued interest receivable	5,814,502	5,867
Bank owned life insurance	20,516,181	
Other assets	13,010,419	13,049
	$1,509,500,277	$1,482,870
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	$ 333,871,976	$ 356,303
Interest-bearing deposits	661,233,698	628,620
Total deposits	995,105,674	984,923
Federal funds purchased and securities sold under agreements to repurchase	111,460,881	147,095
Commercial paper	29,407,500	42,103
Other short-term borrowings	25,393,775	8,687
Acceptances outstanding	2,403,049	608
Accrued expenses and other liabilities	70,034,437	75,624
	1,233,805,316	1,259,043
Long-term debt - FHLB	125,000,000	95,350
Total liabilities	1,358,805,316	1,354,393
Corporation Obligated Mandatorily Redeemable Preferred Securities	25,000,000	
Shareholders' equity		

Preferred stock, $5 par value. Authorized 644,389 shares Series D; issued 232,990 and 234,606 shares, respectively	2,329,900	2,346
Common Stock, $1 par value. Authorized 20,000,000 shares; issued 11,124,919 and 10,834,853 shares, respectively	11,124,919	10,834
Capital surplus	102,392,517	98,487
Retained earnings	39,278,075	32,419
Accumulated other comprehensive income, net of tax	2,333,352	1,119
	157,458,763	145,207
Less		
Common shares in treasury at cost, 1,155,516 and 745,023 shares, respectively	29,265,096	15,542
Unearned compensation	2,498,706	1,187
Total shareholders' equity	125,694,961	128,477
	$1,509,500,277	$1,482,870

See Notes to Consolidated Financial Statements.

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STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended June 30, 2002	Three Months Ended June 30, 2001
INTEREST INCOME		
Loans	$14,245,642	$16,756,296
Investment securities		
Available for sale	4,413,069	3,048,929
Held to maturity	4,857,289	4,369,768
Federal funds sold	31,806	5,069
Deposits with other banks	10,925	21,484
Total interest income	23,558,731	24,201,546
INTEREST EXPENSE		
Deposits	3,309,349	4,891,724
Federal funds purchased and securities sold under agreements to repurchase	356,939	1,333,599
Commercial paper	152,455	453,759
Other short-term borrowings	130,059	26,066
Long-term debt	1,125,607	466,773
Total interest expense	5,074,409	7,171,921
Net interest income	18,484,322	17,029,625

Provision for loan losses	4,600,000	1,527,800
Net interest income after provision for loan losses	13,884,322	15,501,825
NONINTEREST INCOME		
Factoring income	1,552,012	1,314,165
Mortgage banking income	2,682,715	2,133,709
Service charges on deposit accounts	1,239,696	1,363,578
Trade finance income	626,671	616,920
Trust fees	174,542	198,815
Other service charges and fees	611,895	393,541
Bank owned life insurance income	293,825	-
Securities gains	844,343	-
Other income	215,398	98,986
Total noninterest income	8,241,097	6,119,714
NONINTEREST EXPENSES		
Salaries and employee benefits	8,036,410	6,879,321
Occupancy expenses, net	1,322,235	1,071,640
Equipment expenses	793,707	580,986
Advertising and marketing	935,566	937,051
Professional fees	688,861	1,795,820
Data processing fees	370,731	328,990
Stationery and printing	329,143	186,291
Communications	387,949	333,705
Capital securities costs	512,447	-
Other expenses	1,858,641	1,806,131
Total noninterest expenses	15,235,690	13,919,935
Income before income taxes	6,889,729	7,701,604
Provision for income taxes	1,659,120	2,996,377
Net income	$ 5,230,609	$ 4,705,227
Average number of common shares outstanding		
Basic	10,038,682	10,103,651
Diluted	10,745,628	10,721,342
Per average common share		
Basic	$0.52	$0.46
Diluted	0.48	0.44
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 June 30, 2002	Three Months Ended June 30, 2001	Six Months Ended June 30, 2002	Six Months Ended June 30, 20
Net Income	$5,230,609	$4,705,227	$10,496,910	$9,2
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) arising during the period	2,596,974	(216,084)	1,670,919	7
Reclassification adjustment for gains included in net income	(456,790)	-	(456,790)	
Comprehensive income	$7,370,793	$4,489,143	$11,711,039	$9,9

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Preferred Stock		
Balance at January 1	$ 2,346,060	$ 2,402,7
Conversions of Series B shares	-	(5
Redemption of Series B shares	-	(23,4
Conversions of Series D shares	(16,160)	(21,0
Balance at June 30	$ 2,329,900	$ 2,357,7
Common Stock		
Balance at January 1	$ 10,834,853	$ 9,563,3
Conversions of preferred shares into common shares	2,048	2,4
Options exercised	288,018	211,7
Balance at June 30	$ 11,124,919	$ 9,777,6
Capital Surplus		
Balance at January 1	$ 98,487,765	$ 67,450,1
Conversions of preferred shares into common shares	14,112	19,0
Issuance of shares under incentive compensation plan	386,400	
Options exercised	3,504,240	2,009,6
Balance at June 30	$102,392,517	$ 69,478,8

Retained Earnings		
Balance at January 1	$ 32,419,767	$ 47,466,6
Net Income	10,496,910	9,241,5
Cash dividends paid - common shares	(3,582,048)	(2,913,9
- preferred shares	(56,554)	(49,3
Balance at June 30	$ 39,278,075	$ 53,744,8
Accumulated Other Comprehensive Income		
Balance at January 1	$ 1,119,223	$ (22,6
Unrealized holding gains/(losses) arising during the period:		
Before tax	3,088,573	1,370,1
Tax effect	(1,417,654)	(628,9
Net of tax	1,670,919	741,2
Reclassification adjustment for gains included in net income:		
Before tax	(844,343)	
Tax effect	387,553	
Net of tax	(456,790)	
Balance at June 30	$ 2,333,352	$ 718,6
Treasury Stock		
Balance at January 1	$(15,542,454)	$ (7,986,7
Issuance of shares under incentive compensation plan	1,267,200	
Surrender of shares issued under incentive compensation plan	(3,034,547)	(1,402,4
Purchase of common shares	(11,955,295)	
Balance at June 30	$(29,265,096)	$ (9,389,2
Unearned Compensation		
Balance at January 1	$ (1,187,798)	$ (1,857,2
Issuance of shares under incentive compensation plan	(1,653,600)	
Amortization of unearned compensation	342,692	199,4
Balance at June 30	$ (2,498,706)	$ (1,657,8
Total Shareholders' Equity		
Balance at January 1	$128,477,416	$117,016,0
Net changes during the period	(2,782,455)	8,014,5
Balance at June 30	$125,694,961	$125,030,6

See Notes to Consolidated Financial Statements.

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

	Six Months End June 30, 2002	
Operating Activities		
Net Income	$ 10,496,910	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,279,300	
Depreciation and amortization of premises and equipment	795,195	
Securities gains	(844,343)	
Deferred income tax provision (benefit)	592,505	
Net change in loans held for sale	21,266,385	
Amortization of unearned compensation	342,692	
Amortization of premiums of securities	703,567	
Accretion of discounts on securities	(430,278)	
Decrease (Increase) in accrued interest receivable	52,619	
(Decrease) Increase in other liabilities and accrued expenses	(5,589,998)	
Increase in other assets	(21,050,245)	
Issuance cost for preferred securities, net of amortization	(924,479)	
Other, net	(2,221,894)	
Net cash provided by operating activities	9,467,936	
Investing Activities		
Purchase of premises and equipment	(1,542,578)	
Increase in interest-bearing deposits	(384,021)	
Decrease in federal funds sold	10,000,000	
Increase in other real estate	(357,890)	
Net (increase) decrease in loans	(17,540,020)	
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	45,445,487	
Purchases of securities - held to maturity	(58,930,888)	
Purchases of securities - available for sale	(153,152,564)	
Proceeds from sales of securities - available for sale	39,568,514	
Proceeds from prepayments, redemptions or maturities of securities - available for sale	95,103,154	
Net cash (used in) provided by investing activities	(41,790,806)	
Financing Activities		
Decrease in noninterest-bearing deposits	(22,431,332)	
Increase in interest-bearing deposits	32,613,052	
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	(35,634,754)	
Increase in commercial paper and other short-term borrowings	4,010,404	
Purchase of treasury stock	(11,955,295)	
Redemption of preferred stock	-	
Increase in other long-term debt	29,650,000	
Proceeds from exercise of stock options	3,792,258	
Cash dividends paid on common and preferred stock	(3,638,602)	
Net cash (provided by) used in financing activities	20,468,231	
Net decrease in cash and due from banks	(11,854,639)	

Cash and due from banks - beginning of period	50,362,016	
Cash and due from banks - end of period	$ 38,507,377	$
Supplemental disclosures:		
Interest paid	$ 10,330,893	$
Income taxes paid	8,655,303	

See Notes to Consolidated Financial Statements.

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

1. The consolidated financial statements include the accounts of Sterling Bancorp ("the parent company") and its subsidiaries, principally Sterling National Bank and its subsidiaries ("the bank"), after elimination of material intercompany transactions. The term "the Company" refers to Sterling Bancorp and its subsidiaries. The consolidated financial statements as of and for the interim periods ended June 30, 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 dividends.

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 232,990 Series D shares (of 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.

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

The Company provides a wide range of financial products and services, including commercial loans, asset-based financing, accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, commercial and residential mortgage lending and brokerage, trust and estate administration and investment management services. The Company's primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest- bearing liabilities. The Company's 2002 year-to-date average interest-earning assets were 53.6% loans (corporate lending was 75.4% and real estate lending was 21.4% of total loans, respectively) and 46.4% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the corporate loan portfolio. Approximately 66% of loans are to borrowers located in the metropolitan New York area. The Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

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

	Corporate Lending	Real Estate Lending	Company-wide Treasury	To
Three Months Ended June 30, 2002				
Net interest income	$ 7,242,502	$ 3,253,824	$ 7,607,181	$ 18,
Noninterest income	3,172,763	2,656,382	1,159,659	6,
Depreciation and amortization	48,147	47,103	--	
Segment profit	4,162,782	2,894,177	8,802,766	15,
Segment assets	611,701,737	161,086,704	710,405,554	1,483,
Three Months Ended June 30, 2001				
Net interest income	$ 7,760,864	$ 3,596,938	$ 5,190,397	$ 16,
Noninterest income	3.094,816	2,246,356	30,557	5,
Depreciation and amortization	45,742	52,198	86	
Segment profit	4,855,752	2,957,078	6,074,439	13,
Segment assets	586,115,994	152,399,842	516,524,187	1,255,
Six Months Ended June 30, 2002				
Net interest income	$ 14,274,480	$ 6,632,193	$ 15,106,381	$ 36,
Noninterest income	6,009,261	5,174,390	1,400,211	12,
Depreciation and amortization	93,499	94,143	--	
Segment profit	7,813,669	5,771,340	16,744,877	30,
Segment assets	611,701,737	161,086,704	710,405,554	1,483,
Six Months Ended June 30, 2001				
Net interest income	$ 15,712,651	$ 6,947,168	$ 9,997,726	$ 32,
Noninterest income	6,382 005	3 567 894	72,288	10,
Depreciation and amortization	86,487	98,583	170	

Segment profit	9,514,112	5,554,694	11,793,572	26,
Segment assets	586,115,994	152,399,842	516,524,187	1,255,

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

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

	Three Months Ended June 30,		S
	2002	2001	
Net interest income:			
Total for reportable operating segments	$ 18,103,507	$ 16,548,199	$
Other [1]	380,815	481,426	
Consolidated net interest income	$ 18,484,322	$ 17,029,625	$
Noninterest income:			
Total for reportable operating segments	$ 6,988,804	$ 5,371,729	$
Other [1]	1,252,293	747,985	
Consolidated noninterest income	$ 8,241,097	$ 6,119,714	$
Profit:			
Total for reportable operating segments	$ 15,859,725	$ 13,887,269	$
Other [1]	(8,969,996)	(6,185,665)	(
Consolidated income before income taxes	$ 6,889,729	$ 7,701,604	$
Assets:			
Total for reportable operating segments	$1,483,193,995	$1,255,040,023	$1,4
Other [1]	26,306,282	21,583,493	
Consolidated assets	$1,509,500,277	$1,276,623,516	$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. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These Statements will change the accounting for business combinations and goodwill in two ways. First, SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Second, 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 will cease

upon adoption of SFAS No. 142. The adoption of SFAS No. 142 had no impact on the Company's statements of financial condition and results of operations. SFAS No. 142 became effective for the Company on January 1, 2002.

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

6. The following information is provided in connection with the sales of available for sale securities during the quarter ended June 30, 2002:

Proceeds	$39,568,514
Gross gains	844,343
Gross losses	-

STERLING BANCORP AND SUBSIDIARIES
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 the impact of September 11, 2001 and any future acts or threats of war or terrorism; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System; a decline in general economic conditions and the strength of the local economies in which we operate; the financial condition of our borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of products and services; the timely development and effective marketing of competitive 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 our 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; our success 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 factors is not exclusive, and we will not update any forward-looking statements, 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 commercial 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 June 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 June 30, 2002 and 2001

OVERVIEW

The Company reported net income for the three months ended June 30, 2002 of $5.2 million, representing $0.48 per share, calculated on a diluted basis, compared to $4.7 million, or $0.44 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 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 $18.7 million for the second quarter of 2002 compared with $17.3 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 5.64% for the second quarter of 2002 compared to 6.12% for the like 2001 period. The net interest margin benefitted from a decrease of 160 basis points in the average cost of funds partially offset by a decrease of 151 basis points in the average yield on earning assets.

Noninterest income rose to $8.2 million for the three months ended June 30, 2002 compared to $6.1 million for the like 2001 period principally due to continued growth in income from mortgage banking and factoring activities, 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 and liabilities. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate are 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 June 30, 2002 increased to $18,746,000 from $17,286,000 for the comparable period in 2001.

Total interest income, on a tax equivalent basis, aggregated $23,820,000 for the second quarter of 2002 down from $24,458,000 for the same period of 2001. The tax equivalent yield on interest earning assets was 7.22% for the three months ended June 30, 2002 compared with 8.73% for the comparable period in 2001. The decrease in interest income was due to a decrease in income earned on the loan portfolio partially offset by increased income on the securities portfolio. The decrease in yield on earning assets was due to lower yields on both the loan and securities portfolios.

Interest earned on the loan portfolio amounted to $14,246,000 which was down $2,510,000 when compared to a year ago. Average loan balances amounted to $730,166,000 which were up $26,144,000 from an average of $704,022,000 in the prior year period. The increase in the average loans, the result of the continued implementation of business plans to increase funds employed in this asset category, was primarily in the real estate loan segment of the Company's loan portfolio. The decrease in the yield on the domestic loan portfolio to 8.14% for the three months ended June 30, 2002 from 10.13% for the comparable 2001 period was primarily attributable to a lower rate environment on average in the 2002 period.

Interest earned on the securities portfolio, on a tax equivalent basis, increased to $9,531,000 for the three months ended June 30, 2002 from $7,675,000 in the prior year period. Average outstandings increased to $606,178,000 which were up $152,991,000 from $453,187,000 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, was primarily in mortgage-backed securities and collateralized mortgage obligations of U.S. government corporations and agencies.

Interest expense on deposits decreased $1,583,000 for the three months ended June 30, 2002 to $3,309,000 from $4,892,000 for the comparable 2001 period principally due to lower rates paid. Average rate paid on interest-bearing deposits was 1.96% which was 158 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 $1,766,000 for the second quarter of 2002 from $2,280,000 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 2.21% for the three months ended June 30, 2002 compared with 3.81% in the comparable prior year period. Average amounts of long-term debt outstanding were up $81,243,000 to $121,593,000 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.

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 second quarter of 2002 increased to $4,600,000 from $1,528,000 for the comparable prior year period. During the current year quarter 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 $2,121,000 for the second quarter 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 $1,316,000 for the second quarter of 2002 when compared with the like 2001 period primarily due to increased salary expenses, pension costs, occupancy and equipment 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.

Provision for Income Taxes

During the second quarter of 2002, New York State completed an examination of Sterling's tax returns through 1998 and issued a no change finding. As a result, based on management's review of required tax reserves with outside professionals, approximately $1.0 million in excess reserves was adjusted though the provision this quarter.

Results for the Six Months Ended June 30, 2002 and 2001

OVERVIEW

The Company reported net income for the six months ended June 30,2002 of $10.5

million, representing $0.97 per share, calculated on a diluted basis, compared to $9.2 million, or $0.87 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 $37.3 million for the first six months of 2002 compared with $34.2 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 5.70% for the first six months of 2002 compared to 6.24% for the like 2001 period. The net interest margin benefitted from a decrease of 187 basis points in the average costs of funds partially offset by a 176 basis point decrease in the average yield on earning assets.

Noninterest income rose to $14.6 million for the six months ended June 30,2002 compared to $11.5 million for the like 2001 period principally due to continued growth in fees from mortgage banking and factoring activities, from gains on sales of available for sale securities and from a bank-owned life insurance program implemented in January 2002.

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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 and liabilities. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate are shown on page 25. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on page 23.

Net interest income, on a tax equivalent basis, for the six months ended June 30,2002 increased $3,106,000 to $37,308,000 from $34,202,000 for the comparable period in 2001.

Total interest income, on a tax equivalent basis, aggregated $47,527,000 down $5,603,000 for the first half of 2002 as compared to $49,290,000 for the same period of 2001. The tax equivalent yield on interest-earning assets was 7.30% for the first six months of 2002 compared with 9.06% for the comparable period in 2001. The decrease in interest income was due to a decrease in income earned on the loan portfolio partially offset by increased income on the securities portfolio. The decrease in yield on earning assets was due to lower yields on both the loan and securities portfolios.

Interest earned on the loan portfolio amounted to $28,412,000 which was down $5,603,000 when compared to a year ago. Average loan balances amounted to $719,551,000 which were up $28,345,000 from an average of $691,206,000 in the prior year period. The increase in the average loans, the result of the continued implementation of business plans to increase funds employed in this asset category, was primarily in the real estate loan segment of the Company's loan portfolio. The decrease in the yield on the domestic loan portfolio to 8.40% for the six months ended June 30, 2002 from 10.67% for the comparable 2001 period was primarily attributable to a lower rate environment on average in the 2002 period.

Interest earned on the securities portfolio, on a tax equivalent basis, increased to $18,914,000 for the six months ended June 30, 2002 from $15,192,000 in the prior year period. Average outstandings increased to $597,681,000 which were up $152,718,000 from $444,963,000 in the prior year period. The increase in average securities balances was primarily in mortgage-backed securities and collateralized mortgage obligations of U.S. government corporations and agencies. The decrease in yields through the securities portfolio reflects the impact of the lower rate environment on average in the 2002 period.

Interest expense on deposits decreased $3,608,000 for the six months ended June 30, 2002 to $6,632,000 from $10,240,000 for the comparable 2001 period principally due to lower rates paid. Average rate paid on interest-bearing deposits was 2.01% which was 177 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 $3,587,000 for the first six months of 2002 from $4,848,000 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 2.84% for the first six months ended June 30, 2002 compared with 4.99% in the comparable prior year period. Average amounts of long-term debt outstanding were up $83,824,000 to $116,784,000 from $32,960,000 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.

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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 six months of 2002 increased to $6,279,000 from $3,214,000 for the comparable prior year period. During the current year second quarter 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 $3,178,000 for the first six 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 $2,932,000 for the first six months of 2002 when compared with the like 2001 period primarily due to increased salary expenses, pension costs, occupancy and equipment 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.

Provision for Income Taxes

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 this 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 June 30, 2002, the Company's portfolio of securities totalled $610,809,000 of which U.S. Government and U.S. Government corporations and agencies guaranteed mortgage-backed and collateralized mortgage obligations securities having an average life of approximately 4.4 years amounted to $562,709,000.

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:

June 30, 2002	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury securities	$ 2,485,058	$ 568	$ --	$ 2,485,626
Obligations of U.S. government corporations and agencies--mortgage-backed securities	99,062,406	1,755,157	83,456	100,734,107
Obligations of U.S. government corporations and agencies-collateralized mortgage obligations	140,381,938	1,006,749	130,215	141,258,472
Obligations of state and political institutions	32,911,005	1,749,298	--	34,660,303
Trust preferred securities	3,222,865	17,647	23,670	3,216,842
Federal Reserve Bank and other equity securities	8,702,642	21,587	628	8,723,601
Total	$286,765,914	$4,551,006	$237,969	$291,078,951

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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:

	Carrying	Gross Unrealized	Gross Unrealized	Estimated Market

June 30, 2002	Value	Gains	Losses	Value
Obligations of U.S. government corporations and agencies-- mortgage-backed securities	$308,264,190	$7,292,430	$500,901	$315,055,719
Obligations of U.S. government corporations and agencies - collateralized mortgage obligations	9,966,263	38,392	--	10,004,655
Debt securities issued by Foreign governments	1,500,000	--	--	1,500,000
Total	$319,730,453	$7,330,822	$500,901	$326,560,374

Loan 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 it 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.

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The Company's leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 15% 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:

	June 30,			
	2002		2001	
	($ in thousands)			
	Balances	% of Gross	Balances	% of Gross
Domestic				
Commercial and industrial	$492,937	60.8%	$472,941	62.5%
Equipment lease financing	122,885	15.2	110,939	14.7
Real estate	154,657	19.1	150,871	19.9

Installment - individuals	8,217	1.0	8,764	1.2
Loans to depository institutions	32,000	3.9	12,000	1.6
Foreign				
Government and official institutions	-	-	777	0.1
Gross loans	810,696	100.0%	756,292	100.0%
Unearned discounts	13,823		15,607	
Loans, net of unearned discounts	$796,873		$740,685	

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 be increased. While management endeavors to minimize this risk, it recognizes that loan losses will occur and that the amount of these losses will fluctuate depending on the risk characteristics of the loan portfolio which in turn 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 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 June 30, 2002, the ratio of the allowance to loans, net of unearned discounts, was 1.53% and the allowance was $12,231,000. At such date, the Company's non-accrual loans amounted to $1,790,000; $407,000 of such loans were judged to be impaired within the scope of SFAS No. 114 and required valuation allowances of $180,000. 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 June 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 $682,000 at June 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:

	June 30,			
	2002		2001	
	($ in thousands)			
	Balances	% of Total	Balances	% of Total
Domestic				
Demand	$333,872	33.6%	$311,780	35.4%
NOW	109,559	11.0	86,826	9.8
Savings	24,486	2.5	28,556	3.2
Money market	160,488	16.1	181,535	20.6
Time deposits	363,701	36.5	270,484	30.7
Total domestic deposits	992,106	99.7	879,181	99.7
Foreign				
Time deposits	3,000	0.3	2,975	0.3
Total deposits	$995,106	100.0%	$882,156	100.0%

Fluctuations of balances in total or among categories at any date may occur based on the Company's mix of assets and liabilities as well as on customers' balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented on pages 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 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. Under FDICIA a "well capitalized" institution must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. At June 30, 2002, the Company and the bank exceeded the requirements for "well capitalized" institutions. Under 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."

STERLING BANCORP AND SUBSIDIARIES
AVERAGE BALANCE SHEETS [1]
THREE MONTHS ENDED JUNE 30,
(DOLLARS IN THOUSANDS)

	2002				
	Average Balance	Interest	Average Rate	Average Balance	In
ASSETS					
Interest-bearing deposits with other banks	$ 3,650	$ 11	1.30%	$ 2,880	$
Investment securities:					
Available for sale	265,730	4,039	6.08	162,259	
Held to maturity	306,127	4,857	6.35	257,103	
Tax-exempt [2]	34,321	635	7.43	33,825	
Federal funds sold	7,440	32	1.69	473	
Loans, net of unearned discounts					
Domestic [3]	730,166	14,246	8.14	703,245	
Foreign	-	-	-	777	
TOTAL INTEREST-EARNING ASSETS	1,347,434	23,820	7.22%	1,160,562	
Cash and due from banks	47,542			43,211	
Allowance for loan losses	(14,930)			(13,423)	
Goodwill	21,158			21,158	
Other assets	54,142			27,430	
TOTAL ASSETS	$1,455,346			$1,238,938	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing deposits					
Domestic					
Savings	$ 26,525	41	0.63%	$ 27,217	
NOW	110,551	235	0.85	75,514	
Money market	160,003	395	0.99	189,030	
Time	378,106	2,625	2.78	259,260	
Foreign					
Time	3,000	13	1.81	2,975	
Total interest-bearing deposits	678,185	3,309	1.96	553,996	
Borrowings					
Federal funds purchased and securities sold under agreements to repurchase	71,359	357	2.01	118,299	
Commercial paper	28,116	153	2.17	39,718	

Other short-term debt	21,621	130	2.41	2,355
Long-term debt	121,593	1,126	3.70	40,350
Total borrowings	242,689	1,766	2.91	200,722
TOTAL INTEREST-BEARING LIABILITIES	920,874	5,075	2.21%	754,718
Noninterest-bearing deposits	309,088			290,139
Other liabilities	75,176			72,372
Total liabilities	1,305,138			1,117,229
Corporation Obligated Mandatorily Redeemable Preferred Securities	25,000			-
Shareholders' equity	125,208			121,709
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,455,346			$1,238,938
Net interest income/spread		18,745	5.01%	
Net yield on interest-earning assets (margin)			5.64%	
Less: Tax equivalent adjustment		261		
Net interest income		$18,484		$

[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]
SIX MONTHS ENDED JUNE 30,
(DOLLARS IN THOUSANDS)

	2002			
	Average Balance	Interest	Average Rate	Average Balance
ASSETS				
Interest-bearing deposits with other banks	$ 3,575	$ 20	1.16%	$ 2,901

Investment securities:				
Available for sale	255,553	7,838	6.13	145,299
Held to maturity	307,666	9,800	6.37	266,286
Tax-exempt [2]	34,462	1,276	7.47	33,378
Federal funds sold	21,657	181	1.66	928
Loans, net of unearned discounts				
Domestic [3]	719,551	28,412	8.40	690,429
Foreign	-	-	-	777
TOTAL INTEREST-EARNING ASSETS	1,342,464	47,527	7.30%	1,139,998
Cash and due from banks	48,525			44,539
Allowance for loan losses	(14,707)			(13,317)
Goodwill	21,158			21,158
Other assets	50,911			26,571
TOTAL ASSETS	$1,448,351			$1,218,949
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits				
Domestic				
Savings	$ 26,932	84	0.63%	$ 26,081
NOW	105,505	464	0.89	73,888
Money market	164,986	791	0.97	185,370
Time	366,379	5,262	2.90	257,565
Foreign				
Time	2,999	31	2.10	2,975
Total interest-bearing deposits	666,801	6,632	2.01	545,879
Borrowings				
Federal funds purchased and securities sold under agreements to repurchase	83,256	804	1.95	123,898
Commercial paper	33,346	359	2.17	35,717
Other short-term debt	20,310	238	2.36	3,209
Long-term debt	116,784	2,186	3.74	32,960
Total borrowings	253,696	3,587	2.84	195,784
TOTAL INTEREST-BEARING LIABILITIES	920,497	10,219	2.23%	741,663
Noninterest-bearing deposits	306,972			287,665
Other liabilities	77,096			70,391
Total liabilities	1,304,565			1,099,719
Corporation Obligated Mandatorily Redeemable Preferred Securities	17,127			-
Shareholders' equity	126,659			119,230
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,448,351			$1,218,949
Net interest income/spread		37,308	5.07%	
Net yield on interest-earning assets (margin)			5.70%	
Less: Tax equivalent adjustment		525		

Net interest income	$36,783

[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 June 30, 2002 to June 30, 2001		
	Volume	Rate	Ne
INTEREST INCOME			
Interest-bearing deposits with other banks	$ 15	$ (26)	$
Investment securities			
Available for sale	1,963	(605)	
Held to maturity	1,214	(726)	
Tax-exempt	9	1	
Total investment securities	3,186	(1,330)	
Federal funds sold	37	(10)	
Loans, net of unearned discounts			
Domestic [3]	1,856	(4,354)	(
Foreign	(12)	-	
Total loans, net of unearned discount	1,844	(4,354)	(
TOTAL INTEREST INCOME	$5,082	$(5,720)	$
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (4)	$ (119)	$
NOW	343	(508)	
Money market	(149)	(564)	
Time	2,546	(3,106)	
Foreign			

	Volume	Rate	Net
Time	1	(23)	
Total interest-bearing deposits	2,737	(4,320)	(
Borrowings			
Federal funds purchased and securities sold under agreements to repurchase	(407)	(570)	
Commercial paper	(107)	(193)	
Other short-term debt	144	(40)	
Long-term debt	938	(279)	
Total borrowings	568	(1,082)	
TOTAL INTEREST EXPENSE	$3,305	$(5,402)	$(
NET INTEREST INCOME	$1,777	$ (318)	$

[1] The above table is presented on a tax equivalent basis.

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

[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) Six Months Ended June 30, 2002 to June 30, 2001		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ 31	$ (69)	$ (38)
Investment securities			
Available for sale	4,183	(1,230)	2,953
Held to maturity	2,192	(1,466)	726
Tax-exempt	40	3	43
Total investment securities	6,415	(2,693)	3,722
Federal funds sold	215	(59)	156
Loans, net of unearned discounts			
Domestic [3]	4,263	(9,839)	(5,576)
Foreign	(27)	-	(27)

Total loans, net of unearned discount	4,236	(9,839)	(5,603)
TOTAL INTEREST INCOME	$10,897	$(12,660)	$(1,763)
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ 29	$ (256)	$ (227)
NOW	694	(1,065)	(371)
Money market	(241)	(1,387)	(1,628)
Time	5,077	(6,418)	(1,341)
Foreign			
Time	1	(42)	(41)
Total interest-bearing deposits	5,560	(9,168)	(3,608)
Borrowings			
Federal funds purchased and securities sold under agreements to repurchase	(808)	(1,521)	(2,329)
Commercial paper	(54)	(455)	(509)
Other short-term debt	314	(161)	153
Long-term debt	1,864	(440)	1,424
Total borrowings	1,316	(2,577)	(1,261)
TOTAL INTEREST EXPENSE	$ 6,876	$(11,745)	$(4,869)
NET INTEREST INCOME	$ 4,021	$ (915)	$ 3,106

[1] The above table is presented on a tax equivalent basis.

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

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

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STERLING BANCORP AND SUBSIDIARIES
Regulatory Capital and Ratios

Ratios and Minimums
(dollars in thousands)

	Actual		For Capital Adequacy Minimum	
As of June 30, 2002	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):				
The Company	$138,088	15.88%	$69,551	8.00%

The bank	106,198	12.94	65,665	8.00
Tier 1 Capital (to Risk Weighted Assets):				
The Company	127,204	14.63	34,775	4.00
The bank	95,933	11.69	32,833	4.00
Tier 1 Leverage Capital (to Average Assets):				
The Company	127,204	8.87	57,368	4.00
The bank	95,933	6.92	55,460	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

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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 June 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 increase during periods of rising interest rates and 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 June 30, 2002, the Company utilized four interest rate floor contracts having a notional amount totaling $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 June 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 that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management 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 June 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 2.23% ($1,646,000) increase in net interest income, while the impact of a 200 basis point decline in rates over the same period would approximate a 3.70% ($2,773,000) 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/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 in any year without the approval of the Comptroller of the Currency to an amount not to exceed the net profits as defined, for that year to date combined with its retained net profits for the preceding two calendar years.

At June 30, 2002, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $29,408,000. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $38,820,000 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 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
ASSETS				
Interest-bearing deposits with other banks	$ 2,871	$ -	$ -	$ -
Investment securities	-	2,737	40,727	558,621
Loans, net of unearned discounts				
Commercial and industrial	481,461	2,612	8,823	41
Loans to depository				

institutions	32,000	-	-	-
Lease financing	52,399	3,373	64,750	2,363
Real estate	41,929	26,453	45,079	41,196
Installment	4,582	913	1,316	1,406
Foreign government and official institutions	-	-	-	-
Noninterest-earning assets and allowance for loan losses	-	-	-	-
Total Assets	615,242	36,088	160,695	603,627
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits				
Savings [1]	-	-	24,486	-
NOW [1]	-	-	109,559	-
Money Market [1]	130,585	-	29,902	-
Time - domestic	220,745	59,809	83,066	81
- foreign	1,820	1,180	-	-
Federal funds purchased & securities sold u/a/r	111,461	-	-	-
Commercial paper	29,408	-	-	-
Other short-term borrowings	25,044	350	-	-
Long-term borrowings - FHLB	-	-	25,000	100,000
Noninterest-bearing liabilities and shareholders' equity	-	-	-	-
Total Liabilities and Shareholders' Equity	519,063	61,339	272,013	100,081
Net Interest Rate Sensitivity Gap	$ 96,179	$(25,251)	$(111,318)	$503,546
Cumulative Gap June 30, 2002	$ 96,179	$ 70,928	$ (40,390)	$463,156
Cumulative Gap June 30, 2001	$ 128,861	$ 48,498	$ (5,127)	$433,853
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.

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STERLING BANCORP AND SUBSIDIARIES

PART II - OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Shareholders of the Company was held on April

18, 2002.

(b) The following matters were submitted to a vote of the Shareholders of the Company:

(1) Election of Directors

Nominee	Total Votes For	Total Votes Withheld
Robert Abrams	8,575,496	677,588
Joseph M. Adamko	8,584,993	668,091
Louis J. Cappelli	8,018,924	1,234,160
Walter Feldesman	8,509,729	743,355
Allan F. Hershfield	8,583,592	669,492
Henry J. Humphreys	8,578,878	674,206
John C. Millman	8,019,189	1,233,895
Eugene T. Rossides	8,578,017	675,067

There were no abstentions or broker nonvotes.

(2) Amendment of Stock Incentive Plan

Total Votes For	5,677,616
Total Votes Against	3,323,580
Total Abstentions	251,886

Item 6. Exhibits and Reports on Form 8-K

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

10(i) Form of Change of Control Severance Agreement dated April 3, 2002 Entered into Between the Registrant and One Executive

11 Statement Re: Computation of Per Share Earnings

(b) No reports on Form 8-K have been filed during the quarter.

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STERLING BANCORP AND SUBSIDIARIES

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

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(Registrant)

Date 08/14/02 /s/ Louis J. Cappelli

Louis J. Cappelli
Chairman and
Chief Executive Officer

Date 08/14/02 /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

Exhibit Number	Description	Incorporated Herein By Reference To	Filed Herewith	Sequential Page No.
10(i)	Form of Change of Control Severance Agreement dated April 3, 2002 Entered Between the Registrant And One Executive		X	
11	Computation of Per Share Earnings		X	

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