STERLING BANCORP
Form 10-Q
November 08, 2012

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

FORM 10-Q

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

For the quarterly period ended	September 30, 2012

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

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

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

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

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

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

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

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

As of October 31, 2012 there were 30,955,796 shares of common stock, $1.00 par value, outstanding.

STERLING BANCORP

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

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

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

	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks	$33,872	$31,046
Interest-bearing deposits with other banks	149,592	126,448
Securities available for sale (at estimated fair value; pledged: $171,258 in 2012 and $146,429 in 2011)	310,022	270,014
Securities held to maturity (pledged: $124,460 in 2012 and $206,282 in 2011) (estimated fair value: $408,472 in 2012 and $425,775 in 2011)	389,779	407,857
Total investment securities	699,801	677,871
Loans held for sale, net	51,551	43,372
Loans held in portfolio, net of unearned discounts	1,625,415	1,473,309
Less allowance for loan losses	22,154	20,029
Loans, net	1,603,261	1,453,280
Federal Reserve and Federal Home Loan Bank stock, at cost	7,478	8,486
Customers' liability under acceptances	33	4
Goodwill	22,901	22,901
Premises and equipment, net	23,154	23,625
Other real estate	1,595	1,929
Accrued interest receivable	8,474	6,838
Cash surrender value of life insurance policies	54,144	53,446
Other assets	43,869	44,051
Total assets	$2,699,725	$2,493,297
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing demand deposits	$831,281	$765,800
Savings, NOW and money market deposits	667,517	565,423
Time deposits	726,556	657,848
Total deposits	2,225,354	1,989,071
Securities sold under agreements to repurchase - customers	37,314	47,313
Securities sold under agreements to repurchase - dealers	-	5,000
Commercial paper	12,545	13,485
Advances - FHLB	101,634	122,733
Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	177,267	214,305
Acceptances outstanding	33	4
Accrued interest payable	701	1,064
Accrued expenses and other liabilities	62,934	68,032

Total liabilities	2,466,289	2,272,476
Shareholders' equity		
Common stock, $1 par value. Authorized 50,000,000 shares; issued 35,263,768 and 35,225,110 shares, respectively	35,264	35,225
Capital surplus	271,480	270,869
Retained earnings	21,991	15,523
Accumulated other comprehensive loss	(8,644)	(14,216)
Common shares in treasury at cost, 4,307,972 and 4,300,278 shares, respectively	(86,655)	(86,580)
Total shareholders' equity	233,436	220,821
Total liabilities and shareholders' equity	$2,699,725	$2,493,297

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 September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
INTEREST INCOME				
Loans	$ 21,494	$ 19,721	$ 61,224	$ 55,006
Investment securities				
Available for sale	2,206	2,742	7,226	8,120
Held to maturity	2,710	3,351	8,584	10,230
FRB and FHLB stock	67	75	282	241
Deposits with other banks	33	35	97	92
Total interest income	26,510	25,924	77,413	73,689
INTEREST EXPENSE				
Deposits				
Savings, NOW and money market	629	752	1,931	2,152
Time	1,053	1,470	3,128	4,212
Short-term borrowings	56	79	189	244
Advances - FHLB	457	483	1,494	1,647
Long-term borrowings - subordinated debentures	523	523	1,570	1,570
Total interest expense	2,718	3,307	8,312	9,825
Net interest income	23,792	22,617	69,101	63,864
Provision for loan losses	2,000	3,000	7,750	9,000
Net interest income after provision for loan losses	21,792	19,617	61,351	54,864
NONINTEREST INCOME				
Accounts receivable management/factoring commissions and other related fees	5,251	5,974	15,184	16,811
Mortgage banking income	2,569	1,493	7,298	5,268
Service charges on deposit accounts	1,444	1,445	4,472	4,248
Securities gains, net	282	605	1,490	2,234
Other income	968	1,197	3,192	3,562
Total noninterest income	10,514	10,714	31,636	32,123
NONINTEREST EXPENSE				
Salaries and employee benefits	15,028	14,433	44,834	43,158
Occupancy and equipment expenses, net	3,429	3,069	10,045	9,857
Deposit insurance	544	374	1,668	2,204
Professional fees	1,083	1,741	3,494	3,448
Other expenses	4,400	4,153	11,474	11,002

Total noninterest expenses	24,484	23,770	71,515	69,669
Income before income taxes	7,822	6,561	21,472	17,318
Provision for income taxes	2,481	2,191	6,656	5,060
Net income	5,341	4,370	14,816	12,258
Dividends on preferred shares and accretion	-	-	-	833
Accelerated accretion from redemption of preferred shares	-	-	-	1,241
Net income available to common shareholders	$ 5,341	$ 4,370	$ 14,816	$ 10,184
Average number of common shares outstanding				
Basic	30,844,341	30,789,539	30,818,531	29,375,816
Diluted	30,844,341	30,789,539	30,818,531	29,375,816
Net income available to common shareholders, per average common share				
Basic	$ 0.17	$ 0.14	$ 0.48	$ 0.35
Diluted	0.17	0.14	0.48	0.35
Dividends per common share	0.09	0.09	0.27	0.27

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income	$ 5,341	$ 4,370	$ 14,816	$ 12,258
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities available for sale arising during the period	2,392	(2,465)	4,739	(873)
Reclassification adjustment for securities' gains included in net income	(156)	(330)	(827)	(1,220)
Reclassification adjustment for amortization of:				
Prior service cost	4	9	16	26
Net actuarial losses	627	487	1,644	1,266
Other comprehensive income (loss)	2,867	(2,299)	5,572	(801)
Comprehensive income	$ 8,208	$ 2,071	$ 20,388	$ 11,457

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2012	2011
Preferred Stock		
Balance at January 1,	$-	$40,602
Discount accretion	-	157
Redemption	-	(42,000)
Accelerated accretion	-	1,241
Balance at September 30,	$-	$-
Common Stock		
Balance at January 1,	$35,225	$31,139
Common shares issued	39	4,025
Restricted shares issued	-	61
Balance at September 30,	$35,264	$35,225
Warrants to Purchase Common Stock		
Balance at January 1,	$-	$2,615
Repurchase of warrants	-	(2,615)
Balance at September 30,	$-	$-
Capital Surplus		
Balance at January 1,	$270,869	$236,437
Common shares issued	336	32,429
Restricted shares issued	-	(61)
Repurchase of warrants	-	1,670
Stock option compensation and restricted stock expense	275	287
Balance at September 30,	$271,480	$270,762
Retained Earnings		
Balance at January 1,	$15,523	$11,392
Net income	14,816	12,258
Cash dividends paid - preferred shares	-	(945)
Cash dividends paid - common shares	(8,348)	(8,341)
Discount accretion on series A preferred stock	-	(157)
Accelerated accretion - preferred shares	-	(1,241)
Balance at September 30,	$21,991	$12,966
Accumulated Other Comprehensive Loss		
Balance at January 1,	$(14,216)	$(12,887)
Other comprehensive income (loss), net of tax	5,572	(801)
Balance at September 30,	$(8,644)	$(13,688)
Treasury Stock		

Balance at January 1,	$(86,580)	$(86,556)
Surrender of shares issued under stock incentive plan	(75)	(24)
Balance at September 30,	$(86,655)	$(86,580)
Total Shareholders' Equity		
Balance at January 1,	$220,821	$222,742
Net changes during the period	12,615	(4,057)
Balance at September 30,	$233,436	$218,685

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2012	2011
Operating Activities		
Net Income	$14,816	$12,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	7,750	9,000
Depreciation and amortization of premises and equipment	2,738	2,364
Securities gains, net	(1,490)	(2,234)
Gains from life insurance policies, net	(591)	(433)
Deferred income tax benefit	(2,465)	(1,350)
Proceeds from sale of loans	384,792	282,492
Gains on sales of loans, net	(7,333)	(5,271)
Originations of loans held for sale	(387,514)	(269,050)
Amortization of premiums on securities	6,317	7,271
Accretion of discounts on securities	(509)	(310)
Increase in accrued interest receivable	(1,636)	(499)
Decrease in accrued interest payable	(363)	(233)
(Decrease) Increase in accrued expenses and other liabilities	(2,182)	8,880
Increase in other assets	(1,244)	(1,403)
Loss on other real estate owned	75	-
Net cash provided by operating activities	11,161	41,482
Investing Activities		
Purchase of premises and equipment	(2,246)	(10,618)
Net increase in interest-bearing deposits with other banks	(23,144)	(146,129)
Net increase in loans held in portfolio	(145,143)	(111,810)
Net increase in short-term factored receivables	(11,014)	(45,861)
Proceeds from sale of other real estate	505	143
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	30,975	36,806
Purchases of securities - held to maturity	(238,447)	(278,744)
Proceeds from calls of securities - held to maturity	225,603	197,500
Proceeds from prepayments, redemptions or maturities of securities - available for sale	387,695	223,754
Purchases of securities - available for sale	(591,224)	(398,961)
Proceeds from calls/sales of securities - available for sale	166,200	228,658
Proceeds from redemptions or maturities of FHLB & FRB stock	1,233	1,073
Purchases of FHLB & FRB stock	(225)	(210)
Net cash used in investing activities	(199,232)	(304,399)
Financing Activities		
Net increase in noninterest-bearing demand deposits	65,481	23,960
Net increase in savings, NOW and money market deposits	102,094	44,842
Net increase in time deposits	68,708	231,229
Net decrease in Federal funds purchased	-	(15,000)

Net (decrease) increase in securities sold under agreements to repurchase	(14,999)	20,487
Net decrease in commercial paper and other short-term borrowings	(940)	(152)
Decrease in long-term borrowings	(21,099)	(21,078)
Proceeds from issuance of common stock	-	36,454
Cash dividends paid on preferred stock	-	(945)
Cash dividends paid on common stock	(8,348)	(8,341)
Net repayment redemption of preferred stock and common stock warrants	-	(42,945)
Net cash provided by financing activities	190,897	268,511
Net increase in cash and due from banks	2,826	5,594
Cash and due from banks - beginning of period	31,046	26,824
Cash and due from banks - end of period	$33,872	$32,418
Supplemental disclosures:		
Interest paid	$8,675	$10,058
Income taxes paid	5,477	3,753
Loans held for sale transferred to portfolio	1,876	1,004
Loans transferred to other real estate	302	2,048
Due to brokers on purchases of securities - HTM	-	10,000

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 1. Significant Accounting Policies

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

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

Basis of Presentation. The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally the bank, after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended September 30, 2012 and 2011 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. Throughout the notes, dollar amounts presented in tables are in thousands, except per share data. The interim consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2011 (the "2011 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.

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

Note 2. Investment Securities

The following tables present information regarding securities available for sale:

September 30, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury securities	$5,994	$-	$-	$5,994
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	23,874	50	64	23,860
CMOs (Government National Mortgage Association)	4,130	13	16	4,127
Federal National Mortgage Association	1,872	123	-	1,995
Federal Home Loan Mortgage Corporation	21	-	1	20
Government National Mortgage Association	90	-	-	90
Total residential mortgage-backed securities	29,987	186	81	30,092
Agency notes				
Federal National Mortgage Association	200	-	-	200
Federal Home Loan Mortgage Corporation	75	5	-	80
Total obligations of U.S. government corporations and government sponsored enterprises	30,262	191	81	30,372
Obligations of state and political institutions-New York Bank Qualified	16,499	1,559	-	18,058
Single-issuer, trust preferred securities	30,761	699	42	31,418
Other preferred securities	8,328	47	9	8,366
Corporate debt securities	192,185	1,353	266	193,272
Equity and other securities	20,658	2,300	416	22,542
Total	$304,687	$6,149	$814	$310,022

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

December 31, 2011	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal Home Loan Mortgage Corporation)	$21,642	$103	$6	$21,739
CMOs (Government National Mortgage Association)	5,666	12	11	5,667
Federal National Mortgage Association	2,137	74	-	2,211
Federal Home Loan Mortgage Corporation	38	-	1	37
Government National Mortgage Association	98	-	-	98
Total residential mortgage-backed securities	29,581	189	18	29,752
Agency notes				
Federal National Mortgage Association	501	-	-	501
Federal Home Loan Bank	101	1	-	102
Federal Home Loan Mortgage Corporation	376	7	-	383
Federal Farm Credit Bank	251	-	-	251
Total obligations of U.S. government corporations and government sponsored enterprises	30,810	197	18	30,989
Obligations of state and political institutions-New York Bank Qualified	21,171	1,606	-	22,777
Single-issuer, trust preferred securities	28,506	214	1,661	27,059
Corporate debt securities	175,920	263	2,876	173,307
Equity and other securities	15,322	958	398	15,882
Total	$271,729	$3,238	$4,953	$270,014

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

The following tables present information regarding securities held to maturity:

September 30, 2012	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	$2,367	$108	$-	$2,475
CMOs (Federal Home Loan Mortgage Corporation)	4,107	175	-	4,282
Federal National Mortgage Association	35,905	3,285	-	39,190
Federal Home Loan Mortgage Corporation	17,330	1,424	-	18,754
Government National Mortgage Association	3,569	603	-	4,172
Total residential mortgage-backed securities	63,278	5,595	-	68,873
Agency notes				
Federal National Mortgage Association	80,979	67	50	80,996
Federal Home Loan Bank	74,544	39	64	74,519
Federal Home Loan Mortgage Corporation	34,991	111	-	35,102
Total obligations of U.S. government corporations and government sponsored enterprises	253,792	5,812	114	259,490
Obligations of state and political institutions-New York Bank Qualified	135,987	12,996	1	148,982
Total	$389,779	$18,808	$115	$408,472

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

December 31, 2011	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities				
CMOs (Federal National Mortgage Association)	$3,942	$192	$-	$4,134
CMOs (Federal Home Loan Mortgage Corporation)	6,474	305	-	6,779
Federal National Mortgage Association	46,937	3,777	-	50,714
Federal Home Loan Mortgage Corporation	23,682	1,669	-	25,351
Government National Mortgage Association	4,132	603	-	4,735
Total residential mortgage-backed securities	85,167	6,546	-	91,713
Agency notes				
Federal National Mortgage Association	104,981	203	-	105,184
Federal Home Loan Bank	44,992	34	-	45,026
Federal Home Loan Mortgage Corporation	34,991	49	9	35,031
Total obligations of U.S. government corporations and government sponsored enterprises	270,131	6,832	9	276,954
Obligations of state and political institutions-New York Bank Qualified	137,726	11,105	10	148,821
Total	$407,857	$17,937	$19	$425,775

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

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

	Less Than 12 Months		12 Months or Longer		Total	
September 30, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities						
CMOs (Federal Home Loan Mortgage Corporation)	$12,354	$64	$-	$-	$12,354	$64
CMOs (Government National Mortgage Association)	2,264	16	-	-	2,264	16
Federal Home Loan Mortgage Corporation	-	-	20	1	20	1
Total obligations of U.S. government corporations and government sponsored enterprises	14,618	80	20	1	14,638	81
Single-issuer, trust preferred securities	311	2	1,098	40	1,409	42
Other preferred securities	5,212	9	-	-	5,212	9
Corporate debt securities	33,963	119	22,569	147	56,532	266
Equity and other securities	1,925	260	1,353	156	3,278	416
Total	$56,029	$470	$25,040	$344	$81,069	$814

December 31, 2011						
Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities						
CMOs (Federal Home Loan Mortgage Corporation)	$4,276	$6	$-	$-	$4,276	$6
CMOs (Government National Mortgage Association)	3,448	11	-	-	3,448	11
	-	-	22	1	22	1

Federal Home Loan Mortgage Corporation						
Total obligations of U.S. government corporations and government sponsored enterprises	7,724	17	22	1	7,746	18
Single-issuer, trust preferred securities	11,721	1,574	415	87	12,136	1,661
Corporate debt securities	139,972	1,937	10,607	939	150,579	2,876
Equity and other securities	2,974	398	-	-	2,974	398
Total	$162,391	$3,926	$11,044	$1,027	$173,435	$4,953

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	
September 30, 2012	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal National Mortgage Association	$40,935	$50	$-	$-	$40,935	$50
Federal Home Loan Bank	19,936	64	-	-	19,936	64
Total obligations of U.S. government corporations and government sponsored enterprises	60,871	114	-	-	60,871	114
Obligations of state and political institutions-New York Bank Qualified	204	1	-	-	204	1
Total	$61,075	$115	$-	$-	$61,075	$115

December 31, 2011						
Obligations of U.S. government corporations and government sponsored enterprises						
Agency notes						
Federal Home Loan Mortgage Corporation	$14,991	$9	$-	$-	$14,991	$9
Total obligations of U.S. government corporations and government sponsored enterprises	14,991	9	-	-	14,991	9
	736	9	289	1	1,025	10

Obligations of state and political institutions-New York Bank Qualified						
Total	$15,727	$18	$289	$1	$16,016	$19

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

The following table presents information regarding single-issuer, trust preferred securities at September 30, 2012:

Issuer	TARP Recipient	Credit Rating	Amortized Cost	Fair Value	Unrealized Gain/(Loss)
Sterling Bancorp Trust I, 8.375%, due 3/31/2032	Yes *	NA	$ 990	$ 1,051	$ 61
NPB Capital Trust II, 7.85%, due 9/30/2032	Yes *	NA	126	128	2
Allfirst Pfd Cap Trust, Floating Rate, due 7/15/2029, owned by M&T Bank Corporation	Yes *	BBB	379	387	8
BAC Capital Trust II, 7.00%, due 2/01/2032	Yes *	BB+	300	305	5
BAC Capital Trust IV, 5.875%, due 5/03/2033	Yes *	BB+	50	48	(2)
BAC Capital Trust V, 6.00%, due 11/03/2034	Yes *	BB+	2,238	2,239	1
BNY Capital Trust V, 5.95%, due 5/01/2033	Yes *	BBB	50	51	1
Capital One Cap VI, 8.875%, due 5/15/2040	Yes *	BB+	103	102	(1)
Citigroup Capital VII, 7.125%, due 7/31/2031	Yes *	BB	1,507	1,520	13
Citigroup Capital VIII, 6.95%, due 9/15/2031	Yes *	BB	246	252	6
Citigroup Capital IX, 6.00%, due 2/14/2033	Yes *	BB	2,885	2,994	109
Citigroup Capital X, 6.10%, due 9/30/2033	Yes *	BB	293	298	5
Citigroup Capital XVII, 6.35%, due 3/15/2067	Yes *	BB	46	62	16

First Tennessee Capital II, 6.30%, due 4/15/2034	Yes *	BB		3,497		3,534	37
Goldman Sachs Capital I, 6.345%, due 2/15/2034	Yes *	BB+		8,910		9,042	132
JP Morgan Chase Capital XIII, Floating Rate, due 9/30/2034	Yes *	BBB		757		764	7
JP Morgan Chase Capital XI, 5.875%, due 6/15/2033	Yes *	BBB		1,623		1,637	14
Morgan Stanley Capital Trust III, 6.25%, due 3/01/2033	Yes *	BB+		1,044		1,112	68
Keycorp Capital II, 6.875%, due 3/17/2029	Yes *	BBB-		93		97	4
SunTrust Capital I, Floating Rate, due 5/15/2027	Yes *	BB+		727		760	33
VNB Capital Trust I, 7.75%, due 12/15/2031	Yes *	BBB-		21		21	-
Wells Fargo Capital Trust VII, 5.85%, due 5/01/2033	Yes *	BBB+		424		438	14
Wells Fargo Capital Trust VIII, 5.625%, due 8/01/2033	Yes *	BBB+		367		385	18
Wells Fargo Capital IX, 5.625%, due 4/08/2034	Yes *	BBB+		4,085		4,191	106
			$	30,761	$	31,418	$ 657

* TARP obligation was repaid prior to September 30, 2012.

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The Company invests principally in obligations of U.S. government corporations and government sponsored enterprises, New York bank qualified obligations of state and political institutions, and corporate debt and equity 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 of the securities' cost basis.

At September 30, 2012, approximately $124.7 million, representing approximately 17.8% 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 (24 issuers), corporate debt (41 issuers), other preferred securities (3 issuers), and equity securities (13 issuers). These investments may pose a higher risk of future impairment charges as a result of possible further deterioration of the U.S. economy. The Company would be required to recognize impairment charges on these securities if they suffer a decline in value that is considered other-than-temporary. Numerous factors, including lack of liquidity for re-sales of certain investment securities, absence of reliable pricing information for investment securities, adverse changes in business climate, adverse actions by regulators or unanticipated changes in the competitive environment could have a negative effect on the Company's investment portfolio and may result in other-than-temporary impairment on certain investment securities in future periods.

At September 30, 2012, the Company held 4 security positions of single-issuer, trust preferred securities issued by financial institutions, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months and 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 reports and other public regulatory disclosures, to assess credit risk and the probability of impairment of the contractual cash flows of the applicable securities. Based upon management's third quarter review, the issuers have maintained performance levels adequate to support the contractual cash flows of the securities.

At September 30, 2012, the Company held 13 security positions of corporate debt securities issued by financial institutions and other corporate issuers, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months. Each of these positions are paying in accordance with their terms and have no deferrals of interest or other deferrals. In addition, management analyzes the performance of each issuer on a periodic basis, including a review of the issuer's most recent public regulatory disclosures, to assess credit risk and the probability of impairment of the applicable securities. Based upon management's third quarter review, management has concluded that the unrealized losses are deemed to be temporary.

At September 30, 2012, the Company held 6 issues of equity securities, in the available for sale portfolio, that were in an unrealized loss position for more than 12 months. Management analyzes the performance of each issuer on a periodic basis, including a review of the issuer's most recent public regulatory disclosures, to assess credit risk and the probability of impairment of the applicable securities. Based upon management's third quarter review, management has concluded that the unrealized losses are deemed to be temporary.

At September 30, 2012, the Company held one position in residential mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation in the available for sale portfolio that was in an unrealized loss position for more than 12 months. The amount of the unrealized loss ($1 thousand) was insignificant to the Company's result of operations for the nine months ended September 30, 2012.

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The following tables present information regarding securities available for sale and securities held to maturity at September 30, 2012, 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
U.S. Treasury securities	$5,994	$5,994
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal Home Loan Mortgage Corporation)	23,874	23,860
CMOs (Government National Mortgage Association)	4,130	4,127
Federal National Mortgage Association	1,872	1,995
Federal Home Loan Mortgage Corporation	21	20
Government National Mortgage Association	90	90
Total residential mortgage-backed securities	29,987	30,092
Agency notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	200	200
Federal Home Loan Mortgage Corporation		
Due after 1 year but within 5 years	75	80
Total obligations of U.S. government corporations and government sponsored enterprises	30,262	30,372
Obligations of state and political institutions - New York Bank Qualified		
Due after 5 years but within 10 years	3,225	3,502
Due after 10 years	13,274	14,556
Total obligations of state and political institutions-New York Bank Qualified	16,499	18,058
Single-issuer, trust preferred securities		
Due after 10 years	30,761	31,418
Total single-issuer, trust preferred securities	30,761	31,418
Other preferred securities		
Due within 1 year	8,226	8,264
Due after 10 years	102	102
Total other preferred securities	8,328	8,366
Corporate debt securities		
Due within 6 months	34,008	33,999
Due after 6 months but within 1 year	61,685	61,792
Due after 1 year but within 2 years	69,948	70,652

Due after 2 years but within 5 years	23,878	24,037
Due after 5 years but within 10 years	2,568	2,685
Due after 10 years	98	107
Total corporate debt securities	192,185	193,272
Equity and other securities	20,658	22,542
Total	$304,687	$310,022

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Held to maturity	Carrying Value	Fair Value
Obligations of U.S. government corporations and government sponsored enterprises		
Residential mortgage-backed securities		
CMOs (Federal National Mortgage Association)	$2,367	$2,475
CMOs (Federal Home Loan Mortgage Corporation)	4,107	4,282
Federal National Mortgage Association	35,905	39,190
Federal Home Loan Mortgage Corporation	17,330	18,754
Government National Mortgage Association	3,569	4,172
Total residential mortgage-backed securities	63,278	68,873
Agency notes		
Federal National Mortgage Association		
Due after 1 year but within 5 years	10,000	10,004
Due after 5 years but within 10 years	4,998	5,005
Due after 10 years	65,981	65,987
Federal Home Loan Bank		
Due after 5 years but within 10 years	5,558	5,563
Due after 10 years	68,986	68,956
Federal Home Loan Mortgage Corporation		
Due after 5 years but within 10 years	19,991	20,041
Due after 10 years	15,000	15,061
Total obligations of U.S. government corporations and government sponsored enterprises	253,792	259,490
Obligations of state and political institutions - New York Bank Qualified		
Due after 1 year but within 5 years	155	169
Due after 5 years but within 10 years	8,808	9,765
Due after 10 years	127,024	139,048
Total obligations of state and political institutions-New York Bank Qualified	135,987	148,982
Total	$389,779	$408,472

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Sales				
Proceeds	$18,469	$55,491	$114,353	$144,498
Gross gains	121	570	1,163	2,372
Gross losses	-	81	1	281
Calls				
Proceeds	30,451	26,206	51,847	84,160

Gross gains	165	43	349	139
Gross losses	20	-	56	-

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Calls				
Proceeds	$64,641	$137,500	$225,603	$197,500
Gross gains	22	73	41	80
Gross losses	6	-	6	76

There were no sales or transfers of held to maturity securities during the three-month or nine-month periods ended September 30, 2012 or September 30, 2011.

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Note 3. Loans and allowance for loan losses

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

	September 30, 2012	December 31, 2011
Loans held for sale, net of valuation reserve ($-0- at September 30, 2012 and at December 31, 2011)		
Real estate—residential mortgage	$51,551	$43,372
Loans held in portfolio, net of unearned discounts		
Commercial and industrial	604,538	626,063
Factored receivables	183,140	172,082
Loans to nondepository financial institutions	324,651	246,587
Equipment financing receivables	175,013	166,690
Real estate—commercial mortgage	164,892	85,825
Real estate—construction and land development	13,072	13,621
Total commercial lending	1,465,306	1,310,868
Real estate—residential mortgage	165,945	170,153
Loans to depository institutions	-	10
Loans to individuals	11,767	10,376
Loans held in portfolio, gross	1,643,018	1,491,407
Less unearned discounts	17,603	18,098
Loans held in portfolio, net of unearned discounts	1,625,415	1,473,309
Total loans, net of unearned discounts	$1,676,966	$1,516,681

At September 30, 2012, the bank had qualified loans, with a carrying value of approximately $370.5 million, available to secure borrowings from the FHLB and the FRB, of which approximately $2.3 million were pledged to the FHLB. There were no loans pledged at December 31, 2011.

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

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

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

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

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

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

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

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

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

Loans are made at fixed or floating rates. Fixed rate loans are tied to U.S. Treasury or FHLB benchmarks or other indices. Floating rate loans are based on the prime rate or other indices.

Equipment Financing

Sterling engages in direct and indirect lease financing. Direct lease financing is when requests for financing originate with an end user seeking to finance equipment for up to 60 months. Indirect lease finance arises through relationships with equipment financing brokers.

In both cases, credit approval is based upon on a full underwriting process that involves the submission of financial and other information, including the applicant's historical performance, cash flow projections and value of equipment, and for customers who are not public entities, Sterling generally obtains the personal guarantees of the principals of the entities.

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

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

Concentrations of Credit
There are no industry concentrations (exceeding 10% of loans, gross), other than loans to nondepository financial institutions, of loans held in portfolio. Loans to nondepository financial institutions, which include the Company's residential mortgage warehouse funding product and loans to finance companies, represent approximately 19.8% of all loans. Approximately 69.9% of loans are to borrowers located in the New York metropolitan area. A further deterioration in economic conditions within the region, including a decline in real estate values, higher unemployment and other factors which could adversely impact small and mid-sized businesses, could have a significant adverse impact on the quality of the Company's loan portfolio. In addition, a decline in real estate values and higher unemployment within the mid-Atlantic region and North Carolina could adversely impact the Company's residential real estate loan portfolio.

Approximately 29.4% or $10.1 million and 20.7% or $6.9 million of the Company's net interest income and noninterest income are related to real estate lending for the three months ended September 30, 2012 and 2011, respectively. Approximately 27.1% or $27.3 million and 20.9% or $20.1 million of the Company's net interest income and noninterest income are related to real estate lending for the nine months ended September 30, 2012 and 2011, respectively. Real estate prices in the U.S. market decreased during 2011 and have been relatively stable in 2012. These continuing trends in real estate values could necessitate charge-offs in our mortgage loan portfolio that may impact our operating results. In addition, a sustained period of stable to declining real estate values combined with the continued turbulence in the financial and credit markets would continue to limit our mortgage-related revenues.

As of September 30, 2012 approximately 57.4% of the Company's loans consisted of commercial and industrial, factored receivables, construction and commercial real estate mortgage loans. Because the Company's loan portfolio contains a number of commercial and industrial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans.

Related Party Loans
Loans are made to officers or directors (including their immediate families) of the Company or for the benefit of corporations in which they have a beneficial interest subject to applicable regulations. There were no outstanding balances on such loans in excess of $60 thousand to any individual or entity at September 30, 2012 or 2011.

Nonperforming Loans
Nonaccrual loans are those on which the accrual of interest has ceased. Loans, including loans that are individually identified as being impaired under FASB Codification Topic 310: Receivables, are generally placed on nonaccrual

status immediately if, in the opinion of management, principal or interest is not likely to be paid in accordance with the terms of the loan agreement, or when principal or interest is past due 90 days or more and collateral, if any, is insufficient to cover principal and interest. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against interest income. Interest income is recognized on nonaccrual loans only to the extent received in cash. Where there is doubt regarding the ultimate collectibility of the loan principal, cash receipts, whether designated as principal or interest, are thereafter applied to reduce the carrying value of the loan. Loans are restored to accrual status when interest and principal payments are brought current and future payments are reasonably assured.

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Nonaccrual loans at September 30, 2012 and December 31, 2011 totaled $5.4 million and $6.4 million, respectively. The interest income that would have been earned on nonaccrual loans outstanding at September 30, 2012, in accordance with their original terms, is estimated to be $156 thousand and $489 thousand, respectively, for the three and nine months then ended. Applicable interest income actually realized was $19 thousand and $68 thousand, respectively, for the aforementioned periods. The interest income that would have been earned on nonaccrual loans outstanding at December 31, 2011, in accordance with their original terms is estimated to be $780 thousand, for the year then ended; the applicable interest income actually realized was $200 thousand. There were no commitments to lend additional funds on nonaccrual loans.

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

	September 30, 2012	December 31, 2011
Commercial and industrial	$ 1,794	$ 834
Equipment financing receivables	316	370
Factored receivables	-	-
Real estate—residential mortgage	2,481	1,991
Real estate—commercial mortgage	745	3,124
Real estate—construction and land development	-	-
Loans to individuals	101	39
Total nonaccrual loans	$ 5,437	$ 6,358

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

September 30, 2012	30–59 Days Past Due	60–89 Days Past Due	90 Days & Over Past Due	Total Past Due	Current	Total Loans	MEMO 90 & Over and Still Accruing
Commercial and industrial	$26,394	$6,988	$1,794	$35,176	$567,358	$602,534	$-
Loans to nondepository financial institutions	-	-	-	-	324,651	324,651	-
Factored receivables	2,266	320	428	3,014	179,831	182,845	428
Equipment financing receivables	203	73	316	592	159,117	159,709	-
Real estate—residential mortgage—portfolio	1,081	1,376	2,481	4,938	161,007	165,945	-
Real estate—commercial mortgage	-	-	745	745	164,147	164,892	-
Real estate—construction and land development	-	-	-	-	13,072	13,072	-
Loans to individuals	-	-	101	101	11,666	11,767	-
Loans to depository institutions	-	-	-	-	-	-	-

Total loans, net of unearned discount	$29,944	$8,757	$5,865	$44,566	$1,580,849	$1,625,415	$428
December 31, 2011							
Commercial and industrial	$23,665	$5,344	$837	$29,846	$594,278	$624,124	$165
Loans to nondepository financial institutions	-	-	-	-	246,587	246,587	-
Factored receivables	3,266	665	162	4,093	167,738	171,831	-
Equipment financing receivables	546	386	370	1,302	149,480	150,782	-
Real estate—residential mortgage—portfolio	1,570	633	1,991	4,194	165,959	170,153	-
Real estate—commercial mortgage	-	-	3,124	3,124	82,701	85,825	-
Real estate—construction and land development	-	-	-	-	13,621	13,621	-
Loans to individuals	41	7	39	87	10,289	10,376	-
Loans to depository institutions	-	-	-	-	10	10	-
Total loans, net of unearned discount	$29,088	$7,035	$6,523	$42,646	$1,430,663	$1,473,309	$165

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

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

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

The following tables include the recorded investment and unpaid principal balances for impaired financing receivables with the associated allowance amount, if applicable. Management determined the specific allowance based on the present value of the expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

September 30, 2012	Recorded Investment in Impaired Loans	Unpaid Principal Balance With No Allowance	Unpaid Principal Balance With Allowance	Related Allowance	Average [1] Recorded Investment in Impaired Loans
Commercial and industrial	$1,687	$-	$3,387	$762	$1,512
Loans to nondepository institutions	-	-	-	-	-
Factored receivables	-	-	-	-	-
Equipment financing receivables	95	-	95	8	143
Real estate—residential mortgage	5,893	825	5,611	1,517	5,584
Real estate—commercial mortgage	745	-	745	350	2,362
Real estate—construction and land development	-	-	-	-	-
Loans to individuals	-	-	-	-	-
Loans to depository institutions	-	-	-	-	-
Total	$8,420	$825	$9,838	$2,637	$9,601
December 31, 2011					
Commercial and industrial	$2,954	$1,395	$2,159	$287	$2,596
Loans to nondepository institutions	-	-	-	-	-
Factored receivables	-	-	-	-	-

Equipment financing receivables	151	-	151	17	230
Real estate—residential mortgage	5,275	825	4,966	1,234	4,886
Real estate—commercial mortgage	3,124	-	3,124	1,113	3,124
Real estate—construction and land development	-	-	-	-	-
Loans to individuals	-	-	-	-	-
Loans to depository institutions	-	-	-	-	-
Total	$11,504	$2,220	$10,400	$2,651	$10,836

[1] Year-to-date

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The average recorded investment and interest income recognized in accruing impaired loans for the three months ended September 30, 2012 amounted to $5.1 million (equipment financing receivables $0.1 million and real estate-residential mortgage $5.0 million) and $95 thousand (equipment financing receivables $1 thousand and real estate-residential mortgage $94 thousand), respectively. The average recorded investment and interest income recognized in accruing impaired loans for the nine months ended September 30, 2012 amounted to $5.7 million (commercial and industrial $0.6 million, equipment financing receivables $0.1 million and real estate-residential mortgage $5.0 million) and $260 thousand (commercial and industrial $7 thousand, equipment financing receivables $3 thousand and real estate-residential mortgage $250 thousand), respectively.

The average recorded investment and interest income recognized in accruing impaired loans for the year ended December 31, 2011 amounted to $6.7 million (commercial and industrial $1.8 million, equipment financing receivables $0.2 million and real estate – residential mortgage $4.7 million) and $430 thousand (commercial and industrial $95 thousand, equipment financing receivables $8 thousand and real estate – residential mortgage $327 thousand), respectively.

The Company had troubled debt restructured loans ("TDR") totaling $7.3 million as of September 30, 2012 and $6.4 million as of December 31, 2011. The Company has allocated $1.5 million and $1.3 million of specific reserves to customers with equipment financing receivables and residential real estate loans whose loan terms have been modified in troubled debt restructurings as of September 30, 2012 and December 31, 2011. The Company has no commitments to lend additional amounts to customers with outstanding loans that are classified as troubled debt restructurings.

During the three and nine months ended September 30, 2012, the terms of $471 thousand and $1.6 million of residential real estate loans were modified as troubled debt restructurings. The modification of terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for new debt with similar risk; or a permanent reduction of the recorded investment in the loan. No lease financing receivables were modified during the three months or nine months ended September 30, 2012.

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

The troubled debt restructurings described above increased the allowance for loan losses by $197 thousand for the three months ended September 30, 2012 and resulted in charge-offs of $1 thousand during the three months ended September 30, 2012. The troubled debt restructurings described above increased the allowance for loan losses by $511 thousand for the nine months ended September 30, 2012 and resulted in charge-offs of $182 thousand during the nine months ended September 30, 2012.

During the three and nine months ended September 30, 2012, defaults on residential mortgage loans held in portfolio that were modified during 2011 and had a payment default within twelve months of their modification date had a loan balance of $76 thousand and $419 thousand, respectively, and had a specific allocation of the allowance for loan losses of $115 thousand at September 30, 2012.

Credit Quality Indicators

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

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

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For homogeneous loan pools, such as residential mortgages, leases and consumer loans, the Company uses payment status to identify the credit risk in these loan portfolios. Payment status is reviewed on a daily basis by the Company's personnel and on a monthly basis with respect to determining the adequacy of the allowance for loan losses. The payment status of these homogeneous pools at September 30, 2012 is included in the aging of the recorded investment of past due loans table above. In addition, the total nonperforming portion of these homogeneous loan pools at September 30, 2012 is presented in the recorded investment in the nonaccrual loans table above.

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

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

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

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

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

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

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

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

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

	September 30, 2012		December 31, 2011	
	Weighted Average Risk Grade	Loans	Weighted Average Risk Grade	Loans
Commercial and industrial				
Risk grades 1-4	3.30	$585,834	3.41	$603,375
Risk grade 5	5.00	5,158	5.00	5,006
Risk grade 6	-	-	6.00	11,872
Risk grade 7	7.00	11,542	7.00	3,871
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.39	$602,534	3.50	$624,124
Loans to nondepository financial institutions				
Risk grades 1-4	3.06	$317,269	3.14	$240,154
Risk grade 5	-	-	-	-
Risk grade 6	6.00	949	-	-
Risk grade 7	7.00	6,433	7.00	6,433
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.13	$324,651	3.24	$246,587
Factored receivables				
Risk grades 1-4	3.06	$179,176	2.84	$170,256
Risk grade 5	5.00	3,376	5.00	1,575
Risk grade 6	6.00	293	-	-
Risk grade 7	-	-	-	-
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.09	$182,845	2.86	$171,831
Equipment financing receivables				
Risk grades 1-4	3.93	$159,393	3.89	$150,412
Risk grade 5	-	-	-	-
Risk grade 6	-	-	-	-
Risk grade 7	7.00	316	7.00	370
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.93	$159,709	3.90	$150,782
Real estate-commercial mortgage and construction				
Risk grades 1-4	3.06	$159,617	3.18	$87,806

Risk grade 5	-	-	-	-
Risk grade 6	6.00	17,602	6.00	8,516
Risk grade 7	7.00	745	7.00	3,124
Risk grade 8	-	-	-	-
Risk grade 9	-	-	-	-
Total	3.37	$177,964	3.54	$99,446

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

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

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

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

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

Historical valuation allowances are calculated based on the historical loss experience of specific types of loans and the internal risk grade of such loans at the time they were charged-off. The Company calculates historical loss ratios for pools of similar loans with similar characteristics based on the proportion of actual charge-offs experienced to the total population of loans in the pool. The historical loss ratios are periodically updated based on actual charge-off experience. A historical valuation allowance is established for each pool of similar loans based upon the product of the historical loss ratio and the total dollar amount of the loans in the pool.

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

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

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

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

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

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

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

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

Three Months Ended September 30, 2012	Balance, Beginning of Period	Charge-Offs	Recoveries	Net Charge-Offs	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	$ 7,644	$ 1,009	$ 87	$ 922	$ 1,450	$ 8,172
Loans to nondepository financial institutions	1,627	-	-	-	124	1,751
Factored receivables	1,509	15	31	(16)	216	1,741
Equipment financing receivables	3,533	395	436	(41)	(55)	3,519
Real estate – residential mortgage	3,956	185 [1]	2	183 [1]	263	4,036
Real estate – commercial mortgage	2,382	-	66	(66)	23	2,471
Real estate – construction and land development	150	-	-	-	18	168
Loans to individuals	141	2	3	(1)	(6)	136
Loans to depository institutions	-	-	-	-	-	-
Unallocated	193	-	-	-	(33)	160
Total	$ 21,135	$ 1,606 [1]	$ 625	$ 981 [1]	$ 2,000	$ 22,154

Nine Months Ended September 30, 2012	Balance, Beginning of Period	Charge-Offs	Recoveries	Net Charge-Offs	Provision for Loan Losses	Balance, End of Period
Commercial and industrial	$ 7,647	$ 3,018	$ 238	$ 2,780	$ 3,305	$ 8,172
Loans to nondepository financial institutions	1,369	-	-	-	382	1,751
Factored receivables	1,450	355	82	273	564	1,741
Equipment financing receivables	3,515	2,228	997	1,231	1,235	3,519
Real estate – residential mortgage	3,490	664 [1]	4	660 [1]	1,206	4,036
Real estate – commercial mortgage	2,151	671	66	605	925	2,471
Real estate – construction and land	165	-	-	-	3	168

development														
Loans to individuals		104		89			13		76			108		136
Loans to depository institutions		-		-			-		-			-		-
Unallocated		138		-			-		-			22		160
Total	$	20,029	$	7,025	[1]	$	1,400	$	5,625	[1]	$	7,750	$	22,154

[1] Includes losses on transfers to OREO

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

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

Loans to depository institutions															
Unallocated		126		-			-		-			7		133
Total	$	18,238	$	9,998	[1]	$	2,307	$	7,691	[1]	$	9,000	$	19,547

[1] Includes losses on transfers to OREO

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

	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
September 30, 2012	Individually	Collectively	Total	Individually	Collectively	Total
Commercial and industrial	$762	$7,410	$8,172	$1,687	$600,847	$602,534
Loans to nondepository institutions	-	1,751	1,751	-	324,651	324,651
Factored receivables	-	1,741	1,741	-	182,845	182,845
Equipment financing receivables	8	3,511	3,519	95	159,614	159,709
Real estate—residential mortgage	1,517	2,519	4,036	5,893	160,052	165,945
Real estate—commercial mortgage	350	2,121	2,471	745	164,147	164,892
Real estate—construction and land development	-	168	168	-	13,072	13,072
Loans to individuals	-	136	136	-	11,767	11,767
Loans to depository institutions	-	-	-	-	-	-
Unallocated	-	160	160	-	-	-
Total	$2,637	$19,517	$22,154	$8,420	$1,616,995	$1,625,415

	Ending Allowance Balance Attributable to Loans Evaluated for Impairment			Loan Balances Evaluated for Impairment		
December 31, 2011	Individually	Collectively	Total	Individually	Collectively	Total
Commercial and industrial	$287	$7,360	$7,647	$2,954	$621,170	$624,124
Loans to nondepository institutions	-	1,369	1,369	-	246,587	246,587
Factored receivables	-	1,450	1,450	-	171,831	171,831
Equipment financing receivables	17	3,498	3,515	151	150,631	150,782
Real estate—residential mortgage	1,234	2,256	3,490	5,275	164,878	170,153
Real estate—commercial mortgage	1,113	1,038	2,151	3,124	82,701	85,825
Real estate—construction and land development	-	165	165	-	13,621	13,621
Loans to individuals	-	104	104	-	10,376	10,376
Loans to depository institutions	-	-	-	-	10	10
Unallocated	-	138	138	-	-	-
Total	$2,651	$17,378	$20,029	$11,504	$1,461,805	$1,473,309

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Note 4. Federal Home Loan Bank Advances

During the 2011 first quarter, the bank restructured a portion of its Federal Home Loan Bank fixed rate advances by repaying $100 million of existing borrowings and replacing them with $100 million of lower cost, floating rate advances. This transaction resulted in $4.2 million in prepayment penalties that were deferred and will be recognized in interest expense as an adjustment to the cost of these borrowings in future periods. The existing borrowings were a combination of fixed rate and amortizing advances with an average cost of 2.58% and an average duration of 3.2 years. The new borrowings were all floating-rate advances with a current average cost of 1.71%, including the deferred adjustment, with an average duration of three months. The relevant accounting treatment for this transaction was provided in ASC 470-50. This transaction was executed as an earnings and interest rate risk strategy, resulting in lower FHLB advance costs and a reduction of average duration.

Note 5. Preferred Stock

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

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

Note 6. Common Shares and Stock Incentive Plan

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

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

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Note 7. Other noninterest income and expenses

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
OTHER NONINTEREST INCOME	2012	2011	2012	2011
Trade finance income	$495	$607	$1,462	$1,735
Other customer related fees	210	287	715	708
Trust fees	-	-	-	53
Income from life insurance policies	247	288	1,039	860
Loss on other real estate owned	(9)	(5)	(75)	-
Other income	25	20	51	206
Total other noninterest income	$968	$1,197	$3,192	$3,562
OTHER NONINTEREST EXPENSES				
Advertising and marketing	$774	$781	$2,192	$2,079
Communications	576	430	1,508	1,314
Other expenses	3,050	2,942	7,774	7,609
Total other noninterest expenses	$4,400	$4,153	$11,474	$11,002

Note 8. Employee Benefit Plans

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Service cost	$621	$529	$1,861	$1,618
Interest cost	1,032	1,072	3,097	2,861
Expected return on plan assets	(994)	(881)	(2,982)	(2,424)
Amortization of prior service cost	9	16	29	48
Recognized actuarial loss	1,032	879	2,895	2,280
Net periodic benefit cost	$1,700	$1,615	$4,900	$4,383

The Company contributed $7.0 million to the defined benefit pension plan in January 2012 and an additional $2.0 million to the defined benefit pension plan in September 2012.

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Note 9. Other Comprehensive Income (Loss)

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Other Comprehensive Income (Loss)				
Unrealized holding gains (losses) on securities available for sale arising during the period:				
Before tax	$4,310	$(4,513)	$8,540	$(1,598)
Tax effect	(1,918)	2,048	(3,801)	725
Net of tax	2,392	(2,465)	4,739	(873)
Reclassification adjustment for securities gains included in net income:				
Before tax	(282)	(605)	(1,490)	(2,234)
Tax effect	126	275	663	1,014
Net of tax	(156)	(330)	(827)	(1,220)
Reclassification adjustment for amortization of prior service cost:				
Before tax	9	16	29	48
Tax effect	(5)	(7)	(13)	(22)
Net of tax	4	9	16	26
Reclassification adjustment for amortization of net actuarial losses:				
Before tax	1,129	892	2,962	2,317
Tax effect	(502)	(405)	(1,318)	(1,051)
Net of tax	627	487	1,644	1,266
Other comprehensive income (loss)	$2,867	$(2,299)	$5,572	$(801)

STERLING BANCORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(Unaudited)

Note 10. Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

September 30, 2012	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Securities available for sale:				
U.S. Treasury securities	$-	$5,994	$-	$5,994
Obligations of U.S. government corporations and government sponsored enterprises				
Residential mortgage-backed securities	-	30,092	-	30,092
Agency notes	-	280	-	280
Total obligations of U.S. government corporations and government sponsored enterprises	-	30,372	-	30,372
Obligations of state and political institutions—New York Bank Qualified	-	18,058	-	18,058
Single-issuer, trust preferred securities	31,418	-	-	31,418
Other preferred securities	8,366	-	-	8,366
Corporate debt securities	-	193,272	-	193,272
Equity and other securities	22,542	-	-	22,542
Total marketable securities	$62,326	$247,696	$-	$310,022
December 31, 2011				
Securities available for sale:				
Obligations of U.S. government corporations and government-sponsored enterprises				
Residential mortgage-backed securities	$-	$29,752	$-	$29,752
Agency notes	-	1,237	-	1,237
Total obligations of U.S. government corporations and government-sponsored enterprises	-	30,989	-	30,989
Obligations of state and political institutions institutions—New York Bank Qualified	-	22,777	-	22,777
Single-issuer, trust preferred securities	27,059	-	-	27,059
Corporate debt securities	-	173,307	-	173,307

Equity and other securities	15,882	-	-	15,882
Total marketable securities	$42,941	$227,073	$-	$270,014

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

	September 30, 2012	December 31, 2011
Impaired loans		
Commercial and industrial	$ -	$ 1,298
Commercial real estate	395	2,011
Other real estate owned, net	1,595	1,929

Impaired loans. At the time a loan is considered impaired, it is valued at the lower of cost or fair value. Impaired loans carried at fair value may receive specific allocations of the allowance for loan losses. For collateral dependent loans, fair value is commonly based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Other real estate owned. Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. Fair values are generally based on third-party appraisals of the property utilizing a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments typically result in a level 3 classification of the inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized.

Impaired loans that are measured for impairment using the fair value of the collateral dependent loans had a principal balance of $0.7 million, with a valuation allowance of $0.3 million at September 30, 2012, resulting in no additional provision for loan losses for the three months ended September 30, 2012. At December 31, 2011, impaired loans had a principal balance of $4.5 million, and a valuation allowance of $1.2 million.

Other real estate owned measured at fair value less costs to sell had a net carrying amount of $1.6 million, which is made up of the outstanding balance of $1.6 million, net of valuation allowance of $22 thousand. For the three months ended September 30, 2012, $-0- thousand of other real estate owned was written down through a charge to noninterest expense. For the nine months ended September 30, 2012, $56 thousand of other real estate owned was written down through a charge to noninterest expense. At December 31, 2011, other real estate owned had net carrying amount of $1.9 million, made up of the outstanding balance of $1.9 million, net of valuation allowance of $-0- million.

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

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

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

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

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

Investment Securities
The methods, factors and significant assumptions used to estimate fair values of all securities are described more fully beginning on page 35.

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

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

The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

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

Advances—FHLB and Long-Term Borrowings

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

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

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

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The following is a summary of the carrying amounts and fair values of the Company's financial assets and liabilities. There were no transfers between Level 1 and Level 2 during the first nine months of 2012 or in 2011.

		Fair Value Measurements at September 30, 2012			
	Carrying Value	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	$33,872	$33,872	$-	$-	$33,872
Interest-bearing deposits with other banks	149,592	149,592	-	-	149,592
Investment securities	699,801	62,326	656,168	-	718,494
Loans, net	1,654,812	-	-	1,670,198	1,670,198
Accrued interest receivable	8,474	435	5,558	2,481	8,474
FINANCIAL LIABILITIES					
Demand, NOW, savings and money market deposits	1,498,798	1,498,798	-	-	1,498,798
Time deposits	726,556	-	728,053	-	728,053
Securities sold under agreements to repurchase	37,314	37,314	-	-	37,314
Commercial paper	12,545	12,545	-	-	12,545
Accrued interest payable	701	132	569	-	701
Advances-FHLB and long-term borrowings	127,408	100,000	1,650	27,290	128,940

		Fair Value Measurements at December 31, 2011			
	Carrying Value	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS					
Cash and due from banks	$31,046	$31,046	$-	$-	$31,046
Interest-bearing deposits with other banks	126,448	126,448	-	-	126,448
Investment securities	677,871	42,941	652,848	-	695,789
Loans, net	1,496,652	-	-	1,505,005	1,505,005
Accrued interest receivable	6,838	377	4,732	1,729	6,838
FINANCIAL LIABILITIES					
Demand, NOW, savings and money market deposits	1,331,223	1,331,223	-	-	1,331,223
Time deposits	657,848	-	659,439	-	659,439
Securities sold under agreements to repurchase	52,313	52,313	-	-	52,313
Commercial paper	13,485	13,485	-	-	13,485
Accrued interest payable	1,064	135	929	-	1,064
Advances-FHLB and long-term borrowings	148,507	100,000	22,886	26,170	149,056

Note 11. New Accounting Standards

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

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ASU No. 2011-04, "Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-04 amends Topic 820, "Fair Value Measurements and Disclosures," to converge the fair value measurement guidance in U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements, changes certain principles in Topic 820 and requires additional fair value disclosures. ASU 2011-04 was effective for the Company on January 1, 2012. The effect of adopting this guidance did not have a significant impact on the Company's financial statements.

ASU No. 2011-05, "Comprehensive Income (Topic 220) – Presentation of Comprehensive Income." ASU 2011-05 amends Topic 220, "Comprehensive Income," to require that all nonowner changes in stockholders' equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires entities to present, on the face of the financial statements, reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement or statements where the components of other comprehensive income are presented. The option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. ASU 2011-05 was effective for the Company on January 1, 2012. The effect of adopting this guidance did not have a significant impact on the Company's financial statements.

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

ASU No. 2011-11, "Balance Sheet (Topic 210)—Disclosures about Offsetting Assets and Liabilities." ASU 2011-11 amends Topic 210, "Balance Sheet", to require an entity to disclose both gross and net information about financial instruments, such as sales and repurchase agreements and reverse sale and repurchase agreements and securities borrowing/lending arrangements, and derivative instruments that are eligible for offset in the statement of financial position and/or subject to master netting arrangement or similar agreement. ASU 2011-11 is effective for annual and interim periods beginning on January 1, 2013, and is not expected to have significant impact on the Company's financial statements.

ASU No. 2011-12, "Comprehensive Income (Topic 220)—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 defers changes in ASU 2011-05 that relate to the presentation of reclassification adjustments to allow the FASB time to redeliberate whether to require presentation of such adjustments on the face of the financial statements to show the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. ASU 2011-12 allows entities to continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before ASU 2011-05. All other requirements in ASU 2011-05 are not affected by ASU 2011-12. ASU 2011-12 is effective for annual and interim periods beginning after December 15, 2011 and did not have a significant impact on the Company's financial statements.

Note 12. Subsequent Event

On October 29, 2012, Hurricane Sandy struck along the Atlantic seaboard and in the northeast, with the most significant impact felt in the New York metropolitan area. As a result, some properties underlying residential mortgage loans in the region will need to be re-inspected and/or re-appraised. This may cause delays in the closing and sale of loans to secondary market investors, or in some instances may cause loans to be declined, possibly delaying or reducing the realization of associated noninterest income. Management is unable to estimate the loss of revenue and storm-related costs at this time but does not expect these to be material to our financial condition or operating results for the fourth quarter of 2012.

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

The following commentary presents management's discussion and analysis of the financial condition and results of operations of Sterling Bancorp (the "parent company"), a financial holding company under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act of 1999, and its subsidiaries, principally Sterling National Bank. Throughout this discussion and analysis, the term the "Company" refers to Sterling Bancorp and its subsidiaries and the term the "bank" refers to Sterling National Bank and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data contained elsewhere in this quarterly report and the Company's annual report on Form 10-K for the year ended December 31, 2011 (the "2011 Form 10-K"). Certain reclassifications have been made to prior years' financial data to conform to current financial statement presentations. Throughout management's discussion and analysis of financial condition and results of operations, dollar amounts in tables are presented in thousands, except per share data.

OVERVIEW

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

For the nine months ended September 30, 2012, the bank's average earning assets represented approximately 99.2% of the Company's average earning assets. Loans represented 64.6% and investment securities represented 32.6% of the bank's average earning assets for the first nine months of 2012.

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

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

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

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

While the domestic economy continued to show moderate improvement during the 2012 third quarter, the pace was not consistent month-to-month and the rate of expansion also varied across regions of the country. Recent economic conditions during 2012, such as the stable to modest increase in residential real estate values in the principal markets the Company serves, have increased demand for residential real estate lending. The Company also believes there are opportunities to prudently expand its loan portfolio, particularly in the corporate and commercial real estate sectors, under current economic conditions. If some of the positive economic trends observed during the third quarter of 2012 were not to continue, the Company would expect its income from real estate lending to decrease from the current levels in the near term. In addition, due to the geographic concentration of the Company's loan portfolio in the New York metropolitan area, representing approximately 69.9% of total loans at September 30, 2012, an adverse change in market conditions in that geographic area could result in a decrease in our income from residential and commercial real estate lending. A significant prolonged decrease in income from our lending segments, if realized, may have a severe adverse impact on the operations of the Company.

INCOME STATEMENT ANALYSIS

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. Net interest spread is the difference between the average rate earned, on a tax-equivalent basis, on interest-earning assets and the average rate paid on interest-bearing liabilities. The net yield on interest-earning assets ("net interest margin") is calculated by dividing tax-equivalent net interest income by average interest-earning assets. Generally, the net interest margin will exceed the net interest spread because a portion of interest-earning assets are funded by various noninterest-bearing sources, principally noninterest-bearing deposits and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are provided in the Rate/Volume Analyses shown beginning on page 58. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown beginning on page 56.

Comparison of the Three Months Ended September 30, 2012 and 2011

The Company reported net income available to common shareholders for the three months ended September 30, 2012 of $5.3 million, representing $0.17 per share calculated on a diluted basis, compared to $4.4 million, or $0.14 per share calculated on a diluted basis, for the third quarter of 2011. The increase in net income available to common shareholders was primarily due to a $1.2 million increase in net interest income and a $1.0 million decrease in provision for loan losses. Those benefits were partially offset by a $0.2 million decrease in noninterest income, a $0.7 million increase in noninterest expenses and a $0.3 million increase in the provision for income taxes.

Net Interest Income

Net interest income, on a tax-equivalent basis, was $24.6 million for the third quarter of 2012 compared to $23.5 million for the corresponding 2011 period. Net interest income benefitted from higher average loan balances, lower average balances for interest-bearing liabilities and lower cost of interest-bearing deposits. Net interest income also benefitted from the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Those benefits were partially offset by the impact of lower yields on loans and lower average investment securities balances. The net interest margin, on a tax-equivalent basis, was 4.02% for the third quarter of 2012 compared to 3.90% for the corresponding 2011 period. As discussed in detail below, the net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated $27.4 million for the third quarter of 2012, up $0.6 million from the corresponding 2011 period as the benefit of higher average loan balances more than offset the impact of lower average investment securities balances and lower yields. Total interest earning assets were $2,432.5 million for the third quarter of 2012 compared to $2,417.7 million in the prior year period. The tax-equivalent yield on interest-earning assets was 4.47% for both the 2012 and 2011 periods.

Interest earned on the loan portfolio increased to $21.5 million for the third quarter of 2012 from $19.7 million in the prior year period. Average loan balances amounted to $1,632.9 million for the third quarter of 2012, an increase of $178.9 million from an average of $1,454.0 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a $2.7 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.26% for the third quarter of 2012 from 5.54% for the corresponding 2011 period, which was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $5.8 million for the third quarter of 2012 from $7.0 million in the corresponding 2011 period. Average outstandings decreased to $735.1 million (30.2% of average earning assets) for the third quarter of 2012 from $888.0 million (36.7% of average earning assets) in the third quarter of 2011. The average yield on investment securities was 3.13% for both the 2012 and the 2011 periods. The decrease in balances reflects the Company's decision to replace a portion of medium term (approximate 5 year original maturities), lower yielding U.S. Government Agency Securities that were called by the issuer with longer term (approximate 10-15 year original maturities) U.S. Government Agency securities having approximately the same or slightly higher yield thereby maintaining a pool of pledgable collateral. Management's Asset/Liability strategy continues to be designed to maintain a portfolio of corporate securities with a relatively short-term average life positioning the Company for higher interest rates in future periods. This strategy was implemented through the sale of available for sale securities, principally longer dated corporate securities.

Total interest expense decreased by $0.6 million for the third quarter of 2012 from $3.3 million for the corresponding 2011 period, primarily due to the impact of lower balances of interest-bearing liabilities and and lower rates paid for those funds.

Interest expense on deposits decreased to $1.7 million for the third quarter of 2012 from $2.2 million for the corresponding 2011 period, due to decreases in the cost of those funds coupled with the impact of lower balances. The average rate paid on interest-bearing deposits was 0.50%, which was 12 basis points lower than the prior year period. The decrease in average cost of deposits reflects the impact of deposit pricing strategies for NOW, Money market and certificates of deposit that are rolled over at their maturity date and the Company's purchase of certificates of deposit from various listing services and investments advisors which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were $1,349.8 million for the third quarter of 2012 compared to $1,417.5 million for the prior year period, reflecting the impact of the Company's business development activities on its noninterest-bearing demand deposits that increased $173.4 million from the prior year period.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" beginning on page 48), the provision for loan losses for the third quarter of 2012 was $2.0 million, compared to $3.0 million in the prior year period. Factors affecting the provision for the third quarter of 2012 included current economic conditions during the quarter and a lower level of net charge-offs and lower nonaccrual loan balances.

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

As of September 30, 2012, the allowance for loan losses increased to $22.2 million from $20.0 million at December 31, 2011, primarily due to an increase in the level of commercial and industrial and residential real estate nonaccrual loans and higher commercial and industrial loan net charge-offs partially offset by a lower level of commercial real estate nonaccrual loans and lower equipment finance net charge-offs.

Noninterest Income

Noninterest income was $10.5 million for the third quarter of 2012 compared to $10.7 million in the corresponding 2011 period. The decrease was principally due to lower accounts receivable management/factoring commissions and other related fees and securities gains partially offset by higher mortgage banking income. Accounts receivable management/factoring commissions and other related fees was also negatively impacted by the level and mix of sales volume and by lower trade finance volume. Mortgage banking income increased principally due to higher volume of loans sold.

Noninterest Expense

Noninterest expenses were $24.5 million for the third quarter of 2012, compared to $23.8 million for the prior year period. Higher compensation and occupancy costs, reflecting the Company's continued investment in the franchise, were partially offset by lower professional fees.

Provision for Income Taxes

Reflecting an increase in pre-tax income of $1.3 million, the provision for income taxes for the third quarter of 2012 was $2.5 million, reflecting an effective tax rate of 31.7%, compared with a provision for income taxes of $2.2 million for the third quarter of 2011, reflecting an effective tax rate of 33.4%. The decrease in the effective tax rate was primarily due to the impact of changes in the estimate of the annual effective tax rate for the third quarter of 2012 compared to the 2011 period partially offset by the impact of higher pre-tax income for the 2012 period compared to the 2011 period.

Comparison of the Nine Months Ended September 30, 2012 and 2011

The Company reported net income available to common shareholders for the nine months ended September 30, 2012 of $14.8 million, representing $0.48 per share calculated on a diluted basis, compared to $10.2 million, or $0.35 per share calculated on a diluted basis, for the first nine months of 2011. The increase in net income available to common shareholders was primarily due to a $5.2 million increase in net interest income, a $1.3 million decrease in the provision for loan losses and a $2.1 million decrease in dividend and accretion on the preferred shares, resulting from the repurchase in the second quarter of 2011 of all of the preferred shares and the warrant issued under the TARP Capital Purchase Program. Those benefits were partially offset by a $0.5 million decrease in noninterest income, a $1.8 million increase in noninterest expenses and a $1.6 million increase in the provision for income taxes.

Net Interest Income
Net interest income, on a tax-equivalent basis, was $71.7 million for the first nine months of 2012 compared to $66.4 million for the corresponding 2011 period. Net interest income benefitted from higher average loan balances, lower interest-bearing liabilities balances and lower cost of funding. Net interest income also benefitted from the reclassification from accounts receivable management/factoring commissions and other fees into interest income from loans of revenues related to one of the Company's lending products, thereby more appropriately reflecting the characteristics of the product. Those benefits were partially offset by the impact of lower yields on loans and lower average investment securities balances. The net interest margin, on a tax-equivalent basis, was 4.12% for the first nine months of 2012 compared to 3.96% for the corresponding 2011 period. As discussed in detail below, the net interest margin was impacted by the mix of earning assets and funding, including the higher level of noninterest-bearing demand deposits.

Total interest income, on a tax-equivalent basis, aggregated $80.0 million for the first nine months of 2012, up $3.7 million from the corresponding 2011 period as the benefit of higher average loan balances more than offset the impact of lower investment securities balances and lower yields. Total interest earning assets increased to $2,363.0 million for the first nine months of 2012 compared to $2,291.3 million in the prior year period. The tax-equivalent yield on interest-earning assets was 4.61% for the first nine months of 2012 compared to 4.55% for the corresponding 2011 period.

Interest earned on the loan portfolio increased to $61.2 million for the first nine months of 2012 from $55.0 million in the prior year period. Average loan balances amounted to $1,530.4 million for the first nine months of 2012, an increase of $185.5 million from an average of $1,344.9 million in the prior year period. The increase in average loans, primarily due to the Company's business development activities, accounted for a $8.2 million increase in interest earned on loans. The yield on the loan portfolio decreased to 5.52% for the first nine months of 2012 from 5.72% for the corresponding 2011 period, which was primarily attributable to the mix of average outstanding balances among the components of the loan portfolio.

Interest earned on the securities portfolio, on a tax-equivalent basis, decreased to $18.4 million for the first nine months of 2012 from $20.9 million in the corresponding 2011 period. Average outstandings decreased to $767.8 million (32.5% of average earning assets) for the first nine months of 2012 from $884.4 million (38.6% of average earning assets) in the first nine months of 2011. The average yield on investment securities increased to 3.19% for the first nine months of 2012 from 3.15% in the corresponding 2011 period. The decrease in balances and increase in yield reflect the Company's decision to replace a portion of medium term (approximate 5 year original maturities), lower yielding U.S. Government Agency Securities that were called by the issuer with longer term (approximate 10-15 year original maturities) U.S. Government Agency securities having approximately the same or slightly higher yield thereby maintaining a pool of pledgable collateral. Management's Asset/Liability strategy continues to be designed to maintain a portfolio of corporate securities with a relatively short-term average life positioning the Company for higher interest rates in future periods. This strategy was implemented through the sale of available for sale securities, principally longer dated corporate securities and selected obligations of states and political subdivisions with longer average lives.

Total interest expense decreased by $1.5 million for the first nine months of 2012 from $9.8 million for the corresponding 2011 period, due to the impact of lower balances and rates paid for interest-bearing liabilities.

Interest expense on deposits decreased to $5.1 million for the first nine months of 2012 from $6.4 million for the corresponding 2011 period, due to decreases in the cost of those funds, coupled with the impact of changes in the mix. The average rate paid on interest-bearing deposits was 0.53%, which was 12 basis points lower than the prior year period. The decrease in average cost of deposits reflects the impact of deposit pricing strategies for NOW, Money market and certificates of deposit that are rolled over at their maturity date and the Company's purchase of certificates of deposit from various listing services and investment advisors which provided certificate of deposit balances at lower rates. Average interest-bearing deposits were $1,273.0 million for the first nine months of 2012 compared to $1,299.6 million for the prior year period.

Interest expense on borrowings decreased to $3.3 million for the first nine months of 2012 from $3.5 million for the corresponding 2011 period, primarily due to lower average balances. Average borrowings decreased to $212.6 million for the first nine months of 2012 from $238.1 million in the prior year period, reflecting a lesser reliance by the Company on wholesale borrowed funds.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" beginning on page 48), the provision for loan losses for the first nine months of 2012 was $7.8 million, compared to $9.0 million in the prior year period. Factors affecting the provision for the first nine months of 2012 included current economic conditions during the quarter and a lower level of net charge-offs and lower nonaccrual loan balances.

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

As of September 30, 2012, the allowance for loan losses increased to $22.2 million from $20.0 million at December 31, 2011, primarily due to an increase in the level of commercial and industrial and residential real estate nonaccrual loans and higher commercial and industrial and commercial real estate loan net charge-offs partially offset by a lower level of commercial real estate nonaccrual loans and lower equipment finance net charge-offs.

Noninterest Income

Noninterest income decreased to $31.6 million for the first nine months of 2012 from $32.1 million in the corresponding 2011 period. The decrease principally resulted from lower accounts receivable management/factoring commissions and other related fees and securities gains partially offset by higher mortgage banking income. Accounts receivable management/factoring commissions and other related fees was also negatively impacted by the level and mix of sales volume and by lower trade finance volume. Mortgage banking income increased principally due to higher volume of loans sold.

Noninterest Expense

Noninterest expenses were $71.5 million for the first nine months of 2012, compared to $69.7 million for the prior year period. Higher compensation expense, reflecting the Company's continued investment in the franchise, were partially offset by reductions in deposit insurance premiums.

Provision for Income Taxes

Reflecting an increase in pre-tax income of $4.2 million, the provision for income taxes for the first nine months of 2012 was $6.7 million, reflecting an effective tax rate of 31.0%, compared with $5.1 million for the first nine months of 2011, reflecting an effective tax rate of 29.2%. The increase in the effective tax rate was primarily due to a higher level of pre-tax income in the 2012 period compared to the 2011 period.

BALANCE SHEET ANALYSIS

Securities

At September 30, 2012, the Company's portfolio of securities totaled $699.8 million, of which obligations of U.S. government corporations and government sponsored enterprises amounted to $284.2 million, which is approximately 40.6% of the total portfolio. The Company has the intent and ability to hold to maturity securities classified as held to maturity, at which time it expects to receive full value for these securities. These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The gross unrealized gains and losses on held to maturity securities were $18.8 million and $0.1 million, respectively. Securities classified as available for sale may be sold in the future, prior to maturity. These securities are carried at fair value. Net aggregate unrealized gains or losses on these securities are included, net of taxes, as a component of shareholders' equity. Given the generally high credit quality of the portfolio, management expects to realize all of its investments upon market recovery or the maturity of such instruments, and thus believes that any impairment in value is related to either interest rates or market conditions and therefore temporary. Available for sale securities included gross unrealized gains of $6.1 million and gross unrealized losses of $0.8 million. As of September 30, 2012, management does not have the intent to sell any of the securities classified as available for sale in the table on page 9 and management believes that it is not more likely than not that the Company would be required to sell any such securities before a recovery of cost.

In connection with an asset-liability management strategy described under Net Interest Income on page 42, during the third quarter 2012, the Company sold approximately $18.3 million of securities with a weighted average life of about 1.7 years. A significant portion of the proceeds was used to fund loan growth.

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

September 30, 2012	Weighted Average Life		Weighted Average Yield					
	AFS (Years)	HTM (Years)	AFS			HTM		
Residential mortgage-backed securities	2.0	3.1	1.21	%		4.48	%	
Agency notes (with original call dates ranging between 3 and 36 months)	0.9	5.0	1.68	%		1.30	%	
Corporate debt securities	1.3	-	2.30	%		-	%	
Obligations of state and political subdivisions – New York Bank Qualified	5.4	6.1	5.94	%	[1]	6.00	%	[1]

[1] tax equivalent

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

	September 30, 2012			December 31, 2011		
	Balances	% of Total		Balances	% of Total	
U.S. Treasury securities	$5,994	0.86	%	$-	-	%
Obligations of U.S. government corporations and government sponsored enterprises						
Residential mortgage-backed securities						
CMOs (Federal National Mortgage Association)	2,367	0.34		3,942	0.58	
CMOs (Federal Home Loan Mortgage Corporation)	27,967	4.00		28,213	4.16	
CMOs (Government National Mortgage Association)	4,127	0.59		5,667	0.84	
Federal National Mortgage Association	37,900	5.42		49,148	7.25	
Federal Home Loan Mortgage Corporation	17,350	2.48		23,719	3.50	
Government National Mortgage Association	3,659	0.52		4,230	0.62	
Total residential mortgage-backed securities	93,370	13.35		114,919	16.95	
Agency notes						
Federal National Mortgage Association	81,179	11.60		105,482	15.56	
Federal Home Loan Bank	74,544	10.65		45,094	6.65	
Federal Home Loan Mortgage Corporation	35,071	5.01		35,374	5.22	
Federal Farm Credit Bank	-	-		251	0.04	
Total obligations of U.S. government corporations and government sponsored enterprises	284,164	40.61		301,120	44.42	
Obligations of state and political institutions-New York Bank Qualified	154,045	22.01		160,503	23.68	
Single-issuer, trust preferred securities	31,418	4.49		27,059	3.99	
Other preferred securities	8,366	1.19		-	-	
Corporate debt securities	193,272	27.62		173,307	25.57	
Equity and other securities	22,542	3.22		15,882	2.34	
Total	$699,801	100.00	%	$677,871	100.00	%

Loan Portfolio

A management objective is to maintain the quality of the loan portfolio. The Company seeks to achieve this objective by maintaining rigorous underwriting standards coupled with regular evaluation of the creditworthiness of, and the designation of lending limits for, each borrower. The portfolio strategies include seeking industry and loan size diversification in order to minimize credit exposure and originating loans in markets with which the Company is familiar. Approximately 69.9% of loans are to borrowers located in the New York metropolitan area.

Total commercial lending, which includes commercial and industrial loans, loans to nondepository financial institutions, factored receivables, equipment finance receivables, commercial mortgage and construction and land development loans, represents approximately 86.3% of all loans. The Company's commercial and industrial loan and factored receivables portfolios represent approximately 46.8% of all loans. Primarily as the result of the Company's new mortgage warehouse lending product, loans to nondepository financial institutions, primarily located in the New York metropolitan area, represent 19.4% of all loans. Loans in these categories are typically made to small- and medium-sized businesses, primarily located in the New York metropolitan area, and range between $250 thousand and $20 million. The Company's leasing portfolio, which consists of finance leases, to lessees primarily located in the New York metropolitan area for various types of business equipment, represents approximately 9.5% of all loans. The Company's commercial real estate mortgage loans and the residential real estate loans, which represents approximately 9.8% and 13.0% of all loans, respectively, are comprised of mortgages secured by real property located principally in the New York metropolitan area. Sources of repayment are the borrower's operating profits, cash flows and liquidation of pledged collateral. Based on underwriting standards, loans may be secured in whole or in part by collateral such as liquid assets, accounts receivable, equipment, inventory and real property. The collateral securing any loan or lease may depend on the type of loan or lease and may vary in value based on market conditions.

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

	September 30, 2012		December 31, 2011	
	Balances	% of Total	Balances	% of Total
Domestic				
Commercial and industrial	$ 602,534	35.93 %	$ 624,124	41.15 %
Factored receivables	182,845	10.90	171,831	11.33
Loans to nondepository financial institutions	324,651	19.36	246,587	16.26
Equipment financing receivables	159,709	9.52	150,782	9.94
Real estate—commercial mortgage	164,892	9.83	85,825	5.66
Real estate—construction and land development	13,072	0.78	13,621	0.90
Loans to depository institutions	-	-	10	-
Total commercial lending	1,447,703	86.32	1,292,780	85.24
Real estate—residential mortgage				
Portfolio	165,945	9.90	170,153	11.22
HFS	51,551	3.08	43,372	2.86
Loans to individuals	11,767	0.70	10,376	0.68
Loans, net of unearned discounts	$ 1,676,966	100.00 %	$ 1,516,681	100.00 %

Asset Quality

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

While the domestic economy continued to show moderate improvement during the 2012 third quarter, the pace was not consistent month-to-month and the rate of expansion also varied across regions of the country. Nonaccrual loans decreased by $0.9 million at September 30, 2012 compared to December 31, 2011, primarily reflecting a $2.4 million decrease in real estate – commercial mortgage loans, partially offset by a $1.0 million increase in commercial and industrial loans and a $0.5 million increase in real estate – residential mortgage loans. Net charge-offs for the third quarter of 2012 were $0.9 million, compared to $2.0 million for the corresponding 2011 period, reflecting lower net charge-offs of $0.9 million in equipment financing receivables and $0.4 million in real estate-residential mortgage loans, partially offset by higher net charge-offs of $0.3 million in commercial and industrial loans. Nevertheless, a worsening of existing economic conditions will likely result in levels of charge-offs and nonaccrual loans that will be higher than those in prior periods.

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

	September 30, 2012		December 31, 2011	
Gross loans	$	1,694,569	$	1,534,779
Nonaccrual loans				
Commercial and industrial	$	1,794	$	834
Factored receivables		-		-
Equipment financing receivables		316		370
Real estate-residential mortgage		2,481		1,991
Real estate-commercial mortgage		745		3,124
Real estate-construction and land development		-		-
Loans to individuals		101		39
Total nonaccrual loans	$	5,437	$	6,358
Other real estate owned		1,595		1,929
Total non-performing assets	$	7,032	$	8,287
Loans past due 90 days or more and still accruing	$	428	$	165

At September 30, 2012, commercial and industrial nonaccruals represented 0.30% of commercial and industrial loans. There were 5 loans ranging between $84 thousand and $917 thousand made to borrowers located in 2 states.

At September 30, 2012, equipment financing nonaccruals represented 0.02% of lease financing receivables. The lessees of the equipment are located in 5 states. There were 9 leases ranging between approximately $1 thousand and $88 thousand. The value of the underlying collateral related to lease financing nonaccruals varies depending on the type and condition of equipment. While most leases are written on a recourse basis, with personal guarantees of the principals, the current value of the collateral is often less than the lease financing balance. Collection efforts include repossession and/or sale of leased equipment, payment discussions with the lessee, the principal and/or guarantors, and obtaining judgments against the lessee, the principal and/or guarantors. The balance is charged-off when it is determined that collection efforts are no longer productive. Factors considered in determining whether collection efforts are no longer productive include any amounts currently being collected, the status of discussions or negotiations with the lessee, the principal and/or guarantors, the cost of continuing efforts to collect, the status of any foreclosure or other legal actions, the value of the collateral, and any other pertinent factors.

At September 30, 2012, residential real estate nonaccruals represented 1.50% of residential real estate loans held in portfolio. There were 17 loans ranging between approximately $4 thousand and $658 thousand secured by properties located in 4 states.

At September 30, 2012, commercial real estate nonaccruals represented 0.45% of commercial mortgage real estate loans. There was 1 loan for $745 thousand, secured by a property located in New York State.

At September 30, 2012, other real estate owned consisted of 8 properties with values ranging between $6 thousand to $555 thousand located in 4 states.

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

At September 30, 2012, the ratio of the allowance to loans held in portfolio, net unearned discounts, was 1.36% and the allowance was $22.2 million. Loans 90 days past due and still accruing amounted to $428 thousand. At such date, the Company's nonaccrual loans amounted to $5.4 million; $3.1 million of such loans were judged to be impaired within the scope of FASB Codification Topic 310, Receivables, and had a valuation allowance totalling $1.5 million, which is included within the overall allowance for loan losses. Based on the foregoing, as well as management's judgment as to the current risks inherent in loans held in portfolio, the Company's allowance for loan losses was deemed adequate to absorb all probable losses on specifically known and other credit risks associated with the portfolio as of September 30, 2012. Net losses within loans held in portfolio are not statistically predictable and changes in conditions in the next twelve months could result in future provisions for loan losses different from the provision taken in the first nine months of 2012. Potential problem loans, which are loans that are currently performing under present loan repayment terms but where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of the borrowers to continue to comply with the present repayment terms, aggregated $-0- at September 30, 2012 and 2011, respectively.

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

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Average loans held in portfolio, net of unearned discounts, during period	$1,588,251	$1,425,685	$1,492,667	$1,319,054
Allowance for loan losses:				
Balance at beginning of period	$21,135	$18,535	$20,029	$18,238
Charge-offs:				
Commercial and industrial	1,009	632	3,018	1,520
Lease financing receivables	395	1,175	2,228	7,280
Factored receivables	15	70	355	238
Real estate - residential mortgage	70	477	486	935
Real estate - commercial mortgage	-	-	671	-
Real estate - construction and land development	-	-	-	-
Loans to individuals	2	-	89	-
Total charge-offs	1,491	2,354	6,847	9,973
Recoveries:				
Commercial and industrial	87	47	238	77
Lease financing receivables	436	298	997	1,994
Factored receivables	31	40	82	72
Real estate - residential mortgage	2	1	4	164
Real estate - commercial mortgage	66	-	66	-
Real estate - construction and land development	-	-	-	-
Loans to individuals	3	-	13	-
Total recoveries	625	386	1,400	2,307
Subtract:				
Net charge-offs	866	1,968	5,447	7,666
Provision for loan losses	2,000	3,000	7,750	9,000
Less losses on transfers to other real estate owned	115	20	178	25
Balance at end of period	$22,154	$19,547	$22,154	$19,547
Ratio of annualized net charge-offs to average loans held in portfolio, net of unearned discounts	0.22 %	0.55 %	0.49 %	0.77 %

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

	September 30, 2012			December 31, 2011		
	Amount	% of loans in each category to total loans held in portfolio		Amount	% of loans in each category to total loans held in portfolio	
Domestic						
Commercial and industrial	$8,172	37.07	%	$7,647	42.36	%
Loans to depository institutions	-	-		-	-	
Loans to nondepository financial institutions	1,751	19.97		1,369	16.74	
Factored receivables	1,741	11.25		1,450	11.66	
Equipment financing receivables	3,519	9.83		3,515	10.24	
Real estate - residential mortgage	4,036	10.21		3,490	11.55	
Real estate - commercial mortgage	2,471	10.15		2,151	5.83	
Real estate - construction and land development	168	0.80		165	0.92	
Loans to individuals	136	0.72		104	0.70	
Unallocated	160	-		138	-	
Total	$22,154	100.00	%	$20,029	100.00	%

As of September 30, 2012, the allowance for loan losses increased $2.1 million from $20.0 million at December 31, 2011, primarily due to an increase in the allowance allocated to commercial and industrial ($0.5 million), real estate residential mortgage ($0.5 million), loans to nondepository financial institutions ($0.4 million), real estate commercial mortgage ($0.3 million) and factored receivables ($0.3 million). The allowance allocated to commercial and industrial and to residential real estate mortgage increased primarily due to higher nonaccrual loan balances. The increases in the allowance to loans to nondepository financial institutions and real estate commercial mortgage were primarily due to higher loan balances in those categories. The allowance allocated to factored receivables increased primarily due to higher net charge-offs.

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; there were no foreign deposits at either date:

	September 30, 2012		December 31, 2011	
	Balances	% of Total	Balances	% of Total
Demand	$ 831,281	37.35 %	$ 765,800	38.50 %
NOW	214,015	9.62	177,495	8.93
Savings	22,648	1.02	18,566	0.93
Money Market	430,854	19.36	369,362	18.57
Time deposits	726,556	32.65	657,848	33.07
Total deposits	$ 2,225,354	100.00 %	$ 1,989,071	100.00 %

Fluctuations of balances in total or among categories at any date may occur based on the Company's mix of assets and liabilities as well as on customers' balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented beginning on page 56.

CAPITAL

The Company and the bank are subject to risk-based capital regulations which quantitatively measure capital against risk-weighted assets, including certain off-balance sheet items. These regulations define the elements of the Tier 1 and Tier 2 components of total capital and establish minimum ratios of 4% for Tier 1 capital and 8% for total capital for capital adequacy purposes. Supplementing these regulations is a leverage requirement. This requirement establishes a minimum leverage ratio (at least 3% or 4%, depending upon an institution's regulatory status) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). Information regarding the Company's and the bank's risk-based capital is presented on page 60. In addition, the bank is subject to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories, ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium and approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a "well capitalized" bank must maintain minimum leverage, Tier 1 and total capital ratios of 5%, 6% and 10%, respectively. The Federal Reserve Board applies comparable tests for holding companies such as the parent company. At September 30, 2012, the parent company and the bank exceeded the requirements for "well capitalized" institutions under the tests pursuant to FDICIA and of the Federal Reserve Board.

The bank regulatory agencies have encouraged banking organizations, including healthy, well-run banking organizations, to operate with capital ratios substantially in excess of the stated ratios required to maintain "well capitalized" status. This has resulted from, among other things, past and current economic conditions, the global financial crisis and the likelihood, as described in the 2011 Form 10-K, of increased formal capital requirements for banking organizations. In light of the foregoing, the parent company and the bank expect that they will maintain capital ratios substantially in excess of the "well capitalized" ratios.

In June 2012, our primary federal regulator, the Federal Reserve, published two notices of proposed rulemaking (the "2012 Capital Proposals") that would substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including parent company and the bank, compared to the current U.S. risk-based capital rules, which are based on the international capital accords of the Basel Committee on Banking Supervision (the “Basel Committee”) generally referred to as “Basel I.” One of the 2012 Capital Proposals (the “Basel III Proposal”) deals with the components of capital and other issues affecting the numerator in banking institutions’ regulatory capital ratios and would implement the Basel Committee’s December 2010 framework known as “Basel III” for strengthening international capital standards. The other proposal (the “Standardized Approach Proposal”) deals with risk weights and other issues affecting the denominator in banking institutions’ regulatory capital ratios and would replace the existing Basel I-derived risk weighting approach with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee’s 2004 “Basel II” capital accords. The 2012 Capital Proposals would also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies’ rules. As proposed, the Basel III Proposal and the Standardized Approach Proposal would come into effect on January 1, 2013 and January 1, 2015, respectively.

The federal banking agencies have not proposed rules implementing the final liquidity framework of Basel III and have not determined to what extent they will apply to U.S. banks that are not large, internationally active banks.

Basel III Proposal

The Basel III Proposal is generally consistent with the final Basel III capital framework, as described in our Annual Report on Form 10-K under "Item 1. Business—Supervision and Regulation—Capital Adequacy." Although the Basel III Proposal does not specify an effective date or implementation date, it contemplates that implementation will coincide with the international Basel III implementation schedule, which commences on January 1, 2013.

In addition to the requirements of the Basel III final capital framework, the Basel III Proposal, among other things requires the phase-out of certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank holding companies in equal installments between 2013 and 2016, consistent with Section 171 of the Dodd-Frank Act.

With respect to the bank, the Basel III Proposal would also revise the "prompt corrective action" regulations pursuant to Section 38 of the Federal Deposit Insurance Act, including by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8% (as compared to the current 6%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be well capitalized.

Standardized Approach Proposal

The federal banking agencies in 2008 proposed, as an option for banking institutions that are not subject to the advanced risk-weighting approaches of Basel II, an approach based upon the Basel II standardized risk-weighting approach, but the agencies never proceeded with it. The Standardized Approach Proposal expands upon the initial U.S. Basel II approach from 2008 but would be mandatory and, because of Dodd-Frank's prohibition on the use of credit ratings, would substitute non-ratings-based alternatives for Basel II's heavy reliance on credit ratings.

This proposal would expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories, including many residential mortgages and certain commercial real estate. Specifics include:

- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;
- for residential mortgage exposures, the current approach of a 50% risk weight for high-quality seasoned mortgages and a 100% risk-weight for all other mortgages is replaced with a risk weight of between 35% and 200% depending upon the mortgage's loan-to-value ratio and whether the mortgage is a "category 1" or "category 2" residential mortgage exposure (based on eight criteria that include the term, use of negative amortization, balloon payments and certain rate increases)
- assigning a 150% risk weight to exposures (other than residential mortgage exposures) that are 90 days past due;
- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (currently set at 0%);
- providing for a 100% risk weight for claims on securities firms; and
- eliminating the current 50% cap on the risk weight for OTC derivatives.

In addition, the Standardized Approach Proposal also provides more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increases the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

Management is currently evaluating the potential impact on the parent company and the bank of all capital adequacy requirements under the Basel III and Standardized Approach Proposals on a fully phased-in basis. There can be no guarantee that the Basel III and the Standardized Approach Proposals will be adopted in their current form, what changes may be made before adoption, or when ultimate adoption will occur.

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

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

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

On August, 1, 2012, in connection with the acquisition of Universal Mortgage, Inc. by the bank, the parent company issued 38,658 restricted common shares. See "Item 2. Unregistered Sale of Equity Securities and Use of Proceeds" under Part II below for more information.

For a discussion of the Company's liquidity risks and management's assessment thereof and certain information regarding the Company's contractual obligations and commitments, see "Item 3. Quantitative and Qualitative Disclosures about Market Risk" below.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

For information regarding recently issued accounting pronouncements and their expected impact on the Company's consolidated financial statements, see Note 11 of the Company's unaudited consolidated financial statements in this quarterly report on Form 10-Q.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Factors that could cause our actual results to differ materially from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, and market and monetary fluctuations; geopolitical developments, including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board and laws and regulations concerning taxes, banking and securities with which the Company must comply; changes, particularly declines, in general economic conditions and in the local economies in which the Company operates; the financial condition of the Company's borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); U.S. and foreign governmental budget deficits (including, with respect to the United States, at federal, state and municipal level) and default by governments on sovereign or other governmental debt; changes in accounting principles, policies and guidelines; any acquisitions of assets or businesses by us and our ability to successfully integrate acquired assets or businesses; continued improvement in U.S. economy and our ability to prudently expand our loan portfolio under then-current economic conditions; our intention and ability to hold investment securities held to maturity until maturity and our ability not to sell investment securities available for sale before a recovery of cost; our and the bank's ability to maintain capital ratios in excess of the "well capitalized" thresholds; the adequacy of our and the bank's borrowing capacity upon any dramatic change in market conditions; the risks and uncertainties described in "Risk Factors" in the 2011 Form 10-K; other risks and uncertainties detailed from time to time in press releases and other public filings; and the Company's performance in managing the risks involved in any of the foregoing. The foregoing list of important factors is not exclusive, and we will not update any forward-looking statement, whether written or oral, that may be made from time to time.

STERLING BANCORP AND SUBSIDIARIES

Average Balance Sheets [1]
Three Months Ended September 30,
(Unaudited)

	2012				2011			
	Average Balance	Interest	Average Rate		Average Balance	Interest	Average Rate	
ASSETS								
Interest-bearing deposits with other banks	$56,700	$33	0.23	%	$66,961	$35	0.21	%
Investment Securities								
Available for sale - taxable	338,556	2,037	2.40		391,920	2,509	2.56	
Held to maturity - taxable	243,021	1,319	2.17		337,634	1,978	2.34	
Tax-exempt [2]	153,524	2,400	6.25		158,417	2,471	6.24	
Total investment securities	735,101	5,756	3.13		887,971	6,958	3.13	
FRB and FHLB stock [2]	7,733	67	3.48		8,714	75	3.44	
Loans, net of unearned discounts [3]	1,632,941	21,494	5.26		1,454,029	19,721	5.54	
TOTAL INTEREST-EARNING ASSETS	2,432,475	27,350	4.47	%	2,417,675	26,789	4.47	%
Cash and due from banks	37,218				38,558			
Allowance for loan losses	(22,796)				(19,798)			
Goodwill	22,901				22,901			
Other assets	133,528				137,509			
TOTAL ASSETS	$2,603,326				$2,596,845			
LIABILITIES AND SHAREHOLDERS' EQUITY								
Interest-bearing deposits								
Domestic								
Savings	$22,554	1	0.01	%	$17,497	2	0.05	%
NOW	217,675	55	0.10		223,566	117	0.21	
Money market	417,192	573	0.55		377,777	633	0.67	
Time	692,399	1,053	0.61		798,705	1,470	0.73	
Total interest-bearing deposits	1,349,820	1,682	0.50		1,417,545	2,222	0.62	
Borrowings								
Securities sold under agreements to repurchase - customers	36,307	33	0.37		40,340	45	0.44	
Securities sold under agreements to repurchase - dealers	-	-	-		5,002	16	1.30	
Federal funds purchased	22,500	13	0.23		13,912	5	0.13	
Commercial paper	13,252	10	0.29		14,521	11	0.29	
Short-term borrowings - other	-	-	-		4,195	2	0.10	
Advances - FHLB	107,307	457	1.69		127,782	483	1.50	
	25,774	523	8.38		25,774	523	8.38	

Long-term borrowings - sub debt								
Total borrowings	205,140	1,036	2.02		231,526	1,085	1.87	
TOTAL INTEREST-BEARING LIABILITIES	1,554,960	2,718	0.70	%	1,649,071	3,307	0.80	%
Noninterest-bearing deposits	755,447				582,042			
Total including noninterest-bearing demand deposits	2,310,407	2,718	0.48	%	2,231,113	3,307	0.59	%
Other liabilities	63,607				146,262			
Total liabilities	2,374,014				2,377,375			
Shareholders' equity	229,312				219,470			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,603,326				$2,596,845			
Net interest income/spread		24,632	3.77	%		23,482	3.67	%
Net yield on interest-earning assets (margin)			4.02	%			3.90	%
Less: Tax equivalent adjustment		840				865		
Net interest income		$23,792				$22,617		

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

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

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

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STERLING BANCORP AND SUBSIDIARIES

Average Balance Sheets [1]
Nine Months Ended September 30,
(Unaudited)

	2012			2011		
ASSETS	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Interest-bearing deposits with other banks	$56,586	$97	0.23 %	$53,070	$92	0.23 %
Investment Securities						
Available for sale - taxable	354,492	6,673	2.51	393,561	7,255	2.46
Held to maturity - taxable	257,642	4,393	2.27	333,710	6,335	2.53
Tax-exempt [2]	155,694	7,298	6.25	157,144	7,323	6.21
Total investment securities	767,828	18,364	3.19	884,415	20,913	3.15
FRB and FHLB stock [2]	8,203	284	4.61	8,862	243	3.66
Loans, net of unearned discounts [3]	1,530,378	61,224	5.52	1,344,935	55,006	5.72
TOTAL INTEREST-EARNING ASSETS	2,362,995	79,969	4.61 %	2,291,282	76,254	4.55 %
Cash and due from banks	37,157			37,998		
Allowance for loan losses	(22,022)			(19,648)		
Goodwill	22,901			22,901		
Other assets	131,500			131,979		
TOTAL ASSETS	$2,532,531			$2,464,512		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$20,784	3	0.02 %	$18,450	7	0.05 %
NOW	217,280	198	0.12	212,857	289	0.18
Money market	404,155	1,730	0.57	359,415	1,856	0.69
Time	630,789	3,128	0.66	708,919	4,212	0.79
Total interest-bearing deposits	1,273,008	5,059	0.53	1,299,641	6,364	0.65
Borrowings						
Securities sold under agreements to repurchase - customers	39,399	107	0.36	42,096	145	0.46
Securities sold under agreements to repurchase -	3,522	31	1.16	5,249	49	1.24

dealers								
Federal funds purchased	12,226	20	0.21		14,608	14	0.13	
Commercial paper	14,375	31	0.29		14,762	33	0.30	
Short-term borrowings - other	-	-	-		3,794	3	0.08	
Advances - FHLB	117,290	1,494	1.70		131,816	1,647	1.67	
Long-term borrowings - sub debt	25,774	1,570	8.38		25,774	1,570	8.38	
Total borrowings	212,586	3,253	2.05		238,099	3,461	1.95	
TOTAL INTEREST-BEARING LIABILITIES	1,485,594	8,312	0.75	%	1,537,740	9,825	0.85	%
Noninterest-bearing deposits	760,503				558,059			
Total including noninterest-bearing demand deposits	2,246,097	8,312	0.51	%	2,095,799	9,825	0.63	%
Other liabilities	60,910				141,840			
Total liabilities	2,307,007				2,237,639			
Shareholders' equity	225,524				226,873			
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,532,531				$2,464,512			
Net interest income/spread		71,657	3.86	%		66,429	3.70	%
Net yield on interest-earning assets (margin)			4.12	%			3.96	%
Less: Tax equivalent adjustment		2,556				2,565		
Net interest income		$69,101				$63,864		

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

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

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

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

	Increase/(Decrease) Three Months Ended September 30, 2012 to September 30, 2011		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$(5)	$3	$(2)
Investment Securities			
Available for sale - taxable	(323)	(149)	(472)
Held to maturity - taxable	(523)	(136)	(659)
Tax-exempt [2]	(75)	4	(71)
Total investment securities	(921)	(281)	(1,202)
FRB and FHLB stock	(9)	1	(8)
Loans, net of unearned discounts [3]	2,711	(938)	1,773
TOTAL INTEREST INCOME	$1,776	$(1,215)	$561
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$1	$(2)	$(1)
NOW	(3)	(59)	(62)
Money market	62	(122)	(60)
Time	(187)	(230)	(417)
Total interest-bearing deposits	(127)	(413)	(540)
Borrowings			
Securities sold under agreements to repurchase - customers	(4)	(8)	(12)
Securities sold under agreements to repurchase - dealers	(16)	-	(16)
Federal funds purchased	3	5	8
Commercial paper	(1)	-	(1)
Short-term borrowings - other	(2)	-	(2)
Advances - FHLB	(83)	57	(26)
Long-term borrowings - sub debt	-	-	-
Total borrowings	(103)	54	(49)
TOTAL INTEREST EXPENSE	$(230)	$(359)	$(589)
NET INTEREST INCOME	$2,006	$(856)	$1,150

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

[2]Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for securities sold under agreements to repurchase-dealers and other short-term borrowings-other has been allocated entirely to the volume variance.

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

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

	Increase/(Decrease) Nine Months Ended September 30, 2012 to September 30, 2011		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$5	$-	$5
Investment Securities			
Available for sale - taxable	(724)	142	(582)
Held to maturity - taxable	(1,331)	(611)	(1,942)
Tax-exempt [2]	(62)	37	(25)
Total investment securities	(2,117)	(432)	(2,549)
FRB and FHLB stock	(18)	59	41
Loans, net of unearned discounts [3]	8,222	(2,005)	6,217
TOTAL INTEREST INCOME	$6,092	$(2,378)	$3,714
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$1	$(5)	$(4)
NOW	7	(98)	(91)
Money market	222	(348)	(126)
Time	(425)	(659)	(1,084)
Total interest-bearing deposits	(195)	(1,110)	(1,305)
Borrowings			
Securities sold under agreements to repurchase - customers	(8)	(30)	(38)
Securities sold under agreements to repurchase - dealers	(15)	(3)	(18)
Federal funds purchased	(2)	8	6
Commercial paper	(1)	(1)	(2)
Short-term borrowings - other	(3)	-	(3)
Advances - FHLB	(179)	26	(153)
Long-term borrowings - sub debt	-	-	-
Total borrowings	(208)	-	(208)
TOTAL INTEREST EXPENSE	$(403)	$(1,110)	$(1,513)
NET INTEREST INCOME	$6,495	$(1,268)	$5,227

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

[2]Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each. The change in interest expense for short-term borrowings-other has been allocated entirely to the volume variance. The effect of the extra day in 2012 has been allocated entirely to the volume variance.

[3] Includes loans held for sale and loans held in portfolio; all loans are domestic. Nonaccrual

STERLING BANCORP AND SUBSIDIARIES
Regulatory Capital and Ratios

Ratios and Minimums

	Actual			For Capital Adequacy Minimum			To Be Well Capitalized		
As of September 30, 2012	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total Capital(to Risk-Weighted Assets):									
The Company	$265,208	12.82	%	$165,544	8.00	%	$206,930	10.00	%
The bank	254,465	12.38		164,400	8.00		205,500	10.00	
Tier 1 Capital(to Risk-Weighted Assets):									
The Company	241,973	11.69		82,772	4.00		124,158	6.00	
The bank	231,231	11.25		82,200	4.00		123,300	6.00	
Tier 1 Leverage Capital(to Average Assets):									
The Company	241,973	9.38		103,185	4.00		128,982	5.00	
The bank	231,231	9.01		102,633	4.00		128,292	5.00	

As of December 31, 2011									
Total Capital(to Risk-Weighted Assets):									
The Company	$256,526	13.71	%	$149,738	8.00	%	$187,173	10.00	%
The bank	234,737	12.63		148,732	8.00		185,915	10.00	
Tier 1 Capital(to Risk-Weighted Assets):									
The Company	235,947	12.61		74,869	4.00		112,304	6.00	
The bank	214,159	11.52		74,366	4.00		111,549	6.00	
Tier 1 Leverage Capital(to Average Assets):									
The Company	235,947	9.02		104,593	4.00		130,741	5.00	
The bank	214,159	8.30		103,148	4.00		128,935	5.00	

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

The Company's primary earnings source is its net interest income; therefore, the Company devotes significant time and has invested in resources to assist in the management of interest rate risk and asset quality. The Company's net interest income is affected by changes in market interest rates, and by the level and composition of interest-earning assets and interest-bearing liabilities. The Company's objectives in its asset/liability management are to utilize its capital effectively, to provide adequate liquidity and to enhance net interest income, without taking undue risks or subjecting the Company unduly to interest rate fluctuations. For the nine months ended September 30, 2012, the Company did not hold any instrument entered into for trading purposes.

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

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

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

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

The Company's balance sheet structure is primarily short-term in nature with a substantial portion of assets and liabilities repricing or maturing within one year. The Company's gap analysis at September 30, 2012, presented on page 64, indicates that net interest income would increase during periods of rising interest rates and decrease during periods of falling interest rates, but, as mentioned above, gap analysis may not be an accurate predictor of net interest income.

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

As of September 30, 2012, the Company was not a party to any financial instrument derivative agreement.

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

The Company's interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company's assets and the rates that would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management projects the impact of changes in interest rates on net interest margin. The Company has established certain policy limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of December 31, 2011, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 2.4% ($2.8 million) and a 5.0% ($6.0 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 0.8% ($0.9 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of December 31, 2011 was considered to be remote given then-current interest rate levels. As of September 30, 2012, the model indicated the impact of a 100 and 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 2.8% ($3.4 million) and a 6.1% ($7.3 million) increase in net interest income, respectively, while the impact of a 25 basis point decline in rates over the same period would approximate a 0.8% ($1.0 million) decline from an unchanged rate environment. The likelihood of a decrease in interest rates beyond 25 basis points as of September 30, 2012 was considered to be remote given then-current interest rate levels.

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

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

The shape of the yield curve can cause downward pressure on net interest income. In general, if and to the extent that the yield curve is flatter (i.e., the differences between interest rates for different maturities are relatively smaller) than previously anticipated, then the yield on the Company's interest-earning assets and its cash flows will tend to be lower. Management believes that a relatively flat yield curve could continue to adversely affect the Company's results in 2012.

Liquidity Risk

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

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

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

At September 30, 2012, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $13.5 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $36.1 million. The parent company also has back-up credit lines with banks of $14.0 million. Since 1979, the parent company has had no need to use the available back-up lines of credit.

The following table sets forth information regarding the Company's obligations and commitments to make future payments under contract as of September 30, 2012:

		Payments Due by Period			
Contractual obligations (1)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt	$ 127,408	$ 1,203	$ 431	$ 100,000	$ 25,774
Operating Leases	41,968	4,232	9,678	7,813	20,245
Total Contractual Cash Obligations	$ 169,376	$ 5,435	$ 10,109	$ 107,813	$ 46,019

(1) Based on contractual maturity dates.

The following table sets forth information regarding the Company's obligations under other commercial commitments as of September 30, 2012:

		Amount of Commitment Expiration per Period			
Other Commercial Commitments	Total Amount Committed	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Residential Loans	$137,829	$137,829	$-	$-	$-
Commercial Loans	26,927	17,184	9,743	-	-
Total Loans	164,756	155,013	9,743	-	-
Standby Letters of Credit	25,261	20,934	4,327	-	-
Other Commercial Commitments	49,300	48,442	-	-	858
Total Commercial Commitments	$239,317	$224,389	$14,070	$-	$858

INFORMATION AVAILABLE ON OUR WEB SITE

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

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

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

STERLING BANCORP AND SUBSIDIARIES

Interest Rate Sensitivity

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

	Repricing Date						
	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 5 Years	More than 5 Years to 10 Years	Over 10 Years	Nonrate Sensitive	Total
ASSETS							
Interest-bearing deposits with other banks	$149,592	$-	$-	$-	$-	$-	$149,592
Investment securities	54,894	243,130	120,969	33,084	247,724	-	699,801
Commercial and industrial loans	459,789	54,105	87,778	2,866	-	(2,004)	602,534
Lease financing receivables	322	8,026	163,848	2,817	-	(15,304)	159,709
Factored receivables	183,140	-	-	-	-	(295)	182,845
Real estate-residential mortgage	78,731	35,597	50,745	21,280	31,143	-	217,496
Real estate-commercial mortgage	18,988	20,186	96,979	27,156	1,583	-	164,892
Real estate-construction and land development	12,598	474	-	-	-	-	13,072
Loans to individuals	8,446	655	2,352	314	-	-	11,767
Loans to nondepository financial institutions	272,922	41,739	9,939	-	51	-	324,651
Noninterest-earning assets & allowance for loan losses	-	-	-	-	-	173,366	173,366
Total Assets	1,239,422	403,912	532,610	87,517	280,501	155,763	2,699,725

LIABILITIES AND SHAREHOLDERS' EQUITY							
Interest-bearing deposits							
Savings [1]	-	-	22,648	-	-	-	22,648
NOW [1]	-	-	214,015	-	-	-	214,015
Money market [1]	353,300	-	77,554	-	-	-	430,854
Time	231,921	388,672	105,654	309	-	-	726,556
Securities sold under agreement to repurchase - customers	37,314	-	-	-	-	-	37,314
Federal funds purchased	12,035	510	-	-	-	-	12,545
Commercial paper	100,369	834	431	-	-	-	101,634
Advances - FHLB	-	-	-	-	-	-	-
Long-term borrowings - subordinated debentures	-	-	-	-	25,774	-	25,774
Noninterest-bearing liabilities & shareholders' equity	-	-	-	-	-	1,128,385	1,128,385
Total Liabilities and Shareholders' Equity	734,939	390,016	420,302	309	25,774	1,128,385	2,699,725
Net Interest Rate Sensitivity Gap	$504,483	$13,896	$112,308	$87,208	$254,727	$(972,622)	$-
Cumulative Gap September 30, 2012	$504,483	$518,379	$630,687	$717,895	$972,622	$-	$-
Cumulative Gap September 30, 2011 [2]	$362,539	$315,026	$347,287	$525,656	$823,217	$-	$-
Cumulative Gap December 31, 2011 [2]	$425,764	$399,400	$478,582	$602,894	$901,522	$-	$-

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

No change in the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act, occurred during the fiscal quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Universal acquisition

On August 1, 2012, the bank acquired the business of Universal Mortgage, Inc. ("Universal"), a residential mortgage broker in Brooklyn (the "Universal acquisition"), in exchange for the issuance of 38,658 restricted shares in the aggregate of the parent company's common shares (the "Universal Restricted Shares") and other consideration to Universal's two shareholders. Universal's shareholders and their team joined the bank as a result of the Universal acquisition. No underwriters were used, nor were any brokerage commissions paid in connection with the above share issuance.

The valuation of the Universal Restricted Shares was set at $375,000, with the number of shares issued calculated by reference to the average closing price per share for the 20 trading days prior to the closing of the transaction. The closing price of one common share of the parent company on the New York Stock Exchange on August 1, 2012 was $9.24.

The issuance of Universal Restricted Shares was made in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act and the rules and regulations promulgated thereunder.

The purchase agreement the bank entered into with Universal and its shareholders contains clawback provisions in respect of all or a portion of the Universal Restricted Shares, applicable upon the voluntary termination or termination by the Company for cause of the employment of, or the violation of certain covenants by, either shareholder, in each case as provided under the executive employment agreements the shareholders entered into in connection with the Universal acquisition.

Share repurchases

Under its share repurchase program, the Company buys back common shares from time to time. The Company did not repurchase any of its common shares during the first nine months of 2012. At September 30, 2012, the maximum number of shares that may yet be purchased under the share repurchase program was 870,963.

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

Item 6. Exhibits

The following exhibits are filed as part of this report:

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

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

SIGNATURES

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

STERLING BANCORP

(Registrant)

Date: November 8, 2012	/s/ Louis J. Cappelli Louis J. Cappelli Chairman and Chief Executive Officer
Date: November 8, 2012	/s/ John W. Tietjen John W. Tietjen Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

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