STERLING BANCORP
Form 10-Q
May 14, 2003

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 March 31, 2003

or

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

For the transition period from__________________to______________________________

Commission File Number: 1-5273-1

Sterling Bancorp

(Exact name of registrant as specified in its charter)

New York	13-2565216
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
650 Fifth Avenue, New York, N.Y.	10019-6108
(Address of principal executive offices)	(Zip Code)

212-757-3300

(Registrant's telephone number, including area code)

N/A

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

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

[X] Yes [ ] No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

[X] Yes [ ] No

As of April 30, 2003 there were 11,853,908 shares of common stock, $1.00 par value, outstanding.

STERLING BANCORP

STERLING BANCORP AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

	March 31, 2003	December 31, 2002
ASSETS		
Cash and due from banks	$ 56,276,214	$ 58,173,569
Interest-bearing deposits with other banks	2,136,949	2,872,710
Federal funds sold	-	5,000,000
Securities available for sale	101,485,091	128,465,512
Securities available for sale - pledged	90,470,088	90,969,577
Securities held to maturity	171,744,063	147,109,430
Securities held to maturity - pledged	237,161,819	222,229,901
Total investment securities	600,861,061	588,774,420
Loans held for sale	56,891,837	54,684,987
Loans held in portfolio, net of unearned discounts	779,751,771	791,315,047
Less allowance for loan losses	13,818,979	13,549,297
Loans, net	765,932,792	777,765,750
Customers' liability under acceptances	3,767,585	1,545,335
Excess cost over equity in net assets of the banking subsidiary	21,158,440	21,158,440
Premises and equipment, net	9,514,657	9,263,172
Other real estate	946,166	822,820
Accrued interest receivable	5,295,353	4,881,937
Bank owned life insurance	21,091,519	20,830,688
Other assets	18,354,995	15,347,734
	$1,562,227,568	$1,561,121,562
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing deposits	$ 354,158,962	$ 401,553,363
Interest-bearing deposits	686,816,057	645,539,745
Total deposits	1,040,975,019	1,047,093,108
Federal funds purchased and securities sold under agreements to repurchase	119,522,509	100,925,635
Commercial paper	18,592,907	29,318,920
Other short-term borrowings	30,018,115	37,030,404
Acceptances outstanding	3,767,585	1,545,335
Accrued expenses and other liabilities	76,801,853	75,427,836
Long-term debt - FHLB	115,000,000	115,000,000
Total liabilities	1,404,677,988	1,406,341,238
Corporation Obligated Mandatorily Redeemable Capital Securities of Subsidiary Trust	25,000,000	25,000,000
Shareholders' equity		
Preferred stock, $5 par value. Authorized 644,389 shares; Series D issued 231,255 and 232,206 shares, respectively	2,312,550	2,322,060
Common stock, $1 par value. Authorized 20,000,000 shares; issued 13,136,659 and 13,124,002 shares, respectively	13,136,659	13,124,002
Capital surplus	143,675,725	143,495,362

Retained earnings	7,366,807	3,783,539
Accumulated other comprehensive income, net of tax	758,499	1,330,239
Less	167,250,240	164,055,202
Common shares in treasury at cost, 1,285,212 and 1,261,061 shares, respectively	33,012,404	32,400,952
Unearned compensation	1,688,256	1,873,926
Total shareholders' equity	132,549,580	129,780,324
	$1,562,227,568	$1,561,121,562

See Notes to Consolidated Financial Statements.

STERLING BANCORP AND SUBSIDIARIES
Consolidated Statements of Income
(Unaudited)

	Three Months Ended March 31, 2003	2002
INTEREST INCOME		
Loans	$14,759,913	$14,166,374
Investment securities		
Available for sale	2,511,777	4,176,250
Held to maturity	5,330,999	4,942,518
Federal funds sold	21,976	8,681
Deposits with other banks	8,553	149,183
Total interest income	22,633,218	23,443,006
INTEREST EXPENSE		
Deposits	2,201,635	3,323,204
Federal funds purchased and securities sold under agreements to repurchase	310,417	446,650
Commercial paper	70,651	206,601
Other short-term borrowings	189,768	107,689
Long-term debt	1,080,880	1,059,975
Total interest expense	3,853,351	5,144,119
Net interest income	18,779,867	18,298,887
Provision for loan losses	1,791,300	1,679,300
Net interest income after provision for loan losses	16,988,567	16,619,587
NONINTEREST INCOME		
Factoring income	1,352,502	1,376,891
Mortgage banking income	3,242,648	2,530,339

Service charges on deposit accounts	1,231,998	1,148,235
Trade finance income	573,013	451,257
Trust fees	165,397	177,118
Other service charges and fees	435,210	431,042
Bank owned life insurance income	260,830	222,356
Securities gains	95,992	-
Other income	96,707	68,903
Total noninterest income	7,454,297	6,406,141
NONINTEREST EXPENSES		
Salaries and employee benefits	8,483,655	8,044,425
Occupancy expenses, net	1,295,721	1,176,349
Equipment expenses	646,514	567,989
Advertising and marketing	790,818	690,930
Professional fees	726,632	799,942
Data processing fees	265,032	357,184
Stationery and printing	208,318	213,170
Communications	442,690	404,727
Capital securities costs	535,117	221,218
Other expenses	1,521,159	1,756,503
Total noninterest expenses	14,915,656	14,232,437
Income before income taxes	9,527,208	8,793,291
Provision for income taxes	3,680,785	3,526,990
Net income	$ 5,846,423	$ 5,266,301
Average number of common shares outstanding		
Basic	11,856,325	12,077,821
Diluted	12,588,597	12,860,946
Earnings per average common share		
Basic	$ 0.49	$ 0.43
Diluted	0.46	0.41
Dividends per common share	0.19	0.18

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2003	2002
Net Income	$ 5,846,423	$ 5,266,301
Other comprehensive income, net of tax:		
Unrealized holding losses arising during the period	(519,808)	(926,055)

Reclassification adjustment for gains included in net income	(51,932)	-
Comprehensive income	$ 5,274,683	$ 4,340,246

See Notes to Consolidated Financial Statements.

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

	Three Months Ende March 31,	
	2003	2
Preferred Stock		
Balance at January 1	$ 2,322,060	$ 2,
Conversions of Series B shares	(9,510)	
Balance at March 31	$ 2,312,550	$ 2,
Common Stock		
Balance at January 1	$ 13,124,002	$ 10,
Conversions of preferred shares into common shares	1,450	
Options exercised	11,207	
Balance at March 31	$ 13,136,659	$ 11,
Capital Surplus		
Balance at January 1	$143,495,362	$ 98,
Conversions of preferred shares into common shares	8,060	
Issuance of shares under incentive compensation plan	-	
Options exercised	172,303	2,
Balance at March 31	$143,675,725	$100,
Retained Earnings		
Balance at January 1	$ 3,783,539	$ 32,
Net Income	5,846,423	5,
Cash dividends paid - common shares	(2,231,362)	(1,
- preferred shares	(31,793)	
Balance at March 31	$ 7,366,807	$ 35,
Accumulated Other Comprehensive Income		
Balance at January 1	$ 1,330,239	$ 1,
Unrealized holding gains arising during the period:		
Before tax	(960,829)	(1,
Tax effect	441,021	

Net of tax	(519,808)	(
Reclassification adjustment for gains included in net income:		
Before tax	(95,992)	
Tax effect	44,060	
Net of tax	(51,932)	
Balance at March 31	$ 758,499	$
Treasury Stock		
Balance at January 1	$(32,400,952)	$(15,
Issuance of shares under incentive compensation plan	-	1,
Surrender of shares issued under incentive compensation plan	(493,654)	(1,
Purchase of common shares	(117,798)	(5,
Balance at March 31	$(33,012,404)	$(21,
Unearned Compensation		
Balance at January 1	$ (1,873,926)	$ (1,
Issuance of shares under incentive compensation plan	-	(1,
Amortization of unearned compensation	185,670	
Balance at March 31	$ (1,688,256)	$ (2,
Total Shareholders' Equity		
Balance at January 1	$129,780,324	$128,
Net changes during the period	2,769,256	(2,
Balance at March 31	$132,549,580	$125,

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2003	2002
Operating Activities		
Net Income	$ 5,846,423	$ 5,266,3
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,791,300	1,679,3
Depreciation and amortization of premises and equipment	420,313	381,9
Securities gains	(95,992)	
Income from bank owned life insurance	(260,830)	(222,3
Deferred income tax benefit	(77,608)	(116,7

Net change in loans held for sale	(2,206,850)	15,377,4
Amortization of unearned compensation	185,670	157,0
Amortization of premiums on securities	487,138	394,8
Accretion of discounts on securities	(393,779)	(237,1
Increase in accrued interest receivable	(413,416)	(566,4
Increase in accrued expenses and other liabilities	1,374,017	2,253,5
Increase in other assets	(2,455,581)	(2,516,1
Issuance cost for preferred securities, net of amortization	-	937,5
Other, net	(482,643)	(1,655,3
Net cash provided by operating activities	3,718,162	21,133,5
Investing Activities		
Purchase of premises and equipment	(671,798)	(673,0
Decrease in interest-bearing deposits with other banks	735,761	636,3
Decrease in Federal funds sold	5,000,000	10,000,0
Increase in other real estate	(123,346)	(160,1
Net increase in loans	10,041,658	12,979,5
Purchase of investment in bank owned life insurance	-	(20,000,0
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	46,132,302	26,830,7
Purchases of securities - held to maturity	(85,864,790)	(29,117,4
Purchases of securities - available for sale	(94,236,576)	(116,687,8
Proceeds from sales of securities - available for sale	3,707,515	
Proceeds from prepayments, redemptions or maturities of securities - available for sale	117,120,717	77,209,6
Net cash provided by (used in) investing activities	1,841,443	(38,982,2
Financing Activities		
Decrease in noninterest-bearing deposits	(47,394,401)	(48,686,7
Increase in interest-bearing deposits	41,276,312	64,049,0
Net proceeds from issuance of Corporation Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trust	-	24,062,5
Increase (Decrease) in Federal funds purchased and securities sold under agreements to repurchase	18,596,874	(57,766,8
(Decrease) Increase in commercial paper and other short-term borrowings	(17,738,302)	2,948,9
Purchase of treasury stock	(117,798)	(5,863,0
Increase in other long-term debt	-	19,650,0
Proceeds from exercise of stock options	183,510	2,198,2
Cash dividends paid on common and preferred stock	(2,263,155)	(1,826,3
Net cash used in financing activities	(7,456,960)	(1,234,3
Net decrease in cash and due from banks	(1,897,355)	(19,083,0
Cash and due from banks - beginning of period	58,173,569	50,362,0
Cash and due from banks - end of period	$ 56,276,214	$ 31,279,0
Supplemental disclosures:		
Interest paid	$ 3,846,231	$ 4,811,6
Income taxes paid	2,346,594	4,870,0

See Notes to Consolidated Financial Statements.

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

1. The consolidated financial statements include the accounts of Sterling Bancorp ("the parent company") and its subsidiaries, principally Sterling National Bank and its subsidiaries ("the bank"), after elimination of material intercompany transactions. The term "the Company" refers to Sterling Bancorp and its subsidiaries. The consolidated financial statements as of and for the interim periods ended March 31, 2003 and 2002 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 2002 consolidated financial statements to conform to the current presentation. The interim consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2002. The Company paid stock dividends as follows: a 20% stock dividend on December 9, 2002; a 10% stock dividend on December 10,2001; a 10% stock dividend on December 11, 2000; and a 5% stock dividend on December 14, 1999. Fractional shares were cashed-out and payments were made to shareholders in lieu of fractional shares. The basic and diluted average number of shares outstanding and earnings per share information for all prior reporting periods shown have been restated to reflect the effect of the stock dividends.

2. At March 31, 2003, the Company has a stock-based employee compensation plan, which is described more fully in Note 15 of the Company's annual report on Form 10-K for the year ended December 31, 2002. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 148, the following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," to the stock-based employee compensation plans.

Three Months Ended March 31,	2003	2002
Net income, as reported	$ 5,846,423	$ 5,266,301
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(288,987)	(200,518)
Pro forma, net income	$ 5,557,436	$ 5,065,783
Earnings per share:		
Basic- as reported	$ 0.49	$ 0.43
Basic- pro forma	0.47	0.42
Diluted- as reported	0.46	0.41
Diluted- pro forma	0.44	0.39

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

	March 31,	
	2003	2002
Loans held for sale		
Real estate-mortgage	$ 56,891,837	$ 33,225
Loans held in portfolio		
Commercial and industrial	$481,855,068	$489,589
Lease financing	150,516,210	109,366
Real estate-mortgage	133,891,771	117,864
Real estate-construction	2,400,000	
Installment	9,582,449	8,296
Loans to depository institutions	20,000,000	34,000
Loans, gross	798,245,498	759,118
Less unearned discounts	18,493,727	13,416
Loans, net of unearned discounts	$779,751,771	$745,701

4. The Company's outstanding preferred shares comprise 231,255 Series D shares (of 300,000 Series D shares authorized). Each Series D share (all of such shares are owned by the Company's Employee Stock Ownership Trust) is entitled to dividends at the rate of $0.6125 per year, is convertible into 1.5267 common shares, and is entitled to a liquidation preference of $10 (together with accrued dividends). All preferred shares are entitled to one vote per share (voting with the common shares except as otherwise required by law).

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

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

6. The Financial Accounting Standards Board SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," established standards for the way that public business enterprises report and disclose selected information about operating segments in interim financial statements issued to stockholders.

The Company provides a full range of financial products and services, including commercial loans, asset-based financing, factoring and accounts receivable management services, trade financing, equipment leasing, corporate and consumer deposit services, commercial and residential mortgage lending and brokerage, trust and estate administration and investment management services. The Company's primary source of earnings is net interest income, which represents the difference between interest earned on interest-earning assets and the interest incurred on interest-bearing liabilities. The Company's 2003 year-to-date average interest-earning assets were 58.1% loans (corporate lending was 73.1% and real estate lending was 24.1% of total loans, respectively) and 41.9% investment securities and money market investments. There are no industry concentrations exceeding 10% of loans, gross, in the corporate loan portfolio. Approximately 68% of loans are to borrowers located in the metropolitan New York area. In order to comply with the provisions of SFAS No. 131, the Company has determined that it has three reportable operating segments: corporate lending, real estate lending and company-wide treasury.

The following tables provide certain information regarding the Company's operating segments for the three-month periods ended March 31, 2003 and 2002:

	Corporate Lending	Real Estate Lending	Company-w Treasur
Three Months Ended March 31, 2003			
Net interest income	$ 8,323,536	$ 3,752,090	$ 6,293,8
Noninterest income	3,004,572	3,305,157	377,1
Depreciation and amortization	50,165	76,256	
Segment income before taxes	3,734,854	3,321,350	6,536,1
Segment assets	610,359,525	196,423,973	707,502,5
Three Months Ended March 31, 2002			
Net interest income	$ 7,031,978	$ 3,378,369	$ 7,499,2
Noninterest income	2,836,498	2,518,008	240,5
Depreciation and amortization	45,352	47,040	
Segment income before taxes	3,650,887	2,877,163	7,942,1
Segment assets	576,023,598	154,896,313	711,856,1

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

	Three Months Ended Ma	
	2003	
Net interest income:		
Total for reportable operating segments	$ 18,369,457	$
Other (1)	410,410	
Consolidated net interest income	$ 18,779,867	$
Noninterest income:		
Total for reportable operating segments	$ 6,686,862	$
Other (1)	767,435	
Consolidated noninterest income	$ 7,454,297	$
Income before taxes:		
Total for reportable operating segments	$ 13,592,332	$
Other (1)	(4,065,124)	
Consolidated income before income taxes	$ 9,527,208	$
Assets:		
Total for reportable operating segments	$ 1,514,286,053	$ 1,4
Other (1)	47,941,515	
Consolidated assets	$ 1,562,227,568	$ 1,4

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

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

The following commentary presents management's discussion and analysis of the consolidated results of operations and financial condition of Sterling Bancorp (the "parent company"), a financial holding company pursuant to an election made under the Gramm-Leach-Bliley Act of 1999, and its wholly-owned subsidiaries Sterling Banking Corporation, Sterling Financial Services Company, Inc., Sterling Bancorp Trust I, and Sterling National Bank ("the bank"). The bank, which is the principal subsidiary, owns all of the outstanding shares of Sterling Factors Corporation, Sterling National Mortgage Company, Inc., Sterling National Servicing, Inc., Sterling Trade Services, Inc., and Sterling Holding Company of Virginia, Inc. Sterling Trade Services, Inc. owns all of the outstanding common shares of Sterling National Asia Limited, Hong Kong. Sterling Holding Company of Virginia, Inc. owns all of the outstanding common shares of Sterling Real Estate Holding Company, Inc. Throughout this discussion and analysis, the term, "the Company" refers to Sterling Bancorp and its subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and supplemental data combined elsewhere in this quarterly report as well as the Company's annual report on Form 10-K for the year ended December 31, 2002.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained herein, including but not limited to, statements concerning future results of operations or financial position, borrowing capacity and future liquidity, future investment results, future credit exposure, future loan losses and plans and objectives for future operations, and other statements contained herein regarding matters that are not historical facts, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not historical facts but instead are subject to numerous assumptions, risks and uncertainties, and represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control. Any forward-looking statements we may make speak only as of the date on which such statements are made. It is possible that our actual results and financial position may differ, possibly materially, from the anticipated results and financial condition indicated in or implied by these forward-looking statements.

Factors that could cause our actual results to differ, possibly materially, from those in the forward-looking statements include, but are not limited to, the following: inflation, interest rates, market and monetary fluctuations; geopolitical developments including acts of war and terrorism and their impact on economic conditions; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve; changes, particularly declines, in general

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economic conditions and in the local economies in which the Company operates; the financial condition of the Company's borrowers; competitive pressures on loan and deposit pricing and demand; changes in technology and their impact on the marketing of new products and services and the acceptance of these products and services by new and existing customers; the willingness of customers to substitute competitors' products and services for the Company's products and services; the impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance); changes in accounting principles, policies and guidelines; the success of the Company at managing the risks involved in the foregoing as well as other risks and uncertainties detailed from time to time in press releases and other public filings. The foregoing list of important factors is not exclusive, and we will not update any forward-looking statement, whether written or oral, that may be made from time to time.

BUSINESS

Sterling provides a full range of financial products and services, including business and consumer loans, commercial and residential mortgage lending and brokerage, asset-based financing, factoring/accounts receivable management services, trade financing, equipment leasing, deposit services, trust and estate administration and investment management services. The Company has operations in the metropolitan New York area, North Carolina and many mid-Atlantic states, and conducts business throughout the United States.

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. 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. At March 31, 2003, the bank's year-to-date average earning assets represented approximately 97% of the Company's year-to-date average earning assets. Loans represented 57% and investment securities represented 42% of the bank's year-to-date average earning assets at March 31, 2003.

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

Results for the Three Months Ended March 31, 2003 and 2002

OVERVIEW

The Company reported net income for the three months ended March 31, 2003 of $5.8 million, representing $0.46 per share, calculated on a diluted basis, compared to $5.3 million, or $0.41 per share, calculated on a diluted basis, for the like period in 2002. This increase reflects higher net interest income and continued growth in noninterest income which more than offset increases in noninterest expenses and the provision for loan losses.

Net interest income, on a tax equivalent basis, increased to $19.0 million for the first quarter of 2003 compared with $18.6 million for the same period in 2002, principally due to higher average earning assets outstanding coupled with lower funding costs. Partially offsetting these beneficial factors was the impact of the lower yield on earning assets. The net interest margin, on a tax equivalent basis, was 5.62% for the first quarter of 2003 compared to 5.69% for the like 2002 period. The net interest margin benefitted from a decrease of 57 basis points in the cost of funds partially offset by a decrease of 52 basis points in the average yield on earning assets. Also contributing to the decrease was a lower proportion of earning assets funded from noninterest-bearing sources.

Noninterest income rose to $7.5 million for the three months ended March 31, 2003 compared to $6.4 million for the like 2002 period, principally due to continued growth in income from mortgage banking and trade finance activities, from services charges on deposit accounts, from a bank-owned life insurance program, and from gains on sales of securities.

INCOME STATEMENT ANALYSIS

Net Interest Income

Net interest income, which represents the difference between interest earned on interest-earning assets and interest incurred on interest-bearing liabilities, is the Company's primary source of earnings. Net interest income can be affected by changes in market interest rates as well as the level and composition of assets, liabilities and shareholders' equity. The increases (decreases) in the components of interest income and interest expense, expressed in terms of fluctuation in average volume and rate, are shown on page 21. Information as to the components of interest income and interest expense and average rates is provided in the Average Balance Sheets shown on page 20.

Net interest income, on a tax equivalent basis, for the three months ended March 31, 2003 increased to $19,029,000 from $18,563,000 for the comparable period in 2002.

Total interest income, on a tax equivalent basis, aggregated $22,882,000 for the first quarter of 2003 down from $23,707,000 for the same period of 2002. The tax equivalent yield on interest earning assets was 6.80% for the three months ended March 31, 2003 compared with 7.32% for the comparable period in 2002.

Interest earned on the loan portfolio amounted to $14,760,000 which was up $594,000 when compared to a year ago. Average loan balances amounted to $802,795,000 which were up $93,977,000 from an average of $708,818,000 in the prior year period. The increase in average loans was primarily in the real estate loan segment of the Company's loan portfolio. The decrease in yield on the domestic loan portfolio to 7.73% for the three months ended March 31, 2003 from 8.52% for the comparable 2002 period was primarily attributable to the mix in the various categories of the loan portfolio.

Interest earned on the securities portfolio, on a tax equivalent basis, decreased to $8,092,000 for the three months ended March 31, 2003 from $9,383,000 in the prior year period. Average outstandings decreased to $568,010,000 from $589,090,000 in the prior year period. The decrease in average securities balances reflects faster prepayments in mortgage-backed securities and collateralized mortgage obligations of U.S. government corporations and agencies. The average yield on investment securities decreased to 5.72% from 6.38% in the prior year period, reflecting the impact of the reinvestment of a portion of the principal prepayments in a lower interest rate environment.

Interest expense on deposits decreased $1,121,000 for the three months ended March 31, 2003 to $2,202,000 from $3,323,000 for the comparable 2002 period principally due to lower rates paid. Average rate paid on interest-bearing deposits was 1.36%, which was 70 basis points lower than the prior year period. The decrease in average cost of deposits reflects the lower interest rate environment during the 2003 period.

Provision for Loan Losses

Based on management's continuing evaluation of the loan portfolio (discussed under "Asset Quality" below), the provision for loan losses for the first three months of 2003 was $1,791,000 compared with $1,679,000 in the like 2002 period.

Noninterest Income

Noninterest income increased $1,048,000 for the first quarter of 2003 when compared with the like 2002 period, primarily as a result of increased income from mortgage banking and trade finance activities, from service charges on deposit accounts, from a bank-owned life insurance program and from gains on sales of securities.

Noninterest Expenses

Noninterest expenses increased $683,000 for the first quarter of 2003 when compared with the like 2002 period primarily due to increased salary expenses, occupancy costs, expenses related to the trust preferred securities placement, and advertising and marketing expenses incurred to support growing levels of business activity and continued investment in the business franchise. Partially offsetting these increases were reductions in fees for data processing, professional services and various other expenses.

BALANCE SHEET ANALYSIS

Securities

The Company's securities portfolios are comprised of principally U.S. Government and U.S. Government corporation and agency guaranteed mortgage-backed securities along with other debt and equity securities. At March 31, 2003, the Company's portfolio of securities totalled $600,861,000 of which U.S. Government and U.S. Government corporations and agencies guaranteed mortgage-backed and collateralized mortgage obligations securities having an average life of approximately 2.5 years amounted to $528,558,000.

Securities classified as "available for sale" may be sold in the future, prior to maturity. These securities are carried at market value. Net aggregate unrealized gains or losses on these securities are included in a valuation allowance account and are shown net of taxes as a component of shareholders' equity. The following table presents information regarding securities available for sale:

MARCH 31, 2003	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Est M V
U.S. Treasury securities	$ 2,498,512	$ 238	$ -	$ 2
Obligations of U.S. government corporations and agencies--mortgage-backed securities	72,308,055	2,693,779	34,414	74
Obligations of U.S. government corporations and agencies-collateralized mortgage obligations	45,730,433	315,804	111,871	45
Obligations of state and political institutions	32,531,376	2,417,277	-	34
Trust preferred securities	3,222,154	303,359	-	3
Other debt securities	20,000,000	-	-	20
Federal Reserve Bank and other equity securities	10,064,742	16,312	577	10
Total	$ 186,355,272	$ 5,746,769	$ 146,862	$191

Given the generally high credit quality of the portfolio, management expects to realize all of its investment upon the maturity of such instruments, and thus believes that any market value impairment is temporary in nature.

The Company has the intent and ability to hold to maturity securities classified as "held to maturity." These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts. The following table presents information regarding securities held to maturity:

MARCH 31, 2003	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Est M V
Obligations of U.S. government corporations and agencies--mortgage-backed securities	$ 287,399,661	$11,153,476	$ 31,234	$298
Obligations of U.S. government corporations and agencies-collateralized mortgage obligations	120,256,221	424,213	1,216,181	119
Debt securities issued by foreign governments	1,250,000	-	-	1
Total	$ 408,905,882	$11,577,689	$ 1,247,415	$419

Loan Portfolio

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

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The Company's commercial and industrial loan portfolio represents approximately 57% of loans, net of unearned discounts. Loans in this category are typically made to small and medium sized businesses and range between $250,000 and $10 million. The primary source of repayment is from the borrower's operating profits and cash flows. Based on underwriting standards, loans may be secured in whole or in part by collateral such as accounts receivable, inventory, marketable securities, other liquid collateral, equipment and/or other assets. The Company's real estate loan portfolio, which represents approximately 23% of loans, net of unearned discounts, is secured by mortgages on real property located principally in the states of New York and Virginia. The Company's leasing portfolio, which consists of finance leases for various types of business equipment, represents approximately 16% of loans, net of unearned income. The collateral securing any loan may vary in value based on market conditions. The following table sets forth the major components of the Company's loans held for sale and loans held in portfolio:

	March 31,		
	2003		200
	($ in thousands)		
	Balances	% of Gross	Balances
Commercial and industrial	$481,183	57.5%	$488,850
Equipment lease financing	132,720	15.9	96,746
Real estate	193,174	23.1	151,062
Installment - individuals	9,567	1.1	8,269
Loans to depository institutions	20,000	2.4	34,000
Loans, net of unearned discounts	$836,644	100.0%	$778,927

Asset Quality

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

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

evaluation both of loans presenting identified loss potential and of the risk inherent in various components of the portfolio, including loans identified as impaired as required by SFAS No. 114. Thus, an increase in the size of the portfolio or in any of its components could necessitate an increase in the allowance even though there may not be a decline in credit quality or an increase in potential problem loans. A significant change in any of the evaluation factors described above could result in future additions to the allowance. At March 31, 2003, the ratio of the allowance to loans held in portfolio, net of unearned discounts, was 1.77% and the allowance was $13,819,000. At such date, the Company's non-accrual loans amounted to $2,074,000; $619,000 of such loans were judged to be impaired within the scope of SFAS No. 114 and required valuation allowances of $210,000. Based on the foregoing, as well as management's judgment as to the current risks inherent in the loan portfolio, the Company's allowance for loan losses was deemed adequate to absorb all estimable losses on specifically known and other possible credit risks associated with the portfolio as of March 31, 2003. Potential problem loans, which are loans that are currently performing under present loan repayment terms but where known information about possible credit problems of borrowers cause management to have serious doubts as to the ability of the borrowers to continue to comply with the present repayment terms, aggregated $1,555,000 at March 31, 2003.

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:

	March 31,		
	2003		20
	($ in thousands)		
	Balances	% of Total	Balances
Domestic			
Demand	$ 354,159	34.0%	$ 307,617
NOW	114,971	11.0	107,896
Savings	26,959	2.6	26,902
Money Market	173,851	16.7	171,443
Time deposits	368,035	35.4	383,428
Total domestic deposits	1,037,975	99.7	997,286
Foreign			
Time deposits	3,000	0.3	3,000
Total deposits	$1,040,975	100.0%	$1,000,286

Fluctuations of balances in total or among categories at any date may occur based on the Company's mix of assets and liabilities as well as on customer's balance sheet strategies. Historically, however, average balances for deposits have been relatively stable. Information regarding these average balances is presented on page 20.

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CAPITAL

The Company and the bank are subject to risk-based capital regulations. The purpose of these regulations is to quantitatively measure capital against risk-weighted assets, including off-balance sheet items. These regulations define the elements of total capital into Tier 1 and Tier 2 components and establish minimum ratios of 4% for Tier 1 capital and 8% for Total Capital for capital adequacy purposes. Supplementing these regulations is a leverage requirement. This requirement establishes a minimum leverage ratio (at least 3% to 5%) which is calculated by dividing Tier 1 capital by adjusted quarterly average assets (after deducting goodwill). Information regarding the Company's and the bank's risk-based capital is presented on page 22. In addition, the Company and the bank are subject to the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1981 ("FDICIA") which imposes a number of mandatory supervisory measures. Among other matters, FDICIA established five capital categories ranging from "well capitalized" to "critically under capitalized." Such classifications are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under the provisions of FDICIA a "well capitalized" institution must maintain minimum leverage, Tier 1 and Total Capital ratios of 5%, 6% and 10%, respectively. At March 31, 2003, the Company and the bank exceeded the requirements for "well capitalized" institutions.

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STERLING BANCORP AND SUBSIDIARIES
Average Balance Sheets [1]
Three Months Ended March 31,
(dollars in thousands)

	2003			
	Average Balance	Interest	Average Rate	Average Balance
ASSETS				
Interest-bearing deposits				
with other banks	$ 3,700	$ 8	0.94%	$ 3,500
Investment securities:				
Available for sale	155,407	2,155	5.55	245,262
Held to maturity	379,948	5,331	5.61	309,223
Tax-exempt [2]	32,655	606	7.52	34,605
Federal funds sold	7,244	22	1.21	36,033
Loans, net of unearned discounts				
Domestic [3]	802,795	14,760	7.73	708,818
TOTAL INTEREST-EARNING ASSETS	1,381,749	22,882	6.80%	1,337,441
Cash and due from banks	53,842			49,515
Allowance for loan losses	(14,244)			14,481
Goodwill	21,158			21,158
Other assets	62,753			47,690
TOTAL ASSETS	$ 1,505,258			$ 1,441,323
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest-bearing deposits				
Domestic				
Savings	$ 26,211	26	0.40%	$ 27,344
NOW	114,727	137	0.48	100,402

Money market	151,143	175	0.47	170,025
Time	360,263	1,852	2.08	354,522
Foreign	-	-	-	
Time	3,000	12	1.66	2,998
Total interest-bearing deposits	655,344	2,202	1.36	655,291
Borrowings				
Federal funds purchased and securities sold under agreements to repurchase	97,491	310	1.29	95,287
Commercial paper	24,005	70	1.19	38,634
Other short-term debt	31,357	190	2.45	18,983
Long-term debt	115,000	1,081	3.76	111,920
Total borrowings	267,853	1,651	2.48	264,824
TOTAL INTEREST-BEARING LIABILITIES	923,197	3,853	1.69%	920,115
Noninterest-bearing deposits	345,519			304,879
Other liabilities	81,098			79,035
Total liabilities	1,349,814			1,304,029
Corporation Obligated Mandatorily Redeemable Preferred Securities	25,000			9,167
Shareholders' equity	130,444			128,127
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,505,258			$ 1,441,323
Net interest income/spread		19,029	5.11%	
Net yield on interest-earning assets (margin)			5.62%	
Less: Tax equivalent adjustment		249		
Net interest income		$ 18,780		

[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 2002 amounts 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. Nonaccrual loans are included in amounts outstanding and income has been included to the extent collected.

STERLING BANCORP AND SUBSIDIARIES
Rate/Volume Analysis [1]

(in thousands)

	Increase/ (Decrease) Three Months Ended March 31, 2003 to March 31, 2002		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ -	$ (1)	$ (1)
Investment securities			
Available for sale	(1,278)	(366)	(1,644)
Held to maturity	1,029	(641)	388
Tax-exempt	(36)	1	(35)
Total investment securities	(285)	(1,006)	(1,291)
Federal funds sold	(95)	(32)	(127)
Loans, net of unearned discounts			
Domestic [3]	1,975	(1,381)	594
Total loans, net of unearned discount	1,975	(1,381)	594
TOTAL INTEREST INCOME	$ 1,595	$ (2,420)	$ (825)
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (2)	$ (15)	$ (17)
NOW	30	(122)	(92)
Money market	(40)	(181)	(221)
Time	43	(828)	(785)
Foreign			
Time	-	(6)	(6)
Total interest-bearing deposits	31	(1,152)	(1,121)
Borrowings			
Federal funds purchased and securities sold under agreements to repurchase	10	(147)	(137)
Commercial paper	(62)	(74)	(136)
Other short-term debt	75	7	82
Long-term debt	29	(8)	21
Total borrowings	52	(222)	(170)
TOTAL INTEREST EXPENSE	$ 83	$ (1,374)	$ (1,291)
NET INTEREST INCOME	$ 1,512	$ (1,046)	$ 466

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

[2] Changes in interest income and interest expense due to a combination of both volume and rate have been allocated to the change due to volume and the change due to rate in proportion to the relationship of the change due solely to each.

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

STERLING BANCORP AND SUBSIDIARIES
Regulatory Capital and Ratios

Ratios and Minimums
(dollars in thousands)

	Actual		For Capital Adequacy Minimum		
As of March 31, 2002	Amount	Ratio	Amount	Ratio	A
Total Capital (to Risk Weighted Assets):					
The Company	$ 147,431	15.65%	$ 75,344	8.00%	$
The bank	111,063	12.39	71,724	8.00	
Tier 1 Capital (to Risk Weighted Assets):					
The Company	135,633	14.40	37,672	4.00	
The bank	99,840	11.14	35,862	4.00	
Tier 1 Leverage Capital (to Average Assets):					
The Company	135,633	9.14	59,364	4.00	
The bank	99,840	6.93	57,608	4.00	
As of December 31, 2002					
Total Capital (to Risk Weighted Assets):					
The Company	$ 144,054	15.34%	$ 75,134	8.00%	$
The bank	105,265	11.76	71,632	8.00	
Tier 1 Capital (to Risk Weighted Assets):					
The Company	132,292	14.09	37,567	4.00	
The bank	94,059	10.50	35,816	4.00	
Tier 1 Leverage Capital (to Average Assets):					
The Company	132,292	8.95	59,153	4.00	
The bank	94,059	6.55	57,437	4.00	

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ASSET/LIABILITY MANAGEMENT

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

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

Market Risk

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

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

A traditional gap analysis is prepared based on the maturity and repricing characteristics of interest-earning assets and interest-bearing liabilities for selected time bands. The mismatch between repricings or maturities within a time band is commonly referred to as the "gap" for that period. A positive gap (asset sensitive) where interest-rate sensitive assets exceed interest-rate sensitive liabilities generally will result in an institution's net interest margin increasing in a rising rate environment and decreasing in a falling rate environment. A negative gap (liability sensitive) will generally have the opposite result on an institution's net interest margin. However, the traditional gap analysis does not assess the relative sensitivity of assets and liabilities to changes in interest rates. The Company utilizes the gap analysis to complement its income simulations modeling, 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 March 31, 2003, is presented on page 26. The results of both the income simulation analysis and the gap analysis, reveal that net interest income would increase during periods of rising interest rates and decrease during periods of falling interest rates.

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

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

At March 31, 2003, the Company's financial instruments consisted of two interest rate floor contracts each having a notional amount of $25 million and a final maturity of August 14, 2003. These financial instruments are being used as part of the Company's interest rate risk management and not for trading purposes. At March 31, 2003, all counterparties have investment grade credit ratings from the major rating agencies. Each counterparty is specifically approved for applicable credit exposure.

The interest rate floor contracts require the Company to pay a fee for the right to receive a fixed interest payment. The Company paid up-front premiums of $110,000 which are amortized monthly against interest income from the designated assets. At March 31, 2003, the unamortized premiums on these contracts totaled $20,000 and are included in other assets. At March 31, 2003, there was $127,000 receivable under these contracts.

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

The Company's interest rate sensitivity is determined by identifying the probable impact of changes in market interest rates on the yields on the Company's assets and the rates which would be paid on its liabilities. This modeling technique involves a degree of estimation based on certain assumptions that management believes to be reasonable. Utilizing this process, management can project the impact of changes in interest rates on net interest margin. The estimated effects of the Company's interest rate floors are included in the results of the sensitivity analysis. The Company has established certain limits for the potential volatility of its net interest margin assuming certain levels of changes in market interest rates with the objective of maintaining a stable net interest margin under various probable rate scenarios. Management generally has maintained a risk position well within the policy limits. As of March 31, 2003, the model indicated the impact of a 200 basis point parallel and pro rata rise in rates over twelve months would approximate a 4.51% ($3,188,000) increase in net interest income, while the impact of a 200 basis point decline in rates over the same period would approximate a 4.98% ($3,516,000) decline from an unchanged rate environment.

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

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

Liquidity Risk

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

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

The bank's ability to supply funds to the parent company and its nonbank subsidiaries is subject to various legal restrictions. All national banks are limited in the payment of dividends without the approval of the Comptroller of the Currency to an amount not to exceed the net profits as defined, for that year to date combined with its retained net profits for the preceding two calendar years.

At March 31, 2003, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $18,855,000. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $38,424,000 and back-up credit lines with banks of $24,000,000. Since 1979, the parent company has had no need to use available back-up lines of credit.

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

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STERLING BANCORP AND SUBSIDIARIES

Interest Rate Sensitivity

To mitigate the vulnerability of earnings to changes in interest rates, the Company manages the repricing characteristics of assets and liabilities in an attempt to control net interest rate sensitivity. Management attempts to confine significant rate sensitivity gaps predominantly to repricing intervals of a year or less so that adjustments can be made quickly. Assets and liabilities with predetermined repricing dates are classified based on the earliest repricing period. Amounts are presented in thousands.

	Repricing Date				
	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 5 Years	Over 5 Years	
ASSETS					
Interest-bearing deposits with other banks	$ 2,137	$ -	$ -	$ -	$
Investment securities	22,850	997	47,495	519,439	
Loans, net of unearned discounts					
Commercial and industrial	469,817	4,755	7,256	27	
Loans to depository institutions	20,000	-	-	-	
Lease financing	759	7,642	138,376	3,739	
Real estate	110,052	9,474	43,297	30,361	
Installment	7,981	102	1,191	309	
Noninterest-earning assets and allowance for loan losses	-	-	-	-	
Total Assets	633,596	22,970	237,615	553,875	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Interest-bearing deposits					
Savings [1]	-	-	26,959	-	
NOW [1]	-	-	114,971	-	
Money market [1]	140,725		33,126	-	
Time - domestic	214,901	94,722	58,222	190	
- foreign	1,180	1,820	-	-	
Federal funds purchased &					

securities sold u/a/r	118,443	1,080	-	-	
Commercial paper	18,593	-	-	-	
Other short-term borrowings	10,018	20,000	-	-	
Long-term borrowings - FHLB	-	-	15,000	100,000	
Noninterest-bearing liabilities and shareholders' equity	-	-	-	-	
Total Liabilities and Shareholders' Equity	503,860	117,622	248,278	100,190	
Net Interest Rate Sensitivity Gap	$ 129,736	$ (94,652)	$ (10,663)	$ 453,685	$
Cumulative Gap March 31, 2003	$ 129,736	$ 35,084	$ 24,421	$ 478,106	$
Cumulative Gap March 31, 2002	$ 110,941	$ 39,798	$ (71,514)	$ 453,158	$
Cumulative Gap December 31, 2002	$ 260,814	$ 167,170	$ 98,271	$ 522,344	$

(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.

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STERLING BANCORP AND SUBSIDIARIES

Item 4. Controls and Procedures

Within the 90-day period prior to the filing of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-14(c) and 15d-14(c) under the Securities and Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. No significant changes were made in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Item 6. Exhibits and Reports on Form 8-K

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

11. Statement Re: Computation of Per Share Earnings

(b) Reports on Form 8-K:

In a report on Form 8-K dated January 21, 2003 and filed on January 23, 2003, the Company reported, under Item 5. "Other Events" and under Item 7. "Financial Statements, Pro Forma Financial Information and Exhibits", the press release announcing results for the quarter and twelve months ended December 31, 2002.

In a report on Form 8-K dated February 20, 2003 and filed on February 28, 2003, the Company reported, under Item 5. "Other Events" and under Item 7. "Financial Statements, Pro Forma Financial Information and Exhibits", the press release announcing the declaration of its 229th consecutive quarterly cash dividend of $0.19 payable March 31, 2003 to shareholders of record on March 15, 2003.

In a report on Form 8-K dated March 31, 2003 and filed on March 31, 2003, the Company reported, under Item 9. "Regulation FD Disclosure", the filing by the Company's Chief Executive Officer and Chief Financial Officer of Certifications required to accompany the Company's Annual Report on Form 10-K for the year ended December 31, 2002 required pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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 05/14/03	/s/ Louis J. Cappelli ----------------------------------- Louis J. Cappelli Chairman and Chief Executive Officer
Date 05/14/03	/s/ John W. Tietjen ---------------------------------- John W. Tietjen Executive Vice President, Treasurer and Chief Financial Officer

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CERTIFICATIONS

I, Louis J. Cappelli, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sterling Bancorp (the "Company");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in

this quarterly report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

    a) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 5/14/03

/s/ Louis J. Cappelli

Name: Louis J. Cappelli
Title: Chairman and Chief Executive Officer

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CERTIFICATIONS

I, John W. Tietjen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sterling Bancorp (the "Company");

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this quarterly report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: 5/14/03

/s/ John W. Tietjen

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

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STERLING BANCORP AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit Number	Description	Filed Herewith	Sequential Page No.
11.	Computation of Per Share Earnings	X	

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