

STERLING BANCORP  
Form 10-Q  
August 07, 2009

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009  
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.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(17 CFR ' 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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

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

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

As of July 31, 2009 there were 18,106,491 shares of common stock, \$1.00 par value, outstanding.

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## STERLING BANCORP

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Certification of the CFO required by Section 1350 of Chapter 63  
of Title 18 of the U.S. Code

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

ASSETS	June 30, 2009	December 31, 2008
Cash and due from banks	\$34,816	\$ 31,832
Interest-bearing deposits with other banks	5,611	13,949
Securities available for sale (at estimated fair value; pledged: \$194,004 in 2009 and \$334,048 in 2008)	353,736	505,762
Securities held to maturity (pledged: \$201,720 in 2009 and \$206,726 in 2008) (estimated fair value: \$370,844 in 2009 and \$305,628 in 2008)	363,995	301,127
Total investment securities	717,731	806,889
Loans held for sale	57,385	23,403
Loans held in portfolio, net of unearned discounts	1,160,429	1,184,585
Less allowance for loan losses	18,134	16,010
Loans, net	1,142,295	1,168,575
Customers' liability under acceptances	180	95
Goodwill	22,901	22,901
Premises and equipment, net	10,041	10,668
Other real estate	1,105	1,544
Accrued interest receivable	7,772	8,917
Cash surrender value of life insurance policies	47,805	45,845
Other assets	78,064	43,122
	\$2,125,706	\$ 2,177,740
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits		
Demand deposits	\$440,626	\$ 464,585
Savings, NOW and money market deposits	532,275	564,205
Time deposits	331,766	329,034
Total deposits	1,304,667	1,357,824
Securities sold under agreements to repurchase - customers	55,129	44,334
Federal funds purchased	87,000	131,000
Commercial paper	11,739	11,732
Short-term borrowings - FHLB	-	75,000
Short-term borrowings - FRB	160,000	100,000
Short-term borrowings - other	4,262	1,338
Long-term borrowings - FHLB	150,000	150,000
Long-term borrowings - subordinated debentures	25,774	25,774
Total borrowings	493,904	539,178
Acceptances outstanding	180	95
Accrued interest payable	1,874	2,046
Accrued expenses and other liabilities	167,360	118,117
Total liabilities	1,967,985	2,017,260

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Shareholders' equity		
Preferred stock, Series A, \$5 par value; \$1,000 liquidation value. Authorized 644,389 shares; issued 42,000 shares, respectively	39,869	39,440
Common stock, \$1 par value. Authorized 50,000,000 shares; issued 22,226,425 and 22,202,419 shares, respectively	22,227	22,203
Warrants to purchase common stock	2,615	2,615
Capital surplus	178,668	178,417
Retained earnings	15,343	19,088
Accumulated other comprehensive loss	(15,833 )	(16,259 )
Common shares in treasury at cost, 4,119,934 and 4,107,191 shares, respectively	(85,168 )	(85,024 )
Total shareholders' equity	157,721	160,480
	\$2,125,706	\$ 2,177,740

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>INTEREST INCOME</b>				
Loans	\$ 18,264	\$ 20,001	\$ 35,816	\$ 40,821
Investment securities				
Available for sale	4,335	5,670	9,830	10,382
Held to maturity	3,594	4,034	7,128	8,259
Federal funds sold	-	1	-	1
Deposits with other banks	9	7	19	19
Total interest income	26,202	29,713	52,793	59,482
<b>INTEREST EXPENSE</b>				
Deposits				
Savings, NOW and money market	943	1,089	2,068	2,699
Time	2,049	4,034	4,215	9,372
Securities sold under agreements to repurchase				
- customers	88	442	203	1,088
- dealers	-	416	-	733
Federal funds purchased	7	217	41	579
Commercial paper	17	117	40	312
Short-term borrowings - FHLB	-	311	11	526
Short-term borrowings - FRB	126	1	225	1
Short-term borrowings - other	-	5	1	19
Long-term borrowings - FHLB	1,134	1,085	2,256	1,799
Long-term borrowings - subordinated debentures	524	524	1,047	1,047
Total interest expense	4,888	8,241	10,107	18,175
Net interest income	21,314	21,472	42,686	41,307
Provision for loan losses	6,800	2,200	13,000	4,150
Net interest income after provision for loan losses	14,514	19,272	29,686	37,157
Total noninterest income	10,798	8,572	21,596	17,244
Total noninterest expenses	24,143	21,130	44,195	41,296
Income before income taxes	1,169	6,714	7,087	13,105
Provision for income taxes	394	2,544	2,700	4,933

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Net income	775	4,170	4,387	8,172
Dividends on preferred shares and accretion	637	-	1,479	-
Net income available to common shareholders	\$ 138	\$4,170	\$2,908	\$8,172
Average number of common shares outstanding				
Basic	18,100,860	17,904,100	18,099,523	17,884,662
Diluted	18,125,860	17,929,100	18,124,523	17,909,662
Net income, per average common share				
Basic	\$0.04	\$0.23	\$0.24	\$0.46
Diluted	0.04	0.23	0.24	0.45
Net income available to common shareholders, per average common share				
Basic	0.01	0.23	0.16	0.46
Diluted	0.01	0.23	0.16	0.45
Dividends per common share	0.19	0.19	0.38	0.38

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net Income	\$775	\$4,170	\$4,387	\$8,172
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities:				
Unrealized holding gains (losses) on available for sale securities and other investments arising during the year	1,667	(5,159 )	1,688	(3,804 )
Reclassification adjustment for (gains) losses included in net income	(478 )	278	(2,152 )	278
Reclassification adjustment for amortization of:				
Prior service cost	9	9	18	18
Net actuarial losses	518	230	872	461
Other comprehensive income (loss)	1,716	(4,642 )	426	(3,047 )
Comprehensive income (loss)	\$2,491	\$(472 )	\$4,813	\$5,125

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2009	2008
<b>Preferred Stock</b>		
Balance at January 1,	\$39,440	\$-
Discount accretion	429	-
Balance at June 30,	\$39,869	\$-
<b>Common Stock</b>		
Balance at January 1,	\$22,203	\$21,278
Common shares issued under stock incentive plan	24	535
Balance at June 30,	\$22,227	\$21,813
<b>Warrants to Purchase Common Stock</b>		
Balance at January 1, and June 30,	\$2,615	\$-
<b>Capital Surplus</b>		
Balance at January 1,	\$178,417	\$168,869
Common shares issued under stock incentive plan and related tax benefits	185	5,764
Stock option compensation expense	66	-
Balance at June 30,	\$178,668	\$174,633
<b>Retained Earnings</b>		
Balance at January 1,	\$19,088	\$17,538
Adjustment upon adoption of EITF 06-4 effective January 1, 2008	-	(726 )
Balance at January 1, as adjusted	19,088	16,812
Net income	4,387	8,172
Cash dividends paid - preferred shares	(828 )	-
Cash dividends paid - common shares	(6,875 )	(6,824 )
Discount accretion on series A preferred stock	(429 )	-
Balance at June 30,	\$15,343	\$18,160
<b>Accumulated Other Comprehensive Loss</b>		
Balance at January 1,	\$(16,259 )	\$(10,812 )
Other comprehensive income (loss), net of tax	426	(3,047 )
Balance at June 30,	\$(15,833 )	\$(13,859 )
<b>Treasury Stock</b>		
Balance at January 1,	\$(85,024 )	\$(75,803 )
Surrender of shares issued under stock incentive plan	(144 )	(5,218 )
Balance at June 30,	\$(85,168 )	\$(81,021 )
<b>Total Shareholders' Equity</b>		

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Balance at January 1,	\$160,480	\$121,070
Net changes during the period	(2,759 )	(1,344 )
Balance at June 30,	\$157,721	\$119,726

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2009	2008
<b>Operating Activities</b>		
Net Income	\$4,387	\$8,172
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for loan losses	13,000	4,150
Depreciation and amortization of premises and equipment	1,178	1,302
Securities (gains) losses	(3,939 )	507
Income from life insurance policies, net	(682 )	(563 )
Deferred income tax benefit	(2,062 )	(1,522 )
Proceeds from sale of loans	305,687	237,014
Gains on sales of loans, net	(4,644 )	(5,201 )
Originations of loans held for sale	(335,026 )	(235,762 )
Amortization of premiums on securities	772	192
Accretion of discounts on securities	(648 )	(405 )
Decrease (Increase) in accrued interest receivable	1,408	(2,796 )
Decrease in accrued interest payable	(165 )	(810 )
Increase (Decrease) in accrued expenses and other liabilities	10,658	(408 )
Increase in other assets	(2,408 )	(5,876 )
(Gain) Loss on other real estate owned	(20 )	303
Other, net	-	284
Net cash used in operating activities	(16,891 )	(9,591 )
<b>Investing Activities</b>		
Purchase of premises and equipment	(515 )	(991 )
Net decrease in interest-bearing deposits		
with other banks	8,337	99
Net increase in Federal funds sold	-	(2,500 )
Net decrease (increase) in loans held in portfolio	58,256	(12,606 )
Net (increase) decrease in short-term factored receivables	(25,252 )	2,839
Decrease in other real estate	721	885
Proceeds from prepayments, redemptions or maturities of securities - held to maturity	38,272	28,741
Purchases of securities - held to maturity	(64,878 )	-
Proceeds from calls/sale of securities - available for sale	223,019	-
Proceeds from prepayments, redemptions or maturities of securities - available for sale	70,017	164,818
Purchases of securities - available for sale	(165,154 )	(342,332 )
Cash paid in acquisition	(21,333 )	-
Net cash provided by (used in) investing activities	121,490	(161,047 )
<b>Financing Activities</b>		
Net decrease in noninterest-bearing demand deposits	(23,959 )	(41,743 )
Net (decrease) increase in savings, NOW and money market deposits	(31,930 )	19,069
Net increase (decrease) in time deposits	2,732	(65,150 )
(Decrease) Increase in Federal funds purchased	(44,000 )	5,000

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Net increase in securities sold under agreement to repurchase	10,795	67,337
Net (decrease) increase in commercial paper and other short-term borrowings	(12,068 )	48,093
Increase in long-term borrowings	-	120,000
Proceeds from exercise of stock options	131	267
Cash dividends paid on preferred stock	(828 )	-
Cash dividends paid on common stock	(6,875 )	(6,824 )
Net cash (used in) provided by financing activities	(106,002 )	146,049
Net increase (decrease) in cash and due from banks	2,984	(16,417 )
Cash and due from banks - beginning of period	31,832	66,412
Cash and due from banks - end of period	\$34,816	\$49,995
Supplemental disclosures:		
Interest paid	\$10,272	\$18,985
Income taxes paid	5,746	7,969
Loans held for sale transferred to portfolio	-	2,531
Loans transferred to other real estate	262	1,770
Due from brokers on sale of securities - AFS	29,825	-
Due to brokers on purchases of securities - AFS	3,918	-
Due to brokers on purchases of securities - HTM	36,286	-

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

Basis of Presentation. The consolidated financial statements include the accounts of Sterling Bancorp and its subsidiaries, principally Sterling National Bank and its subsidiaries (the "bank"), after elimination of intercompany transactions. The consolidated financial statements as of and for the interim periods ended June 30, 2009 and 2008 are unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of such periods have been made. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current presentation. The interim consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended December 31, 2008.

Use of Estimates. The preparation of financial statements in accordance with U.S. generally accepted accounting principles ("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