Stone Harbor Emerging Markets Income Fund
Form N-Q
October 28, 2016

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-22473

Stone Harbor Emerging Markets Income Fund
(Exact name of registrant as specified in charter)

c/o Stone Harbor Investment Partners LP
31 West 52nd Street, 16th Floor
New York, NY 10019
(Address of principal executive offices) (Zip code)

Adam J. Shapiro, Esq.
c/o Stone Harbor Investment Partners LP
31 West 52nd Street, 16th Floor
New York, NY 10019
(Name and address of agent for service)

With copies to:

Michael G. Doherty, Esq.
Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036

Registrant's telephone number, including area code: (303) 623-2577

Date of fiscal year end: November 30

Date of reporting period: August 31, 2016

Item 1. Schedule of Investments.

Stone Harbor Emerging Markets Income Fund Statement of Investments

August 31, 2016 (Unaudited)

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
SOVEREIGN DEBT OBLIGATIONS - 95.79%							
Angola - 1.62%							
Republic of Angola:							
		USD	9.50 %	11/12/25	1,180,000	$1,177,788	(1)
		USD	9.50 %	11/12/25	2,689,000	2,683,958	(2)(3)
						3,861,746	
Argentina - 11.06%							
Republic of Argentina:							
		EUR	7.82 %	12/31/33	869,810	1,026,018	
		EUR	7.82 %	12/31/33	4,034,442	4,815,234	
		USD	8.28 %	12/31/33	159,832	183,807	
		USD	8.28 %	12/31/33	12,847,786	14,389,520	(3)
		EUR	0.00 %	12/15/35	11,621,307	1,335,188	(4)
		EUR	2.26 %	12/31/38	509,052	361,277	(5)
		USD	2.50 %	12/31/38	5,923,000	4,109,081	(3)(5)
		USD	7.63 %	04/22/46	133,000	150,789	(2)
						26,370,914	
Brazil - 14.12%							
Brazil Letras do Tesouro Nacional		BRL	0.00 %	01/01/18	65,755,000	17,373,395	(6)
Brazil Minas SPE via State of Minas Gerais		USD	5.33 %	02/15/28	7,098,000	6,920,550	(1)(3)
Nota Do Tesouro Nacional		BRL	10.00 %	01/01/21	16,300,000	4,731,148	
Republic of Brazil:							
		USD	7.13 %	01/20/37	329,000	392,332	
		USD	5.63 %	02/21/47	4,201,000	4,258,764	(3)
						33,676,189	
Colombia - 4.33%							
Bogota Distrio Capital		COP	9.75 %	07/26/28	8,000,000,000	2,782,357	(1)
Republic of Colombia:							
		COP	10.00 %	07/24/24	11,600,000,000	4,524,871	
		COP	7.75 %	09/18/30	8,800,000,000	3,007,952	
						10,315,180	
Costa Rica - 3.23%							
Republic of Costa Rica:							
		USD	4.25 %	01/26/23	2,550,000	2,530,875	(1)
		USD	7.00 %	04/04/44	1,485,000	1,626,075	(1)
		USD	7.00 %	04/04/44	3,246,000	3,554,370	(2)(3)

					7,711,320	
Dominican Republic - 2.73%						
Dominican Republic	USD	6.88	% 01/29/26	5,600,000	6,496,000	(1)(3)
Ecuador - 0.23%						
Republic of Ecuador	USD	7.95	% 06/20/24	612,000	539,325	(1)
El Salvador - 4.10%						
Republic of El Salvador:						
	USD	7.75	% 01/24/23	357,000	401,625	(1)
	USD	8.25	% 04/10/32	4,108,000	4,631,770	(1)(3)
	USD	7.65	% 06/15/35	3,735,000	3,959,100	(1)(3)

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
El Salvador (continued)							
Republic of El Salvador: (continued)							
		USD	7.63 %	02/01/41	750,000	$791,250	(1)
						9,783,745	
Ethiopia - 0.42%							
Federal Democratic Republic of Ethiopia		USD	6.63 %	12/11/24	1,028,000	1,007,440	(2)
Gabon - 1.46%							
Republic of Gabon:							
		USD	6.38 %	12/12/24	956,000	890,872	(2)
		USD	6.95 %	06/16/25	2,775,000	2,598,094	(2)(3)
						3,488,966	
Ghana - 1.93%							
Republic of Ghana:							
		USD	7.88 %	08/07/23	1,569,000	1,459,170	(1)(3)
		USD	10.75 %	10/14/30	2,775,000	3,146,434	(2)
						4,605,604	
Indonesia - 4.83%							
Republic of Indonesia:							
		IDR	8.25 %	07/15/21	73,300,000,000	5,859,994	
		IDR	8.38 %	09/15/26	68,900,000,000	5,659,695	
						11,519,689	
Iraq - 1.24%							
Republic of Iraq		USD	5.80 %	01/15/28	3,649,000	2,960,251	(1)(3)
Ivory Coast - 6.05%							
Ivory Coast Government		USD	5.75 %	12/31/32	14,457,960	14,412,779	(1)(3)(5)
Jamaica - 1.54%							
Jamaican Government:							
		USD	7.63 %	07/09/25	892,000	1,043,640	
		USD	6.75 %	04/28/28	2,161,000	2,466,241	
		USD	8.00 %	03/15/39	128,000	151,680	
						3,661,561	
Kenya - 1.70%							
Republic of Kenya:							
		USD	5.88 %	06/24/19	1,471,000	1,504,098	(2)(3)
		USD	6.88 %	06/24/24	2,596,000	2,552,192	(2)(3)
						4,056,290	
Lebanon - 3.02%							
Lebonese Republic:							

	USD	6.25	% 11/04/24	712,000	697,760
	USD	6.60	% 11/27/26	978,000	970,665
	USD	6.75	% 11/29/27	2,400,000	2,397,000
	USD	6.65	% 02/26/30	3,182,000	3,134,270
					7,199,695
Mexico - 5.97%					
Mexican Bonos:					
	MXN	8.00	% 06/11/20	46,740,000	2,698,844
	MXN	10.00	% 12/05/24	169,790,000	11,544,195
					14,243,039

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
Nigeria - 1.29%							
Republic of Nigeria		USD	6.38 %	07/12/23	3,083,000	$3,067,585	(2)(3)
Panama - 0.26%							
Republic of Panama		USD	8.13 %	04/28/34	424,000	618,510	
Russia - 6.56%							
Russian Federation:							
		RUB	6.80 %	12/11/19	50,000,000	726,498	
		RUB	7.00 %	08/16/23	175,250,000	2,520,898	
		RUB	7.05 %	01/19/28	872,504,000	12,390,471	
						15,637,867	
South Africa - 6.33%							
Republic of South Africa:							
		USD	5.88 %	09/16/25	318,000	357,352	
		ZAR	10.50 %	12/21/26	197,700,000	14,730,233	
						15,087,585	
Sri Lanka - 0.38%							
Republic of Sri Lanka		USD	6.13 %	06/03/25	890,000	915,427	(2)
Turkey - 5.73%							
Republic of Turkey:							
		TRY	8.30 %	06/20/18	9,010,000	3,026,741	
		TRY	10.70 %	02/17/21	17,600,000	6,227,798	
		USD	6.63 %	02/17/45	3,689,000	4,412,966	(3)
						13,667,505	
Ukraine - 3.99%							
Ukraine Government:							
		USD	7.75 %	09/01/19	1,050,000	1,051,312	(2)
		USD	7.75 %	09/01/20	4,027,000	3,991,764	(2)(3)
		USD	7.75 %	09/01/21	2,769,000	2,727,465	(2)
		USD	7.75 %	09/01/25	693,000	671,517	(2)
		USD	7.75 %	09/01/27	1,107,000	1,063,827	(2)
						9,505,885	
Venezuela - 0.59%							
Republic of Venezuela:							
		USD	13.63 %	08/15/18	518,000	361,305	(1)
		USD	7.75 %	10/13/19	367,800	182,061	(1)
		USD	8.25 %	10/13/24	410,500	182,673	(1)
		USD	7.65 %	04/21/25	164,000	71,750	
		USD	11.95 %	08/05/31	1,204,900	617,511	
						1,415,300	
Zambia - 1.08%							

Republic of Zambia:						
	USD	5.38	% 09/20/22	204,000	179,392	(1)
	USD	8.97	% 07/30/27	2,435,000	2,392,388	(1)
					2,571,780	
TOTAL SOVEREIGN DEBT OBLIGATIONS (Cost $225,704,638)					228,397,177	
BANK LOANS - 1.57%						
Brazil - 1.41%						
Banco de Investimentos Credit Suisse Brasil SA - Brazil Loan Tranche A	USD	6.25	% 01/10/18	1,000,000	1,040,200	

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
Brazil (continued)							
Banco de Investimentos Credit Suisse Brasil SA -							
Brazil Loan Tranche B		USD	6.25%	01/10/18	2,250,000	$2,340,450	
						3,380,650	
Indonesia - 0.16%							
PT Bakrie & Brothers TBK		USD	0.00%	11/25/14	2,515,676	377,351	(7)
TOTAL BANK LOANS (Cost $4,256,270)						3,758,001	
CORPORATE BONDS - 33.70%							
Algeria - 0.14%							
GTH Finance BV		USD	6.25%	04/26/20	327,000	344,985	(2)
Angola - 0.77%							
Puma International Financing SA		USD	6.75%	02/01/21	1,769,000	1,839,760	(2)
Argentina - 1.24%							
Petrobras Argentina SA		USD	7.38%	07/21/23	1,000,000	1,026,250	(2)
YPF SA		USD	8.75%	04/04/24	1,803,000	1,938,225	(2)
						2,964,475	
Azerbaijan - 2.52%							
State Oil Co. of the Azerbaijan Republic		USD	4.75%	03/13/23	6,123,000	6,008,194	(3)
Brazil - 4.45%							
ESAL GmbH		USD	6.25%	02/05/23	3,001,000	3,053,517	(2)(3)
GTL Trade Finance Inc.		USD	7.25%	04/16/44	1,000,000	1,017,500	(2)
Marfrig Holdings Europe BV		USD	8.00%	06/08/23	2,000,000	2,092,500	(2)
Minerva Luxembourg SA		USD	7.75%	01/31/23	505,000	534,038	(2)
Petrobras Global Finance BV		USD	8.75%	05/23/26	2,618,000	2,880,062	
Votorantim Cimentos SA		USD	7.25%	04/05/41	1,000,000	1,030,000	(2)
						10,607,617	
Chile - 0.97%							
GeoPark Latin America Ltd. Agencia en Chile		USD	7.50%	02/11/20	855,000	729,956	(2)
VTR Finance BV		USD	6.88%	01/15/24	1,500,000	1,582,050	(2)
						2,312,006	
Colombia - 2.52%							
Ecopetrol SA		USD	4.13%	01/16/25	3,774,000	3,665,497	(3)
Emgesa SA ESP		COP	8.75%	01/25/21	911,000,000	298,773	(2)
Empresas Publicas de Medellin ESP:							
		COP	8.38%	02/01/21	500,000,000	162,887	(1)

		COP	8.38%	02/01/21	1,030,000,000	335,548 (2)
Millicom International Cellular SA		USD	6.63%	10/15/21	1,458,000	1,543,658 (2)
						6,006,363
Ecuador - 4.05%						
EP PetroEcuador via Noble Sovereign Funding I Ltd.	Libor +5.63%	USD	6.27%	09/24/19	9,890,947	9,656,037 (1)(3)(4)
Guatemala - 0.87%						
Comcel Trust via Comunicaciones Celulares SA		USD	6.88%	02/06/24	2,000,000	2,077,500 (2)
India - 0.56%						
Greenko Dutch BV		USD	8.00%	08/01/19	390,000	419,976 (1)

	Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)	
India (continued)							
Vedanta Resources PLC:							
		USD	6.00%	01/31/19	182,000	$170,983	(2)
		USD	8.25%	06/07/21	583,000	559,152	(2)
		USD	7.13%	05/31/23	210,000	188,767	(2)
						1,338,878	
Jamaica - 0.12%							
Digicel Group Ltd.		USD	8.25%	09/30/20	312,000	282,360	(2)
Kazakhstan - 1.72%							
Zhaikmunai LLP		USD	7.13%	11/13/19	4,403,000	4,094,790	(2)(3)
Mexico - 9.89%							
America Movil SAB de CV		MXN	6.00%	06/09/19	85,000,000	4,457,321	
Metalsa SA de CV		USD	4.90%	04/24/23	768,000	777,600	(2)
Mexichem SAB de CV:							
		USD	6.75%	09/19/42	2,250,000	2,500,312	(2)
		USD	5.88%	09/17/44	500,000	503,000	(2)
Petroleos Mexicanos:							
		USD	6.88%	08/04/26	991,000	1,154,614	(2)
		USD	6.88%	08/04/26	3,115,000	3,629,286	(1)(3)
		MXN	7.47%	11/12/26	98,000,000	4,709,636	
		USD	5.63%	01/23/46	763,000	739,576	
Sixsigma Networks Mexico SA de CV		USD	8.25%	11/07/21	2,305,000	2,307,305	(2)(3)
Southern Copper Corp.		USD	6.75%	04/16/40	2,500,000	2,791,000	(3)
						23,569,650	
Peru - 0.91%							
Cia Minera Ares SAC		USD	7.75%	01/23/21	2,000,000	2,175,000	(2)
South Africa - 2.77%							
Eskom Holdings SOC Ltd.:							
		USD	5.75%	01/26/21	375,000	368,531	(1)
		USD	7.13%	02/11/25	6,258,000	6,226,710	(2)(3)
						6,595,241	
Venezuela - 0.20%							
Petroleos de Venezuela		USD	6.00%	05/16/24	1,260,000	472,500	(1)
TOTAL CORPORATE BONDS (Cost $79,692,124)						80,345,356	
CREDIT LINKED NOTES - 3.11%							
Iraq - 3.11%							
		JPY	2.84%	01/01/28	1,134,479,962	7,415,540	(4)

Republic of Iraq (Counterparty Bank of America - Merrill Lynch)					
TOTAL CREDIT LINKED NOTES (Cost $10,587,433)					7,415,540
EXCHANGE TRADED FUNDS - 4.66%					
iShares® MSCI Chile Capped ETF	USD	N/A	N/A	162,851	5,947,319
iShares® MSCI Turkey ETF	USD	N/A	N/A	135,893	5,159,857
TOTAL EXCHANGE TRADED FUNDS (Cost $12,880,208)					11,107,176

Reference Rate	Currency	Rate	Maturity Date	Principal Amount/ Shares*	Value Expressed (in USD)
Iraq (continued)					
Total Investments - 138.83% (Cost $333,120,673)					$331,023,250
Liabilities in Excess of Other Assets - (38.83)%					(92,590,332)[8]
Net Assets - 100.00%					$238,432,918

* The principal amount/shares of each security is stated in the currency in which the security is denominated.

Currency Abbreviations:
BRL - Brazilian Real
COP - Colombian Peso
EUR - Euro Currency
IDR - Indonesian Rupiah
JPY - Japanese Yen
MXN - Mexican Peso
RUB - Russian Ruble
TRY - New Turkish Lira
USD - United States Dollar
ZAR - South African Rand

(1) Securities were originally issued pursuant to Regulation S under the Securities Act of 1933, which exempts securities offered and sold outside of the United States from registration. Such securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. As of August 31, 2016, the aggregate market value of those securities was $68,695,951, which represents approximately 28.81% of net assets.

(2) Security exempt from registration under Rule 144A of the Securities Act of 1933. Such securities may normally be sold to qualified institutional buyers in transactions exempt from registration. Total market value of Rule 144A securities amounts to $71,961,997, which represents approximately 30.17% of net assets as of August 31, 2016.

(3) On August 31, 2016, securities valued at $126,607,144 were pledged as collateral for reverse repurchase agreements.

(4) Floating or variable rate security. Interest rate disclosed is that which is in effect as of August 31, 2016.

(5) Step bond. Coupon changes periodically based upon a predetermined schedule. Interest rate disclosed is that which is in effect as of August 31, 2016.

(6) Issued with a zero coupon. Income is recognized through the accretion of discount.

(7) Security is in default and therefore is non-income producing.

(8) Includes cash which is being held as collateral for derivatives.

OUTSTANDING FORWARD FOREIGN CURRENCY CONTRACTS

Counterparty	Foreign Currency	Contracted Amount**	Purchase/Sale Contract	Settlement Date	Current Value	Unrealized Appreciation/ (Depreciation)
Citigroup Global Markets	EUR	6,519,021	Purchase	09/09/16	$7,274,599	$ 13,009
Citigroup Global Markets	JPY	733,605,200	Sale	09/09/16	7,093,381	14,012
J.P. Morgan Chase & Co.	JPY	772,699,800	Sale	10/11/16	7,481,518	11,343
						$ 38,364
Citigroup Global Markets	EUR	6,777,400	Sale	10/11/16	$7,573,297	$ (12,863)
J.P. Morgan Chase & Co.	EUR	6,686,900	Sale	09/09/16	7,461,935	(20,519)
J.P. Morgan Chase & Co.	EUR	167,879	Purchase	09/09/16	187,337	(312)
J.P. Morgan Chase & Co.	JPY	733,605,200	Purchase	09/09/16	7,093,381	(9,071)
						$ (42,765)

** The contracted amount is stated in the currency in which the contract is denominated.

CREDIT DEFAULT SWAP CONTRACTS ON SOVEREIGN DEBT OBLIGATIONS ISSUE - SELL PROTECTION[(1)]

Reference Obligations	Counterparty	Fixed Deal Receive Rate	Maturity Date	Implied Credit Spread at August 31, 2016[(2)]	Notional Amount[(3)]	Value	Upfront Premiums Received	Unrealized Appreciation
Petroleos de Venezuela	Credit Suisse First Boston	5.000%	12/20/2016	86.510 %	$4,940,000	$(1,050,367)	$1,224,725	$ 174,358
Petroleos de Venezuela	Credit Suisse First Boston	5.000%	12/20/2016	86.510 %	3,760,000	(799,470)	1,137,867	338,397
						$(1,849,837)	$2,362,592	$ 512,755

(1) If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

(2) Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements on sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

(3) The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

REVERSE REPURCHASE AGREEMENTS

Counterparty	Interest Rate	Acquisition Date	Amount
Credit Suisse First Boston	1.250 %	12/16/2015	$2,397,870
Credit Suisse First Boston	1.500 %	12/16/2015	7,368,103
Credit Suisse First Boston	1.000 %	12/17/2015	4,060,000
Credit Suisse First Boston	1.250 %	02/18/2016	1,640,025
Credit Suisse First Boston	1.300 %	03/24/2016	939,978
Credit Suisse First Boston	1.250 %	06/02/2016	2,679,540
Credit Suisse First Boston	1.500 %	06/02/2016	4,194,125
Credit Suisse First Boston	1.500 %	06/03/2016	1,797,900
Credit Suisse First Boston	0.750 %	06/08/2016	4,353,453
Credit Suisse First Boston	1.250 %	06/08/2016	4,972,800
Credit Suisse First Boston	1.500 %	06/08/2016	4,599,380
Credit Suisse First Boston	1.250 %	06/16/2016	2,560,000
Credit Suisse First Boston	1.500 %	06/16/2016	12,033,100
Credit Suisse First Boston	1.250 %	07/22/2016	16,669,015
Credit Suisse First Boston	0.000 %	07/29/2016	3,075,300
Credit Suisse First Boston	1.150 %	07/29/2016	3,497,172

Credit Suisse First Boston	1.250%	08/11/2016	3,255,090
Credit Suisse First Boston	1.500%	08/11/2016	14,723,619
			$94,816,470

All agreements can be terminated by either party on demand at value plus accrued interest.

INTEREST RATE SWAP CONTRACTS

Pay/Receive Floating Rate	Clearing House	Floating Rate	Expiration Date	Notional Amount	Fixed Rate	Value	Unrealized Depreciation
Receive	Chicago Mercantile Exchange	3 month LIBOR	02/06/2025	$26,600,000	1.975%	$(1,252,695)	$(1,252,695)
						$(1,252,695)	$(1,252,695)

Stone Harbor Emerging Markets Income Fund Notes to Statement of Investments
August 31, 2016 (Unaudited)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Stone Harbor Emerging Markets Income Fund (the "Fund") is a closed-end management investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund is organized as a Massachusetts business trust pursuant to an Agreement and Declaration of Trust governed by the laws of The Commonwealth of Massachusetts (the "Declaration of Trust"). The Fund's inception date is December 22, 2010. Prior to that, the Fund had no operations other than matters relating to its organization and the sale and issuance of 4,188 shares of beneficial interest ("Common Shares") in the Fund to the Stone Harbor Investment Partners LP (the "Adviser" or "Stone Harbor") at a price of $23.88 per share. The Fund's common shares are listed on the New York Stock Exchange (the "Exchange") and trade under the ticker symbol "EDF".

The Fund's investment objective is to maximize total return, which consists of income on its investments and capital appreciation. The Fund will normally invest at least 80% of its net assets (plus any borrowings made for investment purposes) in emerging markets securities. Emerging markets securities include fixed income securities and other instruments (including derivatives) that are economically tied to emerging market countries, which are denominated in the predominant currency of the local market of an emerging market country or whose performance is linked to those countries' markets, currencies, economies or ability to repay loans. A security or instrument is economically tied to an emerging market country if it is principally traded on the country's securities markets or if the issuer is organized or principally operates in the country, derives a majority of its income from its operations within the country or has a majority of its assets within the country.

The Fund is classified as "non-diversified" under the 1940 Act. As a result, it can invest a greater portion of its assets in obligations of a single issuer than a "diversified" fund. The Fund may therefore be more susceptible than a diversified fund to being adversely affected by any single corporate, economic, political or regulatory occurrence.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its Statement of Investments. The Fund is considered an investment company for financial reporting purposes under generally accepted accounting principles in the United States of America ("GAAP"). The policies are in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of the date of the Statement of Investments. Actual results could differ from those estimates.

Investment Valuation: Sovereign debt obligations, corporate bonds, and convertible corporate bonds, are generally valued at the mean between the closing bid and asked prices provided by an independent pricing service. The pricing services generally uses market models that consider trade data, yields, spreads, quotations from dealers and active market makers, credit worthiness, market information on comparable securities, and other relevant security specific information. Bank Loans are primarily valued by a loan pricing provider using a composite loan price at the mean of the bid and ask prices from one or more brokers of dealers. Credit Linked securities are generally valued using quotations from broker through which the Fund executed the transaction. The broker's quotation considers cash flows, default and recovery rates, and other security specific information. Equity securities for which market quotations are available are generally valued at the last sale price or official closing price on the primary market or exchange on which they trade. If on a given day, a closing price is not available on the exchange, the equity security is valued at the mean between the closing bid and ask prices, as such prices are provided by a pricing service. Publicly traded foreign government debt securities are typically traded internationally in the over the counter market and are valued at the mean between the bid and asked prices as of the close of business of that market. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the

Fund calculates its net asset value, the Fund may value these investments at fair value as determined in accordance with the procedures approved by the Fund's Board of Trustees (the "Board"). Short term obligations with maturities of 60 days or less are valued at amortized cost, which approximates market value. Exchange Traded Funds ("ETFs") are valued at the close price on the exchange it is listed. Money market mutual funds are valued at their net asset value. Over the counter traded derivatives (primarily swaps and foreign currency options) are generally priced by an independent pricing service. OTC traded credit default swaps are valued by the independent pricing source using a mid price that is calculated based on data an independent pricing source receives from dealers. OTC traded foreign currency options are valued by an independent pricing source using mid foreign exchange rates against USD for all currencies at 4:00 p.m. EST. Derivatives which are cleared by an exchange are priced by using the last price on such exchange. Foreign currency positions including forward currency contracts are priced at the mean between the closing bid and asked prices at 4:00 p.m. Eastern time.

A three-tier hierarchy has been established to measure fair value based on the extent of use of "observable inputs" as compared to "unobservable inputs" for disclosure purposes and requires additional disclosures about these valuations measurements. Inputs refer broadly to the assumptions that market participants would use in pricing a security. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the security developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the security developed based on the best information available in the circumstances.

The three-tier hierarchy is summarized as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
Level 2	Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
Level 3	Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability and would be based on the best information available.

The following is a summary of the Fund's investment and financial instruments based on the three-tier hierarchy as of August 31, 2016:

Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Sovereign Debt Obligations	$–	$228,397,177	$–	$228,397,177
Bank Loans	–	–	3,758,001	3,758,001
Corporate Bonds	–	80,345,356	–	80,345,356
Credit Linked Notes	–	–	7,415,540	7,415,540
Exchange Traded Funds	11,107,176	–	–	11,107,176
Total	$11,107,176	$308,742,533	$11,173,541	$331,023,250
Other Financial Instruments**				
Assets				
Forward Foreign Currency Contracts	$–	$38,364	$–	$38,364
Credit Default Swap Contracts	–	512,755	–	512,755
Liabilities				
Forward Foreign Currency Contracts	–	(42,765)	–	(42,765)
Interest Rate Swap Contracts	–	(1,252,695)	–	(1,252,695)
Total	$–	$(744,341)	$–	$(744,341)

* For detailed Country descriptions, see accompanying Statement of Investments.

** Other financial instruments are derivative instruments not reflected in the Statement of Investments. The derivatives shown in this table are reported at their unrealized appreciation/(depreciation) at measurement date, which represents the change in the contract's value from trade date.

There were no transfers in or out of Levels 1 and 2 during the period. It is the Fund's policy to recognize transfers into and out of all levels at the end of the reporting period.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Investments in Securities	Balance as of November 30, 2015	Accrued discount /premium	Realized Gain/ (Loss)	Change in Unrealized Appreciation/ (Depreciation)	Purchases	Sales Proceeds	Balance as of August 31, 2016	Net change in unrealized appreciation/ (depreciation)

								included in the Statements of Operations attributable to Level 3 investments held at August 31, 2016
Bank Loans Credit Linked	$628,919	$-	$-	$(120,918)	$3,250,000	$-	$3,758,001	$(251,568)
Notes	11,061,376	809,033	(1,923,546)	4,496,294	-	(7,027,617)	7,415,540	2,089,074
Total	$11,690,295	$809,033	$(1,923,546)	$4,375,376	$3,250,000	$(7,027,617)	$11,173,541	$1,837,506

All level 3 investments have values determined utilizing third party pricing information without adjustment.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

In the event a Board approved independent pricing service is unable to provide an evaluated price for a security or the Adviser believes the price provided is not reliable, securities of the Fund may be valued at fair value as described above. In these instances the Adviser may seek to find an alternative independent source, such as a broker/dealer to provide a price quote, or by using evaluated pricing models similar to the techniques and models used by the independent pricing service. These fair value measurement techniques may utilize unobservable inputs (Level 3).

On at least a quarterly basis, the Adviser presents the factors considered in determining the fair value measurements and presents that information to the Board which meets at least quarterly.

Security Transactions and Investment Income: Security transactions are accounted for on a trade date basis. Interest income, adjusted for amortization of premium and accretion of discount, is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as practical after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. If applicable, any foreign capital gains taxes are accrued, net of unrealized gains, and are payable upon the sale of such investments. The cost of investments sold is determined by use of the specific identification method. To the extent any issuer defaults on an expected interest payment, the Fund’s policy is to generally halt any additional interest income accruals and consider the realizability of interest accrued up to the date of default.

Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the NYSE (normally, 4:00 p.m. Eastern time).

The portion of realized and unrealized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed and is included in realized and unrealized gains or losses on investments, when applicable.

ETFs and Other Investment Companies Risk: The Fund may invest in an ETF or other investment company. The Fund will be subject to the risks of the underlying securities in which the other investment company invests. In addition, as a shareholder in an ETF or other investment company, the Fund will bear its ratable share of that investment company's expenses, and would remain subject to payment of the Fund's investment management fees with respect to the assets so invested. Common Shareholders would therefore be subject to duplicative expenses to the extent the Fund invests in other investment companies. In addition, these other investment companies may use leverage, in which case an investment would subject the Fund to additional risks associated with leverage. The Fund may invest in other investment companies for which the Adviser or an affiliate serves as investment manager or with which the Adviser is otherwise affiliated. The relationship between the Adviser and any such other investment company could create a conflict of interest between the Adviser and the Fund.

In addition to the risks related to investing in investment companies generally, investments in ETFs involve the risk that the ETF's performance may not track the performance of the index or markets the ETF is designed to track. In addition, ETFs often use derivatives to track the performance of the relevant index and, therefore, investments in those ETFs are subject to the same derivatives risks discussed below.

Foreign Securities: The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the ability to repatriate funds, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

Credit Linked Notes: The Fund may invest in credit linked notes to obtain economic exposure to high yield, emerging markets or other securities. Investments in a credit linked note typically provide the holder with a return based on the return of an underlying reference instrument, such as an emerging market bond. Like an investment in a bond, investments in credit linked securities represent the right to receive periodic income payments (in the form of distributions) and payment of principal at the end of the term of the security. In addition to the risks associated with the underlying reference instrument, an investment in a credit linked note is also subject to liquidity risk, market risk, interest rate risk and the risk that the counterparty will be unwilling or unable to meet its obligations under the note.

Loan Participations and Assignments: The Fund may invest in loans arranged through private negotiation between one or more financial institutions. The Fund’s investment in any such loan may be in the form of a participation in or an assignment of the loan. In connection with purchasing participations, the Fund generally will have no right to enforce compliance by the borrower with the terms of the loan agreement relating to the loan, or any rights of set-off against the borrower, and the Fund may not benefit directly from any collateral supporting the loan in which it has purchased the participation.

While some loans are collateralized and senior to an issuer's other debt securities, other loans may be unsecured and/or subordinated to other securities. Some senior loans, such as bank loans, may be illiquid and generally tend to be less liquid than many other debt securities.

The Fund assumes the credit risk of the borrower, the lender that is selling the participation and any other persons interpositioned between the Fund and the borrower. In the event of the insolvency of the lender selling the participation, the Fund may be treated as a general creditor of the lender and may not benefit from any set-off between the lender and the borrower. Loans may not be considered "securities" and purchasers, such as the Fund, therefore may not be entitled to rely on the anti-fraud protections of the federal securities laws.

Segregation and Collateralization: In cases in which the 1940 Act and the interpretive positions of the U.S. Securities and Exchange Commission ("SEC") require that the Fund either delivers collateral or segregate assets in connection with certain investments (e.g., foreign currency exchange contracts, securities with extended settlement periods, and swaps) or certain borrowings (e.g., reverse repurchase agreements), the Fund will segregate collateral or designate on its books and records cash or other liquid securities having a value at least equal to the amount that is required to be physically segregated for the benefit of the counterparty. Furthermore, based on requirements and agreements with certain exchanges and third party broker-dealers, each party has requirements to deliver/deposit cash or securities as collateral for certain investments. Cash collateral that has been pledged to cover obligations of the Fund is noted on the Statement of Investments.

Leverage: The Fund may borrow from banks and other financial institutions and may also borrow additional funds by entering into reverse repurchase agreements or the issuance of debt securities (collectively, "Borrowings") in an amount that does not exceed 33 1/3% of the Fund's total assets (including any assets attributable to any leverage used) minus the Fund's accrued liabilities (other than Fund liabilities incurred for any leverage) ("Total Assets") immediately after such transactions. It is possible that following such Borrowings, the assets of the Fund will decline due to market conditions such that this 33 1/3% limit will be exceeded. In that case, the leverage risk to Common Shareholders will increase.

In a reverse repurchase agreement, the Fund delivers a security in exchange for cash to a financial institution, the counterparty, with a simultaneous agreement to repurchase the same or substantially the same security at an agreed upon price and date. The Fund is entitled to receive principal and interest payments, if any, made on the security delivered to the counterparty during the term of the agreement. In periods of increased demand for a security, the Fund may receive a fee for use of the security by the counterparty, which may result in interest income to the Fund. The Fund will segregate assets determined to be liquid to cover its obligations under reverse repurchase agreements. As all agreements can be terminated by either party on demand, face value approximates fair value at August 31, 2016. This fair value is based on Level 2 inputs under the three-tier fair valuation hierarchy described above. For the period ended August 31, 2016, the average amount of reverse repurchase agreements outstanding was $70,218,810 at a weighted average interest rate of 1.16%.

Leverage Risk: Leverage creates risks for Common Shareholders, including the likelihood of greater volatility of net asset value ("NAV") per share and market price of, and dividends paid on, the Common Shares. There is a risk that fluctuations in the interest rates on any Borrowings held by the Fund may adversely affect the return to the Common Shareholders. If the income from the securities purchased with the proceeds of leverage is not sufficient to cover the cost of leverage, the return on the Fund will be less than if leverage had not been used, and therefore the amount available for distribution to the Common Shareholders as dividends and other distributions will be reduced.

The Fund may choose not to use leverage at all times. The amount and composition of leverage used may vary depending upon a number of factors, including economic and market conditions in the relevant emerging market countries, the availability of relatively attractive investment opportunities not requiring leverage and the costs and risks that the Fund would incur as a result of leverage.

Credit and Market Risk: The Fund invests in high yield and emerging market instruments that8">

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Balance at end of period

$

15,162

$

15,806

Ratio of annualized net charge-offs to average loans held in portfolio, net of unearned discounts	0.55 %	0.59 %

Management views the allowance for loan losses as a critical accounting policy due to its subjectivity. 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 a management evaluation process 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, an assessment of current and expected economic conditions and changes in the size and character of the loan portfolio. Other data utilized by management in determining the adequacy of the allowance for loan losses include, but are not limited to, the results of regulatory reviews, the amount of, trend of and/or borrower characteristics on loans that are identified as requiring special attention as part of the credit review process, and peer group comparisons. The impact of this other data might result in an allowance greater than that indicated by the evaluation process previously described. The allowance reflects management's evaluation both of loans presenting identified loss potential and of the risk inherent in various components of the loan 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, 2008, the ratio of the allowance to loans held in portfolio, net of unearned discounts, was 1.31% and the allowance was $15.2 million. At such date, the Company's nonaccrual loans amounted to $6.5 million, none of which was judged to be impaired within the scope of SFAS No. 114. Loans 90 days past due and still accruing amounted to $0.5 million. 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 March 31, 2008. 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 varying from the provision recognized in the first quarter of 2008. At March 31, 2008, there were no 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.

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,			
	2008		2007	
	($ in thousands)			
	Balances	% of Total	Balances	% of Total
Domestic				
Demand	$ 494,308	33.06%	$ 461,734	30.60%
NOW	237,985	15.92	224,761	14.89
Savings	19,251	1.29	21,792	1.44
Money market	208,834	13.97	234,521	15.54
Time deposits	534,081	35.72	565,776	37.49
Total domestic deposits	1,494,459	99.96	1,508,584	99.96
Foreign				
Time deposits	576	0.04	574	0.04
Total deposits	$ 1,495,035	100.00%	$ 1,509,158	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 on page 26.

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 28. 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", which are used by regulatory agencies to determine a bank's deposit insurance premium, approval of applications authorizing institutions to increase their asset size or otherwise expand business activities or acquire other institutions. Under FDICIA, a "well capitalized" 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 Company. At March 31, 2008, the Company and the bank exceeded the requirements for "well capitalized" institutions.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

For information regarding recently issued accounting pronouncement and its expected impact on the Company's consolidated financial statements, see Note 8 of the Company's unaudited consolidated financial statements in this quarterly report.

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, 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. 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.

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, 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; 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); changes in accounting principles, policies and guidelines; the risks and uncertainties described in "Risk Factors" in the Company's annual report on Form 10-K for the year ended December 31, 2007; and 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 March 31,
(Unaudited)

(dollars in thousands)

	2008			2007		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest-bearing deposits with other banks	$ 3,331	$ 12	1.40%	$ 2,830	$ 31	4.40%
Securities available for sale	345,034	4,533	5.26	134,632	1,640	4.87
Securities held to maturity	356,320	4,225	4.74	423,120	4,869	4.60
Securities tax-exempt [2]	19,132	294	6.18	21,353	338	6.43
Total investment securities	720,486	9,052	5.03	579,105	6,847	4.73
Federal funds sold	—	—	—	47,722	635	5.33
Loans, net of unearned discounts [3]	1,104,473	20,820	7.80	1,053,306	21,727	8.66
TOTAL INTEREST-EARNING ASSETS	1,828,290	29,884	6.65%	1,682,963	29,240	7.15%
Cash and due from banks	67,626			67,499		
Allowance for loan losses	(15,570)			(16,876)		
Goodwill	22,901			22,862		
Other assets	102,793			87,077		
Total assets-continuing operations	2,006,040			1,843,525		
Assets-discontinued operations	—			1,158		
TOTAL ASSETS	$ 2,006,040			$ 1,844,683		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Domestic						
Savings	$ 18,649	16	0.34%	$ 20,902	25	0.48%
NOW	236,714	825	1.40	222,019	1,398	2.55
Money market	209,511	769	1.48	207,063	1,436	2.81
Time	550,819	5,336	3.90	566,176	6,546	4.69
Foreign						
Time	576	2	1.09	574	2	1.09
Total interest-bearing deposits	1,016,269	6,948	2.75	1,016,734	9,407	3.75

Borrowings						
Securities sold under agreements to repurchase - customers	82,460	646	3.15	95,047	1,075	4.59
Securities sold under agreements to repurchase - dealers	36,026	317	3.54	—	—	—
Federal funds purchased	48,956	362	2.92	945	12	5.24
Commercial paper	21,150	195	3.70	27,902	350	5.08
Short-term borrowings - FHLB	25,868	215	3.34	—	—	—
Short-term borrowings - other	1,838	14	3.09	900	12	5.35
Long-term borrowings - FHLB	88,462	714	3.23	20,000	225	4.49
Long-term borrowings - sub debt	25,774	523	8.38	25,774	523	8.38
Total borrowings	330,534	2,986	3.63	170,568	2,197	5.22
TOTAL INTEREST-BEARING LIABILITIES	1,346,803	9,934	2.96%	1,187,302	11,604	3.96%
Noninterest-bearing deposits	440,860			434,798		
Other liabilities	98,098			91,701		
Liabilities-discontinued operations	—			436		
Total liabilities	1,885,761			1,714,237		
Shareholders’ equity	120,279			130,446		
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 2,006,040			$ 1,844,683		
Net interest income/spread		19,950	3.69%		17,636	3.19%
Net yield on interest-earning assets (margin)			4.39%			4.24%
Less: Tax equivalent adjustment		115			133	
Net interest income		$ 19,835			$ 17,503	

[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.

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

(in thousands)

	Increase/(Decrease) Three Months Ended March 31, 2008 to March 31, 2007		
	Volume	Rate	Net [2]
INTEREST INCOME			
Interest-bearing deposits with other banks	$ 4	$ (23)	$ (19)
Securities available for sale	2,753	140	2,893
Securities held to maturity	(780)	136	(644)
Securities tax-exempt	(31)	(13)	(44)
Total investment securities	1,942	263	2,205
Federal funds sold	(635)	—	(635)
Loans, net of unearned discounts [3]	1,348	(2,255)	(907)
TOTAL INTEREST INCOME	$ 2,659	$ (2,015)	$ 644
INTEREST EXPENSE			
Interest-bearing deposits			
Domestic			
Savings	$ (3)	$ (6)	$ (9)
NOW	102	(675)	(573)
Money market	32	(699)	(667)
Time	(105)	(1,105)	(1,210)
Foreign			
Time	—	—	—
Total interest-bearing deposits	26	(2,485)	(2,459)
Borrowings			
Securities sold under agreements to repurchase - customers	(118)	(311)	(429)
Securities sold under agreements to repurchase - dealers	317	—	317
Federal funds purchased	357	(7)	350
Commercial paper	(71)	(84)	(155)

Short-term borrowings - FHLB	215	0	215
Short-term borrowings - other	9	(7)	2
Long-term borrowings - FHLB	568	(79)	489
Long-term borrowings - sub debt	—	—	—
Total borrowings	1,277	(488)	789
TOTAL INTEREST EXPENSE	$ 1,303	$ (2,973)	$ (1,670)
NET INTEREST INCOME	$ 1,356	$ 958	$ 2,314

[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.

[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
Regulatory Capital and Ratios

Ratios and Minimums
(dollars in thousands)

	Actual		For Capital Adequacy Minimum		To Be Well Capitalized	
As of March 31, 2008	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):						
The Company	$ 149,706	10.86%	$ 110,317	8.00%	$ 137,897	10.00%
The bank	151,154	11.01	109,826	8.00	137,283	10.00
Tier 1 Capital (to Risk Weighted Assets):						
The Company	134,412	9.75	55,159	4.00	82,738	6.00
The bank	135,860	9.90	54,913	4.00	82,370	6.00
Tier 1 Leverage Capital (to Average Assets):						
The Company	134,412	6.78	79,326	4.00	99,157	5.00
The bank	135,860	6.87	79,135	4.00	98,919	5.00
As of December 31, 2007						
Total Capital (to Risk Weighted Assets):						
The Company	$ 149,014	10.87%	$ 109,706	8.00%	$ 137,133	10.00%
The bank	147,442	10.77	109,507	8.00	136,884	10.00
Tier 1 Capital (to Risk Weighted Assets):						
The Company	133,785	9.76	54,853	4.00	82,280	6.00
The bank	132,213	9.66	54,753	4.00	82,130	6.00
Tier 1 Leverage Capital (to Average Assets):						
The Company	133,785	6.88	77,835	4.00	97,294	5.00
The bank	132,213	6.79	77,943	4.00	97,429	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.

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 March 31, 2008, presented on page 34, 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 March 31, 2008, the Company was a party to an interest rate floor agreement with a notional amount of $50,000,000 and a maturity of September 14, 2008. The interest rate floor contract requires the counterparty to pay the Company at specified future dates the amount, if any, by which the specified interest (prime rate) falls below the fixed floor rates, applied to the notional amounts. The Company utilizes the financial instruments to adjust its interest rate risk position without exposing itself to principal risk and funding requirements. The financial instrument is being used as part of the Company's interest rate risk management and not for trading purposes. At March 31, 2008, the counterparty had an investment grade credit rating from the major rating agencies. The counterparty is specifically approved for applicable credit exposure.

The interest rate floor contract requires the Company to pay a fee for the right to receive a fixed interest payment. The Company paid an up-front premium of $80,000. At March 31, 2008, there were no amounts receivable under these contracts.

The interest rate floor agreement was not designated as a hedge for accounting purposes and therefore changes in the fair value of this instrument are required to be recognized as income or expenses in the Company's financial statements. At March 31, 2008 and 2007, the aggregate fair value of the interest rate floor was $110,973 and $2,290, respectively. For the three months ended March 31, 2008 and 2007, $100,365 was credited to "Other income" and $379 was charged against "Other income", respectively.

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, 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 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 March 31, 2008, the model indicated the impact of a 200 basis point parallel and pro rata rise in rates over 12 months would approximate a 2.2% ($2.0 million) increase in net interest income, while the impact of a 200 basis point decline in rates over the same period would approximate a 2.2% ($2.0 million) 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 provide any assurances as to the predictive nature of these assumptions, including how customer's 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 also impact the Bank's interest rate sensitivity. In general, a steeper yield curve (i.e., the differences between interest rates for different maturities are relatively greater) is better for the Bank than a flatter curve. Accordingly, the Bank's exposure to declining interest rates would be lessened if the yield curve steepened more than anticipated as rates declined. Conversely, the expected benefit to net interest income in a rising rate environment would likely be dampened to the extent that the yield curve flattened more than anticipated as rates increased. To the extent that further Federal Reserve interest rate cuts do not materialize, and to the extent that the current relatively steep yield curve prevails, the Bank's margin will benefit in 2008.

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.

While the parent company generates income from its own operations, it also 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 March 31, 2008, the parent company's short-term debt, consisting principally of commercial paper used to finance ongoing current business activities, was approximately $20.0 million. The parent company had cash, interest-bearing deposits with banks and other current assets aggregating $11.9 million. The parent company also has back-up credit lines with banks of $24.0 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 March 31, 2008:

	Payments Due by Period				
Contractual Obligations (1)	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(in thousands)				
Long-Term Debt	$ 175,774	$ —	$ 80,000	$ 70,000	$ 25,774
Operating Leases	22,200	4,124	6,493	4,407	7,176
Total Contractual Cash Obligations	$ 197,974	$ 4,124	$ 86,493	$ 74,407	$ 32,950

(1) Based on contractual maturity dates

The following table sets forth information regarding the Company's obligations under other commercial commitments as of March 31, 2008:

	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
	(in thousands)				
Residential Loans	$ 9,839	$ 9,839	$ —	$ —	$ —
Commercial Loans	50,676	35,432	15,106	138	—
Total Loans	60,515	45,271	15,106	138	—
Standby Letters of Credit	41,314	37,971	3,343	—	—
Other Commercial Commitments	10,728	10,437	—	—	291
Total Commercial Commitments	$ 112,557	$ 93,679	$ 18,449	$ 138	$ 291

INFORMATION AVAILABLE ON OUR WEB SITE

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.

Also posted on our web site, and available in print upon request of any shareholder 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 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 quartely 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 decrease during periods of rising interest rates and increase during periods of falling interest rates. 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	Nonrate Sensitive	Total
ASSETS						
Interest-bearing deposits with other banks	$ 678	$ —	$ —	$ —	$ —	$ 678
Investment securities	572	9,108	84,197	654,728	12,423	761,028
Commercial and industrial loans	437,088	22,223	43,830	9,488	(253)	512,376
Equipment lease financing	3,894	9,619	266,843	12,102	(37,573)	254,885
Factored receivables	93,102	—	—	—	(226)	92,876
Real estate-residential mortgage	24,839	15,900	61,813	50,150	—	152,702
Real estate-commercial mortgage	16,501	7,147	43,098	31,522	—	98,268
Real estate-construction loans	—	—	34,574	—	—	34,574
Installment-individuals	11,956	—	—	—	—	11,956
Loans to depository institutions	20,000	—	—	—	—	20,000
Noninterest-earning assets & allowance for loan losses	—	—	—	—	166,014	166,014
Total Assets	608,630	63,997	534,355	757,990	140,385	2,105,357
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-bearing deposits						
Savings [1]	—	—	19,251	—	—	19,251
NOW [1]	—	—	237,985	—	—	237,985
Money market [1]	169,322	—	39,512	—	—	208,834
Time - domestic	281,758	219,504	32,819	—	—	534,081
- foreign	181	395	—	—	—	576
Securities sold under agreement to repurchase - customer	48,753	—	—	—	—	48,753
Securities sold under agreement to repurchase - dealer	44,514	—	—	—	—	44,514
Federal funds purchased	45,000	—	—	—	—	45,000
Commercial paper	19,990	—	—	—	—	19,990
Short-term borrowings - FHLB	49,000	—	—	—	—	49,000
Short-term borrowings - other	2,012	—	—	—	—	2,012
Long-term borrowings - FHLB	—	—	150,000	—	—	150,000
	—	—	—	25,774	—	25,774

Long-term borrowings - subordinated debentures						
Noninterest-bearing liabilities & shareholders’ equity	—	—	—	—	719,587	719,587
Total Liabilities and Shareholders’ Equity	660,530	219,899	479,567	25,774	719,587	2,105,357
Net Interest Rate Sensitivity Gap	$ (51,900)	$ (155,902)	$ 54,788	$ 732,216	$ (579,202)	$ —
Cumulative Gap March 31, 2008	$ (51,900)	$ (207,802)	$ (153,014)	$ 579,202	$ —	$ —
Cumulative Gap March 31, 2007	$ 34,147	$ (197,214)	$ 78,322	$ 562,481	$ —	$ —
Cumulative Gap December 31, 2007	$ 46,483	$ (143,365)	$ 27,278	$ 605,524	$ —	$ —

[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.

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 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 Securities Exchange Act of 1934 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 Securities Exchange Act of 1934) occurred during the fiscal quarter ended March 31, 2008 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

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 quarter of 2008. At March 31, 2008, 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, October 28, 2004 (Filed as Exhibit 3(i) to the Registrant's Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference).
	(ii)	By-Laws as in effect on November 15, 2007 (Filed as Exhibit 3(ii)(A) 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.

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: May 9, 2008	/s/	Louis J. Cappelli
		Louis J. Cappelli Chairman and Chief Executive Officer
Date: May 9, 2008	/s/	John W. Tietjen
		John W. Tietjen Executive Vice President and Chief Financial Officer

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EXHIBIT INDEX

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