STERLING BANCORP
Form DEF 14A
April 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(RULE 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o **Preliminary Proxy Statement**
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ **Definitive Proxy Statement**
o **Definitive Additional Materials**
o **Soliciting Material Pursuant to §240.14a-12**

STERLING BANCORP

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

STERLING BANCORP
650 FIFTH AVENUE, NEW YORK, N.Y. 10019-6108

LOUIS J. CAPPELLI
CHAIRMAN &
CHIEF EXECUTIVE OFFICER

April 7, 2009

Dear Shareholder:

Sterling's Annual Meeting of Shareholders will be held on Thursday, May 7, 2009, at 10:00 A.M. Eastern Time, at The University Club, One West 54th Street, New York, New York 10019, for the election of directors, ratification of the appointment of independent registered public accounting firm, advisory approval of the compensation of named executive officers and transaction of any other business as may come before the meeting. You are invited to attend this Annual Meeting.

It is important that your shares be represented at the Annual Meeting whether or not you are personally able to attend. Proxy material for the meeting accompanies this letter. You may vote your shares by using a toll free telephone number or on the Internet (see the instructions on the accompanying proxy card) or you may sign, date, and mail the proxy card in the postage paid envelope provided.

Thank you for your continued interest and support.

Sincerely,

/s/ Louis J. Cappelli

STERLING BANCORP
650 Fifth Avenue, New York, N.Y. 10019-6108

NOTICE OF ANNUAL MEETING
MAY 7, 2009

The Annual Meeting of Shareholders of Sterling Bancorp will be held on Thursday, May 7, 2009, at 10:00 A.M. Eastern Time, at The University Club, One West 54th Street, New York, New York 10019, to consider and act upon the following matters:

1. Election of nine (9) directors to serve until the next Annual Meeting of Shareholders and until their successors are elected.

2. Advisory approval of the compensation of the Company's named executive officers.

3. Ratification of the appointment by the Audit Committee of the Board of Directors of Crowe Horwath LLP as the Company's independent registered public accounting firm for fiscal year 2009.

4. Such other matters as may properly come before the meeting or any adjournment thereof.

The close of business on March 25, 2009 has been fixed as the record date for the meeting. Only shareholders of record at that time are entitled to notice of, and to vote at, the Annual Meeting.

IMPORTANT

We urge you to sign, date, and send in the enclosed proxy at your earliest convenience, or to vote via the toll free telephone number or via the Internet as instructed on the proxy card, whether or not you expect to be present at the meeting. Sending in your proxy or voting by telephone or on the Internet will not prevent you from voting your shares personally at the meeting, since you may revoke your proxy at any time before it is voted.

By Order of the Board of Directors

DALE C. FREDSTON
Corporate Secretary

April 7, 2009

STERLING BANCORP
650 Fifth Avenue,
New York, N.Y. 10019-6108

PROXY STATEMENT

April 7, 2009

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Sterling Bancorp (the "Company") with respect to the Annual Meeting of Shareholders of the Company to be held on May 7, 2009. Any proxy given by a shareholder may be revoked at any time before it is voted by giving appropriate notice to the Corporate Secretary of the Company or by delivering a later dated proxy or by a vote by the shareholder in person at the Annual Meeting. **Proxies in the accompanying form which are properly executed by shareholders and duly returned to the Company and not revoked will be voted for all nominees listed under "Election of Directors", for advisory approval of the compensation of the Company's executive officers, and for ratification of the appointment of Crowe Horwath LLP as the Company's independent registered public accountants for fiscal year 2009, unless the shareholder directs otherwise, and will be voted on any other matters in accordance with the Board of Directors' recommendations.** This proxy statement and the accompanying form of proxy are being mailed to shareholders on or about April 7, 2009.

The outstanding shares of the Company at the close of business on March 25, 2009 entitled to vote at the Annual Meeting consisted of 18,106,491 common shares, $1 par value (the "Common Shares").

The Common Shares are entitled to one vote for each share on all matters to be considered at the meeting and the holders of a majority of such shares, present in person or represented by proxy, constitute a quorum for the transaction of business at the Annual Meeting of Shareholders. Only shareholders of record at the close of business on March 25, 2009 are entitled to vote at the Annual Meeting.

The Company's proxy statement and annual report are available over the Internet at ***www.sterlingbancorp.com/proxy*****.**

1 – ELECTION OF DIRECTORS

Nine directors, constituting the entire Board of Directors, are to be elected at the Annual Meeting of Shareholders to be held on May 7, 2009, to serve until the next Annual Meeting and until their respective successors have been elected. It is intended that, unless authority to vote for any nominee or all nominees is withheld by the shareholder, a properly executed and returned proxy will be voted in favor of the election as directors of the nominees named below. All nominees are members of the present Board of Directors, and were elected at the 2008 Annual Meeting of Shareholders. There is no family relationship between any of the nominees or executive officers. In the event that any of the nominees shall not be a candidate, the persons designated as proxies are authorized to substitute one or more nominees, although there is no reason to anticipate that this will occur.

Assuming the presence of a quorum, directors are elected by a plurality of the votes cast. Abstentions and broker non-votes (arising from the absence of discretionary authority on the part of a broker-dealer to vote shares held in street name for a customer) will have no effect on the election of directors.

The information set forth below has been furnished by the nominees:

Name, Principal Occupation for Last Five Years, Business Experience, Directorship of the Company and of Sterling National Bank (the "Bank"), a Subsidiary of the Company, and Other Information

Robert Abrams
Member, Stroock & Stroock & Lavan LLP (since 1994); former Attorney General of the State of New York (1979-1993); former Bronx Borough President (1970-1978). Mr. Abrams is 70 and has been a director of the Company since 1999.

Joseph M. Adamko*
Former Managing Director, Manufacturers Hanover Trust Co. (now J.P. Morgan Chase & Co.) (1983-1992). Mr. Adamko is 76 and has been a director of the Company since 1992.

Louis J. Cappelli*
Chairman of the Board of Directors and Chief Executive Officer of the Company (since 1992); Chairman of the Board of Directors of the Bank (since 1992). Mr. Cappelli is 78 and has been a director of the Company since 1971.

Fernando Ferrer
Partner, Mercury Public Affairs, LLC; Co-Chairman, IGR Group; Former President, Drum Major Institute for Public Policy (2002-2004); former Bronx Borough President (1988-2002). Mr. Ferrer is 58 and has been a director of the Company since 2002.

Allan F. Hershfield
President, Resources for the 21st Century (since 1998); former President, Fashion Institute of Technology (1992-1997). Dr. Hershfield is 77 and has been a director of the Company since 1994.

Henry J. Humphreys*
Counselor-Permanent Observer, Mission of the Sovereign Military Order of Malta to the United Nations (since 1998); former Chancellor and Chief Operating Officer, American Association of the Sovereign Military Order of Malta (1991-2000). Mr. Humphreys is 80 and has been a director of the Company since 1994.

Robert W. Lazar
Senior Advisor, Independent Bankers Association of New York State (since 2006); New York Business Development Corporation (1987-2005); President and Chief Executive Officer of Empire State Certified Development Corporation (1987-2005); President and Chief Executive Officer of Statewide Zone Capital Corporation (1999-2005). Mr. Lazar is 65 and has been a director of the Company since 2005.

John C. Millman*
President of the Company (since 1992); President and Chief Executive Officer of the Bank (since 1987). Mr. Millman is 66 and has been a director of the Company since 1988.

Eugene T. Rossides*
Retired Senior Partner, Rogers & Wells LLP (now Clifford Chance US LLP) (1973-1993); former Assistant Secretary, United States Treasury Department (1969-1973). Mr. Rossides is 81 and has been a director of the Company since 1989.

* Member of the Executive Committee.

Each nominee is currently a director of the Bank.

Walter Feldesman, Esq., who served the Company as a director from 1975 to 2008, was elected by the Board of Directors to serve as Honorary Director at the pleasure of the Board of Directors at the 2008 Annual Meeting of Shareholders.

Reference is made to "Security Ownership of Directors and Executive Officers and Certain Beneficial Owners" on page 26 for information as to the nominees' holdings of the Company's equity securities.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The Company's Compensation Committee (the "Committee") establishes and implements the Company's compensation program for the named executive officers. The Committee also monitors how the Company follows that program, and how the program fits the Company's compensation philosophy. Throughout this proxy statement, the individuals included in the Summary Compensation Table on page 10, are referred to as the "named executive officers".

Compensation Philosophy and Objectives

The Company believes that the most effective executive compensation program rewards the achievement of annual, long-term, and strategic goals. The Company believes that appropriate compensation should align the executives' interests with those of the stockholders by rewarding performance, with the ultimate objective of improving stockholder value. To that end, the Committee believes executive compensation packages for named executive officers should include both cash compensation primarily designed to reward performance as measured against established goals and stock-based compensation that promotes an ownership mentality among key executives. The Committee evaluates compensation to ensure that the Company maintains its ability to attract and retain highly qualified and effective employees in key positions and that compensation provided to key employees remains competitive relative to the compensation paid to similarly situated executives.

The Committee believes that the most important factors in measuring the performance of its executive officers are improvement in the Company's net income, return on average equity, and growth in average loans, deposits, and customer repurchase agreements. The focus of the Company's strategic plan is on the growth of net income, average loans, deposits, and customer repurchase agreements. It is the Committee's view that, in order to generate net income improvement, the Company should achieve growth in average loans and in deposits and customer repurchase agreements, among other initiatives. Growth in average loans is intended generally to produce improvement in interest income. Growth in average deposits and customer repurchase agreements, depending upon the mix of deposits and customer repurchase agreements, is intended generally to impact interest expense in a lesser amount than the improvement in interest income. The Committee endeavors to set targets relating to these factors that are weighted in their importance to the Company in the next year and that are attainable but challenging to achieve.

At the core of the Company's compensation philosophy is the guiding belief that compensation should be directly linked to performance. This philosophy has guided many compensation-related decisions.

- A significant portion of executive officer compensation is contingent on, and varies with, the achievement of corporate and/or individual performance objectives.
- Total compensation is higher for individuals with greater responsibility and greater ability to influence the Company's achievement of targeted results and strategic initiatives.
- As position and responsibility increases, a greater portion of the executive officer's total compensation is performance-based pay contingent on the achievement of performance objectives.

The Compensation Setting Process

The Committee makes all compensation decisions for the Chief Executive Officer and the President, Messrs. Cappelli and Millman, and approves recommendations regarding equity awards to all other officers of the Company. The Chief Executive Officer and the President make recommendations regarding the non-equity compensation of other named executive officers, which are subject to the Committee's review and approval.

Generally, in the first quarter of each fiscal year, the Committee meets in executive session to evaluate the performance of the Chief Executive Officer and the President for the prior year, to determine their bonuses payable under the Key Executive Incentive Bonus Plan ("Incentive Plan") based on, among other things, financial results for the prior fiscal year, to establish their Incentive Plan performance objectives for the current fiscal year, to set their base salaries for the next calendar year, to review the term of their employment agreements, and to consider and approve any equity grants awarded to them. As part of establishing individual and corporate performance objectives for the year, the Committee engages in a dialogue with the Chief Executive Officer concerning strategic objectives and performance targets, reviews the appropriateness of the financial measures used in incentive plans, and considers various factors required to achieve specific performance targets.

Together with the performance objectives, the Committee establishes targeted incentive bonus levels (i.e., maximum achievable compensation) for each of the Chief Executive Officer and the President. In making this determination, the Committee is guided by the compensation philosophy described above. The Committee also considers historical compensation levels, competitive pay practices at the companies in the Company’s peer group, and the relative compensation levels among the Company’s named executive officers. The Committee may also consider industry conditions, corporate performance versus the peer group of companies, and the overall effectiveness of the compensation program in achieving desired performance levels.

Compensation decisions are generally made in the first quarter of the fiscal year, although the compensation planning process neither begins nor ends with any particular Committee meeting. Compensation decisions are designed to promote the Company’s fundamental business objectives and strategy. Business and strategic planning, evaluation of management performance, and consideration of changes in the business environment are year-round processes.

The Company’s management plays a significant role in the compensation setting process for the named executive officers other than that of the Chief Executive Officer and the President. The most significant aspects of management’s role in the compensation setting process are evaluating employee performance of the named executive officers, other than that of the Chief Executive Officer and the President, and recommending business performance goals and objectives, salary levels, bonuses, and option awards.

Management works with the Committee chair in establishing the agenda for Committee meetings. At the request of the Committee, management also prepares meeting information for each Committee meeting. The Chief Executive Officer and the Chief Financial Officer also participate in Committee meetings at the Committee’s request.

Participation in Capital Purchase Program

On December 23, 2008, the Company entered into a Securities Purchase Agreement with the United States Treasury (“Treasury”) that provides for our participation in the Capital Purchase Program (“CPP”) under the Treasury’s Troubled Assets Relief Program (“TARP”). TARP CPP participants are required to agree to significant restrictions on executive compensation as a condition of the TARP CPP during the period in which the Treasury holds an equity position in the Company (the “CPP Covered Period”). In compliance with such requirements, the Company’s Chief Executive Officer, Chief Financial Officer and the next three highest-paid executive officers (the Company’s “senior executive officers”) on December 23, 2008 agreed in writing to accept the compensation standards in existence at that time under the TARP CPP and thereby limit some of their contractual or legal rights. These standards were in effect as of the end of 2008 and consisted of the following:

- *Limit on Severance.* The Company was required to limit amounts that can be paid to any senior executive officer upon their involuntary separation of service to amounts not exceeding three times the terminated employee’s average compensation over the five years prior to termination.

- *Clawback of Bonus and Incentive Compensation if Based on Certain Material Inaccuracies.* Incentive compensation paid that is later found to have been based on materially inaccurate financial statements or other materially inaccurate measurements of performance is subject to recovery by the Company.

- *No Compensation Arrangements that Encourage Excessive Risks.* The Company is prohibited from entering into compensation arrangements that encourage senior executive officers to take “unnecessary and excessive risks that threaten the value” of the Company. To make sure this does not occur, the Company’s Compensation Committee is required to meet at least once a year with senior risk officers to review the Company’s executive compensation arrangements in light of the Company’s risk management policies and practices.

- *Limit on Federal Income Tax Deductions.* During the CPP Covered Period, the Company is prohibited from taking a federal income tax deduction for compensation paid to senior executive officers in excess of $500,000 per year.

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 ("ARRA") into law. ARRA created additional compensation-related limitations and required the Secretary of the United States Treasury to establish additional standards for executive compensation that will apply beyond the Company's senior executive officers and apply to up to the Company's 20 next most highly compensated employees during the CPP Covered Period. Under ARRA, the compensation standards are required to include the following:

- *Limit on Severance.* The ARRA standards will prohibit severance payments resulting from termination of employment for any reason, except for payments for services performed or benefits accrued.

- *Recovery of Incentive Compensation if Based on Certain Material Inaccuracies.* The ARRA standards will also contain the "clawback provision" discussed above but will extend its application to any bonus or retention awards and other incentive compensation paid to any of the Company's senior executive officers or the Company's next 20 most highly compensated employees that is later found to have been based on materially inaccurate financial statements or other materially inaccurate measurements of performance.

- *No Compensation Arrangements That Encourage Earnings Manipulation.* The ARRA standards will prohibit the Company from entering into compensation arrangements that encourage manipulation of the reported earnings of the Company to enhance the compensation of any of the Company's employees.

- *Limits on Incentive Compensation.* The ARRA standards will prohibit the payment or accrual of any bonus, retention award or incentive compensation to at least five of the Company's most highly compensated employees other than awards of long-term restricted stock that (i) do not fully vest during the CPP Coverage Period, (ii) have a value not greater than one-third of the total annual compensation of the employee and (iii) are subject to such other restrictions as determined by the Secretary of the Treasury. The prohibition on bonus, incentive compensation and retention awards does not preclude payments required under written employment contracts entered into on or prior to February 11, 2009.

- *Compensation Committee Functions.* ARRA requires that the Company's Compensation Committee be comprised solely of independent directors and that it meet at least semiannually to discuss and evaluate the Company's employee compensation plans in light of an assessment of any risk posed to the Company from such compensation plans.

- *Compliance Certifications.* ARRA also requires a written certification by the Company's Chief Executive Officer and Chief Financial Officer of the Company's compliance with the provisions of ARRA. These certifications must be contained in the Company's Annual Report on Form 10-K that is filed after the relevant Treasury regulations are issued.

- *Treasury Review Excessive Bonuses Previously Paid.* ARRA directs the Secretary of the Treasury to review all compensation paid to the Company's senior executive officers and the Company's next 20 most highly compensated employees to determine whether any such payments were inconsistent with the purposes of ARRA or were otherwise contrary to the public interest. If the Secretary of the Treasury makes such a finding, the Secretary of the Treasury is directed to negotiate with the TARP CPP recipient and the affected employees for appropriate reimbursements to the Treasury with respect to the compensation and bonuses.

- *Say on Pay.* Under ARRA the SEC promulgated rules requiring a non-binding say on pay vote by shareholders on executive compensation at the annual meeting during the CPP Covered Period. The Company is implementing this provision by including the submission of "Item 2: Advisory Vote on Compensation of Named Executive Officers" set forth in this proxy statement.

At this time, the compensation standards under ARRA have not yet been developed. After the compensation standards have been introduced, the Committee will consider the new limitations and will determine how they impact the Company's executive compensation program.

Committee Advisors

The Committee has the authority to hire and terminate any independent compensation consultants or advisors and approve their compensation. These consultants and advisors are engaged on behalf of the Committee and paid by the Company.

In 2008 and 2009, the Committee engaged Total Compensation Solutions, LLC (“TCS”) to design a comparison group of companies based on asset size, geography, and similarity of business model. TCS is a consulting firm with expertise in executive compensation and benefits specializing in, among other areas, financial institutions including banks and thrifts. TCS will not do any compensation work for the Company except as authorized by the Committee. The Committee directed the Chief Financial Officer to coordinate with TCS and to provide any requested information to enable TCS to report to the Committee with the requested peer group compensation data. TCS provided a research report to the Committee regarding compensation at those companies.

Benchmarking

The Company and the Committee do not believe that it is appropriate to establish compensation levels solely based on benchmarking. The Company and the Committee do believe that reviewing other companies’ pay practices helps make sure that the Company pays reasonably and competitively.

The Committee reviews compensation levels for the Chief Executive Officer and President against compensation levels at the companies in the peer group identified by TCS. The current peer group includes financial institutions located near a major metropolitan area in the Northeastern states with total assets between $1.0 and $6.0 billion and/or having a similar business model to the Company’s.

Compensation Should Be Reasonable and Responsible

It is essential that the Company’s overall compensation levels be sufficiently competitive to attract and retain talented executives and motivate those executives to achieve superior results. At the same time, the Company and the Committee believe that compensation should be set at responsible levels. The Company’s executive compensation programs are intended to be consistent with the Company’s constant focus on controlling costs.

Performance-Based Incentive Compensation

The Incentive Plan is designed to provide incentive compensation for designated key executives of the Company that is directly related to the performance of the Company and of such employees. The Incentive Plan was first adopted by the Board of Directors in 2001 and approved by shareholders at the 2001 Annual Meeting of Shareholders, and was re-approved by the Company's stockholders at the 2006 Annual Meeting of Shareholders. The purpose of the Incentive Plan was to ensure that bonus payments made to certain key executive employees will be tax deductible to the Company under the Internal Revenue Code (the "Code"). Section 162(m) of the Code generally does not allow publicly held companies to obtain tax deductions for compensation of more than $1 million paid in any year to certain executive officers unless such payments are "performance-based" in accordance with the conditions specified under Section 162(m) and the related Treasury Regulations. The Committee, however, reserves the right to pay discretionary bonuses to named executive officers that are not deductible under Section 162(m) of the Code. The maximum bonus award payable to any single named executive officer participating in the Incentive Plan that is intended to qualify for the "performance-based" compensation exception to Section 162(m) of the Code is $2.0 million.

On December 29, 2008, the Company amended the Incentive Plan to comply with the requirements of Section 409A of the Internal Revenue Code, as amended ("Section 409A"). The amendments to the Incentive Plan provide that 1) bonus awards under the Incentive Plan shall be paid by March 15 of the calendar year following the year for which the award is made and 2) if and to the extent that any payment under the Incentive Plan is determined by the Company to constitute "non-qualified deferred compensation" subject to Section 409A and is payable to a participant by reason of the participant's termination of employment, then (a) such payment of benefit shall be made or provided to the participant only upon a "separation of service" as defined for purposes of Section 409A and (b) if the participant is a "specified employee" (within the meaning of Section 409A), such payment shall be made or provided on the date that is six months and one day after the date of the participant's separation from service (or earlier death).

Incentive Awards and Performance Goals for Chief Executive Officer and the President. Under the terms of the Incentive Plan, the Committee has the authority to establish performance goals each year based on certain objective performance criteria set forth in the Incentive Plan. The Committee will establish for each performance period a maximum award and goals relating to the Company, subsidiary, divisional, departmental, and/or functional performance for each participant (the "Performance Goals") within the time frame permitted under Section 162(m) of the Code (the first 90 days of the Company's fiscal year) and communicate such Performance Goals to each participant. Participants will earn bonus awards based only upon the attainment of the applicable Performance Goals during the applicable performance period.

The Performance Goals for Messrs. Cappelli and Millman are based on attainment of specific levels of performance of the Company with reference to one or more of the following criteria: (i) average total loans; (ii) average deposits and customer repurchase agreements; (iii) net income; (iv) return on average assets; and (v) return on average equity.

For each fiscal year, the Committee establishes Performance Goals for each criterion identified above based upon the Company's average performance over the immediately preceding five years. To establish each Performance Goal, the average for each Performance Goal over the immediately preceding five years is multiplied by a target growth percentage determined by the Committee based upon the Company's strategic plan for the year. The Committee then allocates performance points for each Performance Goal based upon the Committee's determination of the relative importance of each Performance Goal. The allocation of performance points to each Performance Goal can change from year to year. The Committee also establishes a maximum bonus for each participant for the applicable year.

Incentive Awards and Performance Goals for Other Named Executive Officers. For named executive officers other than the Chairman and the President, the Company uses a bonus system that evaluates the officer's performance. The amount of the bonus award is based in part on the Company's financial performance for the year relative to past performance. The Chairman and the President recommend bonus awards for the other named executive officers to the Committee for approval.

Determination of Performance Levels and Award Amounts. As soon as practicable following the end of each fiscal year, the Committee evaluates the attainment of the Performance Goals, based upon information supplied by management of the Company, and calculates the bonus award, if any, payable to each participant. If any one of the Performance Goals for the year is attained, a bonus up to the maximum established at the beginning of the year may be paid. In determining the actual amount of bonus paid the Committee also evaluates at its discretion such other criteria as corporate responsibilities, overall management and achievement, including the initiation and implementation of successful business strategies, leadership, formation of an effective management team, personal qualities, and other factors. Bonus awards are paid in a lump sum cash payment as soon as practicable after the Committee determines the awards.

If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render the performance criteria to be unsuitable, the Committee may modify such performance criteria or the related minimum acceptable level of achievement, as the Committee deems appropriate or equitable. No such modification shall be made if the effect would be to cause a bonus award to fail to qualify as "performance-based" compensation under Section 162(m) of the Code. The Committee also retains the right in its discretion to reduce any bonus award and to pay bonuses not covered by the Incentive Plan.

Equity Compensation

The Company's stockholders approved the Stock Incentive Plan ("SIP") at the 1992 Annual Meeting of Shareholders, with amendments approved by shareholders at the various Annual Meetings of Shareholders between 1995 and 2002. The SIP is intended to strengthen the Company's ability to attract and retain directors and employees of high competence and to increase the identity of interest of such directors and employees with those of the Company's shareholders. Under the SIP, the Committee may grant awards in the form of Incentive Stock Options ("ISO"), within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), Non-Qualified Stock Options ("NQSO"), Stock Appreciation Rights, Restricted Stock, or a combination of these forms of awards.

On March 15, 2007, the Board of Directors granted non-qualified stock options under the SIP to certain officers at $17.99 per share, the closing price on March 15, 2007. Messrs. Applebaum and Robinson were the only named executive officers who were granted such options. The options become vested and exercisable five years after the date of grant. No other awards were made under the SIP since 2007. The exercise price for all options granted is based on the closing price on the date of the grant. The Committee generally considers stock option awards in the annual compensation review process. In making recommendations of stock awards, the Committee considers the impact of the expense of such awards on the Company.

On December 29, 2008, the Company amended certain provisions of the SIP in order to comply with Section 409A by providing that the purchase price of each share subject to a NQSO shall be such price as is determined by the Board of Directors on the date such NQSO is granted, but in no event shall it be less than the fair market value of a share on the date on which the NQSO is granted, and the fair market value shall be the closing price of a share on the date of the grant.

Retirement Plans

Qualified Plan. The Sterling Bancorp/Sterling National Bank Employees' Retirement Plan (the "qualified plan") is a defined benefit plan that covers eligible employees of Sterling Bancorp and Sterling National Bank and certain of its subsidiaries, who were hired prior to January 2, 2006. The qualified plan gives credit for credited service under terminated predecessor plans but provides, in substance, for a participant's vested benefits under such plans to be offset against the benefits to be provided to the participant under the qualified plan. Accordingly, the retirement benefits for a continuing employee can be determined simply by reference to the provisions of the qualified plan. An employee becomes eligible for participation in the qualified plan upon the attainment of age 21 and the completion of one year of service. All contributions required by the qualified plan are made by the employers and no employee contributions are required or permitted.

Supplemental Plan. The Internal Revenue Code imposes compensation and benefit limits on the retirement benefits payable to highly compensated employees under a qualified plan. The Company has a Supplemental Executive Retirement Plan for designated employees (the "SERP"), which provides for supplemental retirement payments to such persons in amounts equal to the difference between retirement benefits such persons actually receive under the qualified plan and the amount such individuals would have received if such Internal Revenue Code limitations were not in effect. On December 29, 2008, the Company amended the SERP to comply with Section 409A.

Employment Contracts and Change in Control Agreements

The Company has agreements with Messrs. Cappelli and Millman providing for employment terms extending until December 31, 2013 and December 31, 2011, respectively. In addition to providing an annual base salary, a discretionary annual bonus as determined by the Committee, and allowing participation in the health and benefit plans available to other executives of the Company, these agreements contain severance provisions and change in control provisions. These agreements were entered into upon the recommendation of the Board's Committee in 1993, and approved by the Board of Directors. They were amended and restated in 2002 and were further amended, solely to extend the term by one additional year, in February 2003, February 2004, March 2005, March 2006, March 2007, March 2008, and March 2009.

The Company has change in control severance agreements with certain other officers, including Messrs. Tietjen and Applebaum, providing for severance payments if the officer is terminated by the Company without cause or by the executive for good reason within two years following a change in control. The Company has change in control severance and retention agreements with certain other officers, including Mr. Robinson. Upon the commencement of a transaction that could result in a change in control, Mr. Robinson agrees that he will not voluntarily leave the employ of the Company, other than for good reason, until such change in control occurs or such action is terminated or abandoned.

The employment and the change in control agreements provide for the payment of severance in the event of certain terminations and/or in connection with a change in control. A change in control generally includes such events as the acquisition of more than 20% of the outstanding common shares of the Company unless directly from the Company, a reorganization, merger or consolidation of the Company where Company shareholders hold less than 60% of the resulting company, a change in at least two-thirds of the Board of Directors, or the sale or disposition of all or substantially all of the assets of the Company. To retain the executive officers and ensure that executive officers can act in the best interests of the Company without distraction due to their personal employment situation, the Committee determined that certain severance payments were appropriate in the event of a change in control.

On December 29, 2008, the Company entered into amendments to compensatory arrangements with its executive officers. The amendments provide for certain changes which the Company believes are required to comply with, or be exempt from, the requirements of Section 409A, which governs non-qualified deferred compensation arrangements. Amendments to the employment agreements of Louis J. Cappelli and John C. Millman provide that the payment of severance will be made in a lump sum promptly following a qualifying termination of employment, both prior to and following a change in control and in the event of death or disability. In addition, the ability for the executive officers to terminate employment for any reason during the thirteen months following a change in control was removed, and the definition of "good reason" was narrowed. Amendments to the change in control severance agreements of John W. Tietjen, Howard M. Applebaum, and another executive officer remove the executive's ability to terminate the employment for any reason during the thirteenth month following a change in control and narrow the definition of "good reason". Amendments to the change in control and severance and retention agreements of Eliot S. Robinson and five other executive officers provide that the payment of severance if the executive is terminated during the termination period will be paid in a lump sum and narrow the definition of "good reason".

In addition, each senior executive officer signed an amendment to his or her employment contract or change in control agreement that complies with the terms of TARP CPP. These amendments are discussed in detail in "Participation in Capital Purchase Program" on page 4 of this proxy statement. ARRA directed the Treasury to adopt compensation standards that include a prohibition on payments to a senior executive officer or any of the next five most highly compensated employees upon termination of employment (other than payments for services performed or benefits accrued) for as long as the company participates in the TARP CPP. The Company will assess the impact of this provision on our employment and change in control agreements once the ARRA compensation standards are established.

These severance arrangements are discussed in detail in "Potential Payments upon Termination or Change in Control," beginning on page 15 of this proxy statement.

Perquisites and Other Personal Benefits

The Company provides the named executive officers with benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program. The Company and the Committee believe that these benefits are beneficial to the Company in attracting and retaining qualified executives.

Tax and Accounting Implications

In determining executive compensation, the Committee takes into consideration the deductibility of executive compensation under Section 162(m) of the Code that provides that the Company may not deduct compensation of more than $1,000,000 that is paid to certain individuals. The Company believes that the compensation paid to the named executive officers for 2008 was fully deductible for federal income tax purposes, except to the extent limited by the Company's participation in the TARP CPP as described on page 4 of this proxy statement.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earning ($)(2)	All Other Compensation ($)(3)	Total ($)
Louis J. Cappelli	2008	798,446		—	—	450,000	2,010,245	35,320	3,294,011
Chairman of the Board and Chief Executive Officer,	2007	770,270	—	—	—	450,000	1,444,020	39,665	2,703,955
Sterling Bancorp Chairman of the Board, *Sterling National Bank*	2006	745,555	—	18,339	—	500,000	1,504,526	37,541	2,805,961
John C. Millman	2008	494,354		—	—	194,000	700,194	115,450	1,503,998
President, *Sterling Bancorp* President and Chief Executive	2007	476,909	—	—	—	194,000	437,788	156,727	1,265,424
Officer, *Sterling National Bank*	2006	461,607	—	3,668	—	215,000	510,640	103,662	1,294,577
John W. Tietjen	2008	264,500	45,500	—	—	—	143,480	48,690	502,170
Executive Vice President and Chief Financial Officer,	2007	249,500	45,500	—	—	—	102,781	38,110	435,891
Sterling Bancorp Executive Vice President, *Sterling National Bank*	2006	239,500	50,600	—	—	—	146,977	30,237	467,314
Howard M. Applebaum	2008	300,600	59,000	—	—	—	90,578	25,340	475,518
Senior Vice President, *Sterling Bancorp*	2007	290,000	59,000	—	38,000	—	47,134	36,890	471,024
Executive Vice President, Sterling National Bank	2006	240,000	65,500	—	—	—	61,105	22,124	388,729
Eliot S. Robinson	2008	270,100	41,100	—	—	—	112,168	—	423,368
Executive Vice President, *Sterling National Bank*	2007	260,500	41,100	—	38,000	—	67,324	—	406,924
	2006	250,500	45,700	—	—	—	91,079	—	387,279

(1) These columns reflect the financial statement expense recognized for the grant of stock awards and stock options, computed in accordance with FAS 123R, using the methods and assumptions described in Note 18 of the financial statements filed with the Company's Form 10-K for fiscal year 2008. No stock option awards were made in 2008.

(2) This amount is comprised solely of the change in actuarial present value of the named executive officers' accumulated benefits under all defined benefit plans, using the assumptions described in Note 18 of the financial statements filed with the Company's Form 10-K for fiscal year 2008.

(3) Amounts in this column reflect life insurance premiums. The amount for Mr. Millman includes $13,000 of incremental cost for the personal use of a corporate car. Pursuant to their employment contracts, Messrs. Cappelli and Millman are entitled to the use of an automobile for business use, and in the case of Mr. Cappelli, the use of a driver for business purposes. Messrs. Cappelli and Millman are entitled to reimbursement for ordinary and necessary business expenses, memberships and use of clubs as a source of business origination and maintenance of customer relationships for the Company, and travel and entertainment incurred in the performance of their duties. Since the club memberships are used only for business entertainment, the Company does not consider the cost of the memberships to be perquisites. For business purposes, Mr. Cappelli has the use of an apartment located near the Company's headquarters

(which costs the Company about $46,000 annually). While he may occasionally make personal use of the apartment, there is no incremental cost to the Company. The incremental cost of Mr. Cappelli's perquisites in 2008 (consisting of personal use of the car and driver) was less than $10,000.

2008 Executive Compensation Components

For the fiscal year ended December 31, 2008, the principal components of compensation for named executive officers were: base salary; performance-based incentive compensation; and retirement and other benefits.

In the Summary Compensation Table above, the performance-based incentive compensation for the Chief Executive Officer and the President awarded under the Incentive Plan is shown as Non-Equity Plan Compensation. The other named executive officers were awarded bonuses set forth in the Table.

Status of 2009 Goals

The Committee determined that it would not set 2009 goals under the Incentive Plan, which is impacted by changes to Internal Revenue Code 162(m) that restrict the exemption for performance-based compensation paid to the named executive officers. In light of the Emergency Economic Stabilization Act of 2008 (“EESA”), TARP and ARRA requirements, as well as the continued economic uncertainty, the Committee decided to review and/or redesign the Incentive Plan to meet the requirements of these standards when issued by the Treasury Department.

No equity compensation was awarded to the named executive officers or any other employees during fiscal year 2008 except as described above under Equity Compensation.

Base Salary

The Company provides named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. During its review of base salaries for executives, the Committee primarily considers: market data provided by outside sources; internal review of the executive’s compensation, both individually and relative to other officers; and individual performance of the executive.

Salary levels are considered annually as part of the Company’s performance review process as well as upon a promotion or other change in job responsibility. Merit-based increases to salaries of the Chief Executive Officer and the President are based on the Committee’s assessment of the individual’s performance. In fiscal year 2009, the Committee awarded salary increases to the Chief Executive Officer and the President, respectively, which included, in accordance with the terms of their employment agreements, the cost of living adjustment based on the increase in the 2008 Consumer Price Index for the geographic region, which was increased 1.5767% in 2008. For the other named executive officers, the Chief Executive Officer and the President recommend salary increases based upon the performance review process for approval by the Committee. On the recommendation of the Chief Executive Officer and the President, salary increases for fiscal year 2009 of $13,325, $9,018, and $8,103 were approved by the Committee for Messrs. Tietjen, Applebaum, and Robinson, respectively.

Employment Agreements

Messrs. Cappelli and Millman are compensated in accordance with their respective employment agreements as described in the Compensation Discussion and Analysis. For additional information regarding the terms of these agreements, please see “Potential Payments upon Termination or Change in Control” beginning on page 15 of this proxy statement.

GRANTS OF PLAN-BASED AWARDS FOR FISCAL YEAR 2008

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Maximum ($)
Louis J. Cappelli		1,500,000
John C. Millman		750,000

(1) Messrs. Cappelli and Millman are the only named executive officers eligible for awards under the Incentive Plan. For their performance in 2008, the Committee awarded bonuses under the Incentive Plan of $450,000 and $194,000 to Messrs. Cappelli and Millman, respectively.

For 2008, Messrs. Cappelli and Millman were eligible for awards under the Incentive Plan. The Committee established Performance Goals based upon targets that it estimated to be attainable but challenging to achieve, compared to the five-year average performance for each goal from 2002 to 2006. The Committee determined that certain of the Performance Goals established for 2008 had been attained. The Committee also recognized that the Company had achieved growth of loans, increases in earnings per share, return on equity and net interest margin and enhanced capital levels, as well as maintained core deposits and asset quality. The Committee believes that these were significant accomplishments by the Company's leadership in the Company's business strategy, particularly in the uncertain economic and interest rate environment that impacted all financial institutions in 2008.

Under the Incentive Plan, if any one or more of the Performance Goals established in March 2008 by the Committee was attained for 2008, the Committee could award a bonus for 2008 of not more than $1,500,000 to Mr. Cappelli and not more than $750,000 to Mr. Millman. Since one or more of the 2008 Performance Goals was attained, the actual amount of bonus awarded by the Committee to Mr. Cappelli and Mr. Millman under the Plan may be any amount determined by the Committee, based on any criteria determined by the Committee, subject to the maximum dollar amounts noted above.

As discussed on page 5 of this proxy statement, ARRA directs the Treasury to adopt compensation standards that include a prohibition of bonuses and incentives other than certain restricted stock awards. As a result, once these compensation standards are established, they may preclude any payment of annual incentive compensation and certain other incentives to the Company's named executive officers and any of the next 20 most highly compensated employees until the Company no longer participates in the TARP CPP.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END FOR FISCAL YEAR 2008

Name	Grant Date	Option Awards			
		Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable(2)	Option Exercise Price ($)	Option Expiration Date(3)
Louis J. Cappelli	2/11/00	142,930	0	6.94	2/11/10
	2/6/02	47,250	0	14.60	2/6/12
	Total	190,180	0		
John C. Millman	2/6/02	32,894	4,906	14.60	2/6/12
	Total	32,894	4,906		
John W. Tietjen	2/11/00	24,972	14,466	6.94	2/11/10
	2/6/02	24,089	13,711	14.60	2/6/12
	Total	49,061	28,177		
Howard M. Applebaum	2/12/99	12,003			