Provident New York Bancorp

# Q3 2013 Earnings Conference Call

**July 24, 2013**

# Forward-Looking Statements and Associated Risk Factors

*We make statements in this presentation, and we may from time to time make other statements, regarding our outlook or expectations for earnings, revenues, expenses and/or other matters regarding or affecting us that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as “believe”, “expect”, “anticipate", “intend", “outlook", “estimate", “forecast", “project” “target,” “continue,” “positions,” “prospects” or “potential,” by future conditional verbs such as “will,” “would,” “should,” “could” or “may”, or by variations of such words or by similar expressions.*

*These forward-looking statements are subject to numerous assumptions, risks and uncertainties which change over time. In addition to factors previously disclosed in reports filed with the Securities and Exchange Commission, the following factors, among others, could cause actual results to differ materially from forward-looking statements: changes in market interest rates and general and regional economic conditions; changes in government regulations and regulatory oversight; changes in the value of goodwill and intangible assets; changes in the quality or composition of the loan and investment portfolios; potential breaches of information security; competition from banks and non-banking companies; ability to obtain regulatory approvals and meet other closing conditions to the merger (the “Merger”) between Provident New York Bancorp (“Provident”) and Sterling Bancorp (“Sterling”), including approval by Provident and Sterling shareholders, on the expected terms and schedule; delay in closing the Merger; difficulties and delays in integrating the Provident and Sterling businesses or fully realizing cost savings and other benefits; business disruption following the proposed Merger; changes in asset quality and credit risk; the inability to sustain revenue and earnings growth; changes in interest rates and capital markets; inflation; customer borrowing, repayment, investment and deposit practices; customer disintermediation; the introduction, withdrawal, success and timing of business initiatives; competitive conditions; the inability to realize cost savings or revenues or to implement integration plans and other consequences associated with mergers, acquisitions and divestitures; economic conditions; changes in Provident’s stock price before the completion of the Merger, including as a result of the financial performance of Sterling prior to closing; the reaction to the Merger of the companies’ customers, employees and counterparties; and the impact, extent and timing of technological changes, capital management activities, and other actions of the Federal Reserve Board and legislative and regulatory actions and reforms. These factors should be considered in evaluating the forward-looking statements and undue reliance should not be placed on such statements. Actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements, and future results could differ materially from our historical performance. Forward-looking statements speak only as of the date they are made and we undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date on which such statements were made.*

*Financial statement information contained in this release should be considered to be an estimate pending the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013. While the Company is not aware of any need to revise the results disclosed in this presentation, accounting literature may require information received by management between the date of this release and the filing of the 10-Q to be reflected in the results of the fiscal period, even though the new information was received by management subsequent to the date of this presentation.*

# Third Quarter Highlights

- Strong earnings performance
  - Q3 net income of $6.4mm and earnings per share of $0.15
  - EPS excluding merger-related expenses of $0.17
  - Y-o-Y net income growth rate of 13.6%[(1)]
- Approximately $350mm in loan originations
  - $486mm in loan growth over June 30, 2012
  - Y-o-Y loan growth of 26.2%
- Continued expense management is driving improvement in operating efficiency
  - Core efficiency ratio of 59.1%
  - Y-o-Y core revenue growth was 10.6% while core expenses were unchanged
- Completed $100mm Senior Notes offering on July 2, 2013
  - Increases capital and liquidity to support Provident/Sterling combined business
- Pending merger with Sterling is on-track

(1) Excludes merger-related expenses. See page 17 for calculation of non-GAAP measures.

# Summary Financial Performance

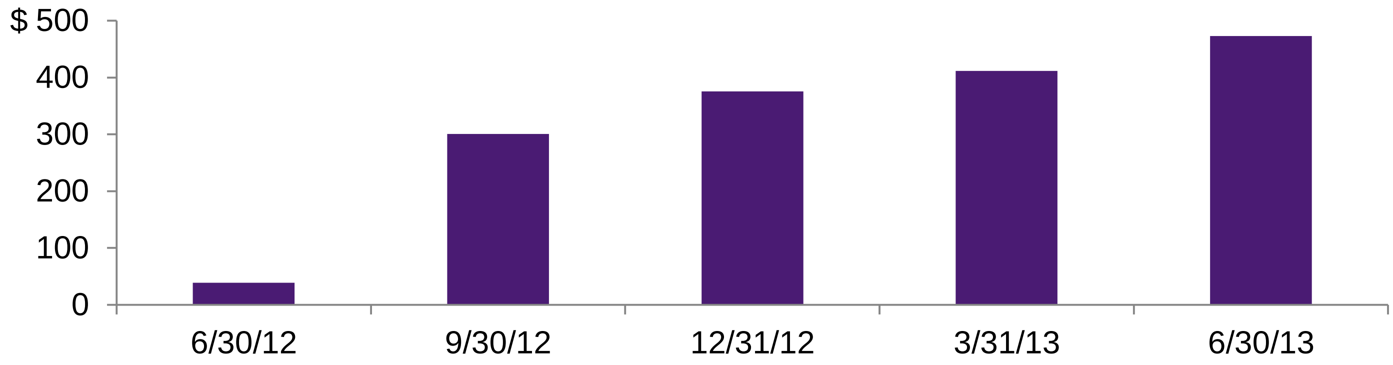
| *($ in millions, except per share data)* | 6/30/2012 | 9/30/2012 | 12/31/2012 | 3/31/2013 | 6/30/2013 | Linked Q Δ | YOYΔ |
|---|---|---|---|---|---|---|---|
| **Selected Balance Sheet Data:** (1) | | | | | | | |
| Total Assets | $3,150 | $4,023 | $3,790 | $3,710 | $3,824 | $114 | $674 |
| Gross Loans | 1,851 | 2,119 | 2,193 | 2,205 | 2,337 | 132 | 486 |
| Securities | 885 | 1,153 | 1,131 | 1,129 | 1,066 | (59) | 185 |
| Deposits | 2,332 | 3,111 | 2,904 | 2,800 | 2,739 | (61) | 407 |
| Tangible Equity (2) | 280 | 321 | 324 | 325 | 311 | (14) | 31 |
| **Selected Profitability Data:** (1) | | | | | | | |
| Net Interest Income | $24.1 | $25.2 | $27.9 | $27.8 | $28.3 | $0.5 | $4.2 |
| Provision for Loan Losses | 2.3 | 3.5 | 3.0 | 2.6 | 3.9 | 1.3 | 1.6 |
| Non Interest Income (Excluding Securities Gains/OTTI) | 5.6 | 5.9 | 6.3 | 4.6 | 4.6 | 0 | (1.0) |
| Non Interest Expense | 21.2 | 28.8 | 22.5 | 23.3 | 21.8 | (1.5) | 0.6 |
| Net Income | 6.2 | 2.3 | 7.0 | 6.5 | 6.4 | (0.1) | 0.2 |
| Securities Gains/Caps/OTTI | 2.4 | 3.1 | 1.4 | 2.2 | 1.9 | (0.3) | (0.5) |
| **Key Performance Measures:** (1) | | | | | | | |
| Diluted Earnings per Share | $0.17 | $0.06 | $0.16 | $0.15 | $0.15 | $0.00 | $(0.02) |
| Net Interest Margin (tax-equivalent basis) | 3.59% | 3.38% | 3.37% | 3.41% | 3.46% | 5 bps | (13) bps |
| Core Efficiency Ratio (3) | 65.5% | 72.0% | 62.9% | 64.6% | 59.1% | (550) bps | (640) bps |
| ROAA | 0.80% | 0.26% | 0.73% | 0.70% | 0.68% | (2) Bps | (12) bps |
| ROTE | 9.01% | 2.92% | 8.71% | 8.21% | 7.88% | (33) Bps | (113) bps |

(1) See earnings release dated July 23, 2013.
(2) Tangible equity is calculated as stockholders' equity less total intangible assets, other than servicing rights, a non-GAAP measure, See page 15 for a calculation of tangible equity.
(3) See page 16 for the calculation of the core efficiency ratio.

# Growing Presence in New York City Market

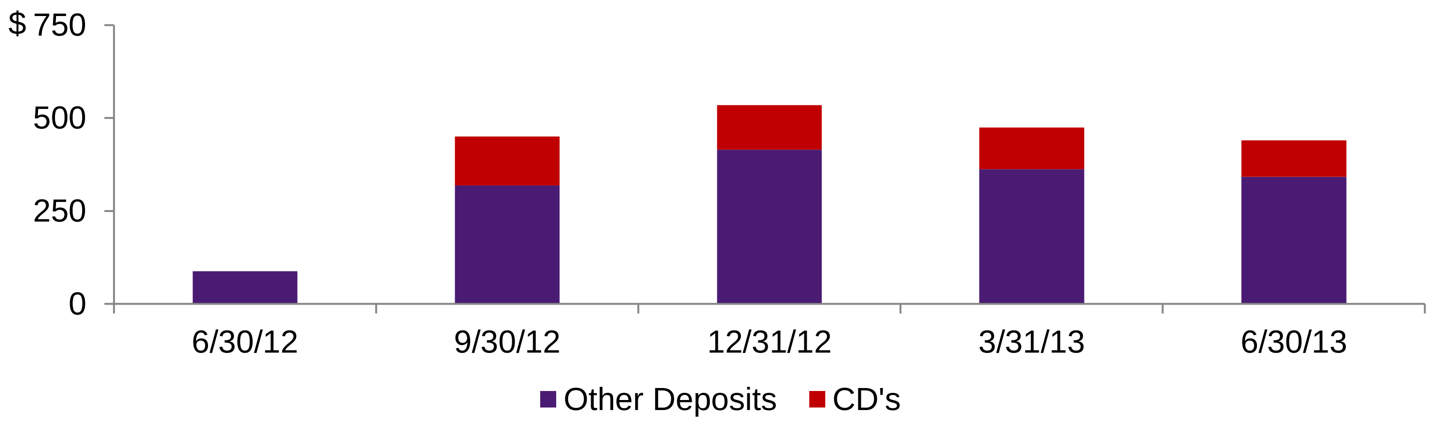
## Total Loans – NYC Market

($ in millions)




## Total Deposits – NYC Market

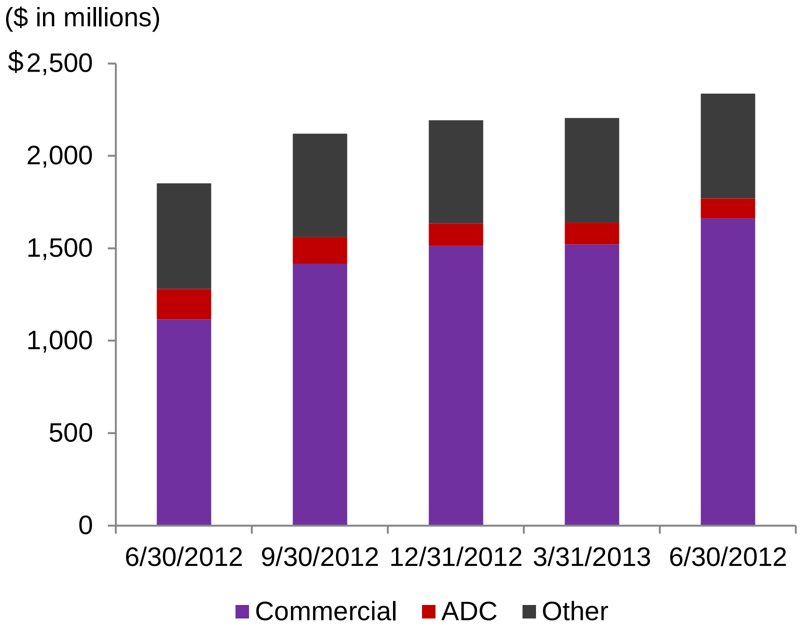
($ in millions)



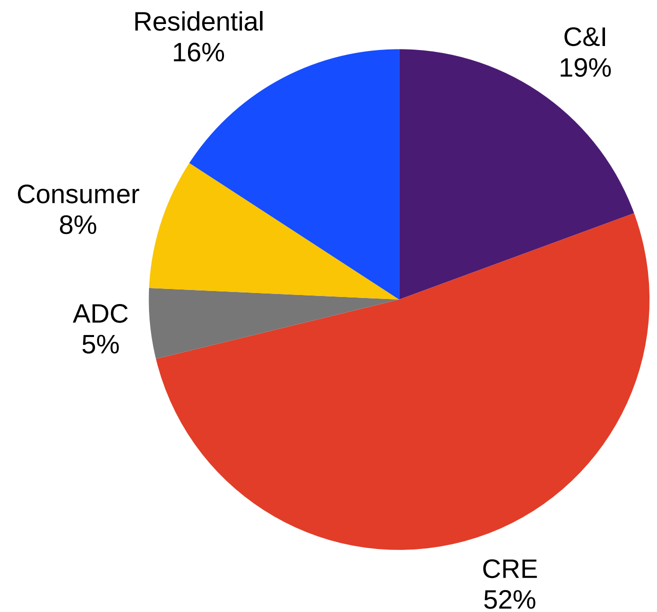
# Strong Pipeline of New Business

| Origination Volume ($ in millions) | 6/30/2012 | 3/31/2013 | 6/30/2013 | % LINKED | %YOY |
|---|---|---|---|---|---|
| Total Commercial | $167.9 | $189.4 | $286.0 | 51% | 70% |
| Total Consumer | 38.3 | 63.8 | 61.7 | (3)% | 61% |
| Total Originations | 206.2 | 253.2 | 347.7 | 38% | 69% |

## Total Loans




## Loan Composition – 6/30/2013

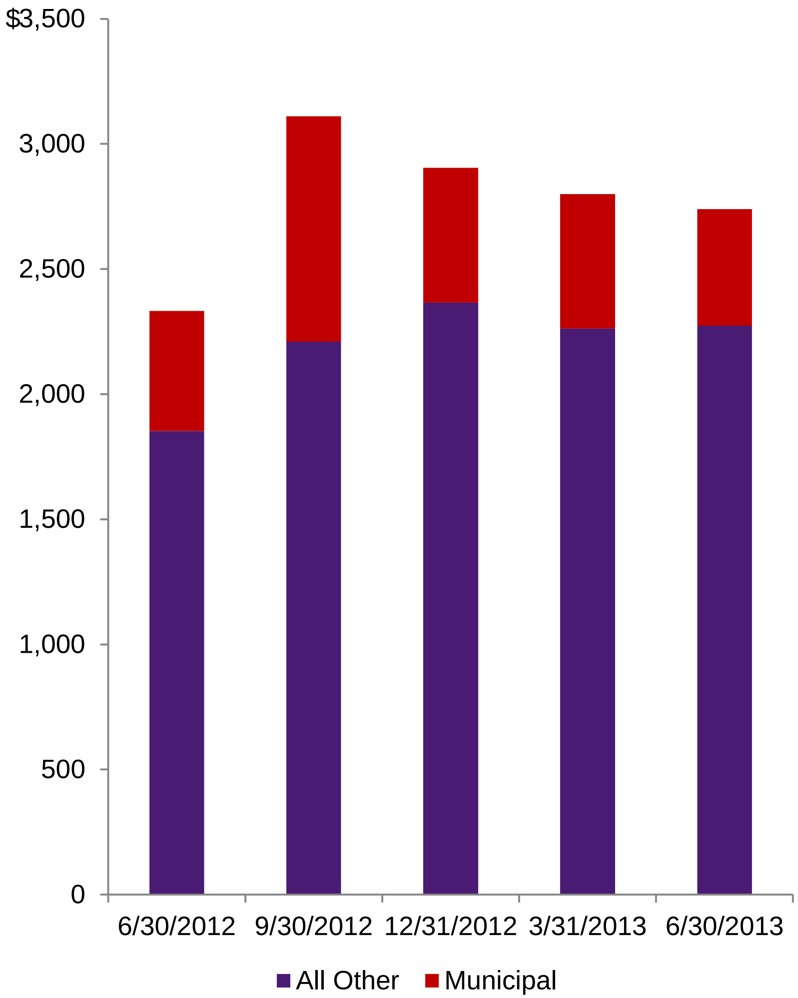



Total Loans $2,337 mm

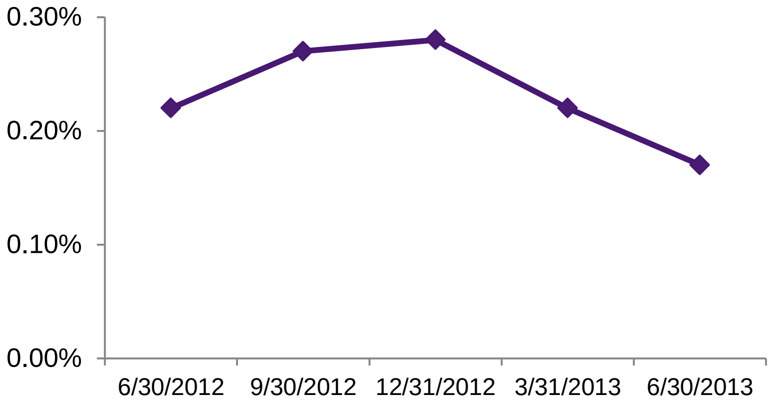
# Low Cost, Diversified Deposit Base

## Total Deposits

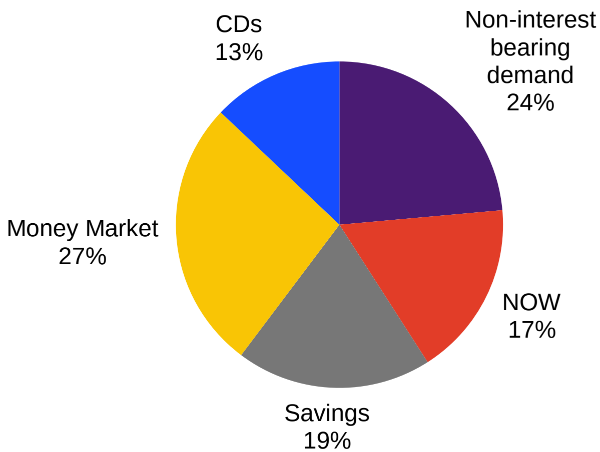
($ in millions)




## Cost of Deposits (1)




## Deposit Composition 6/30/2013



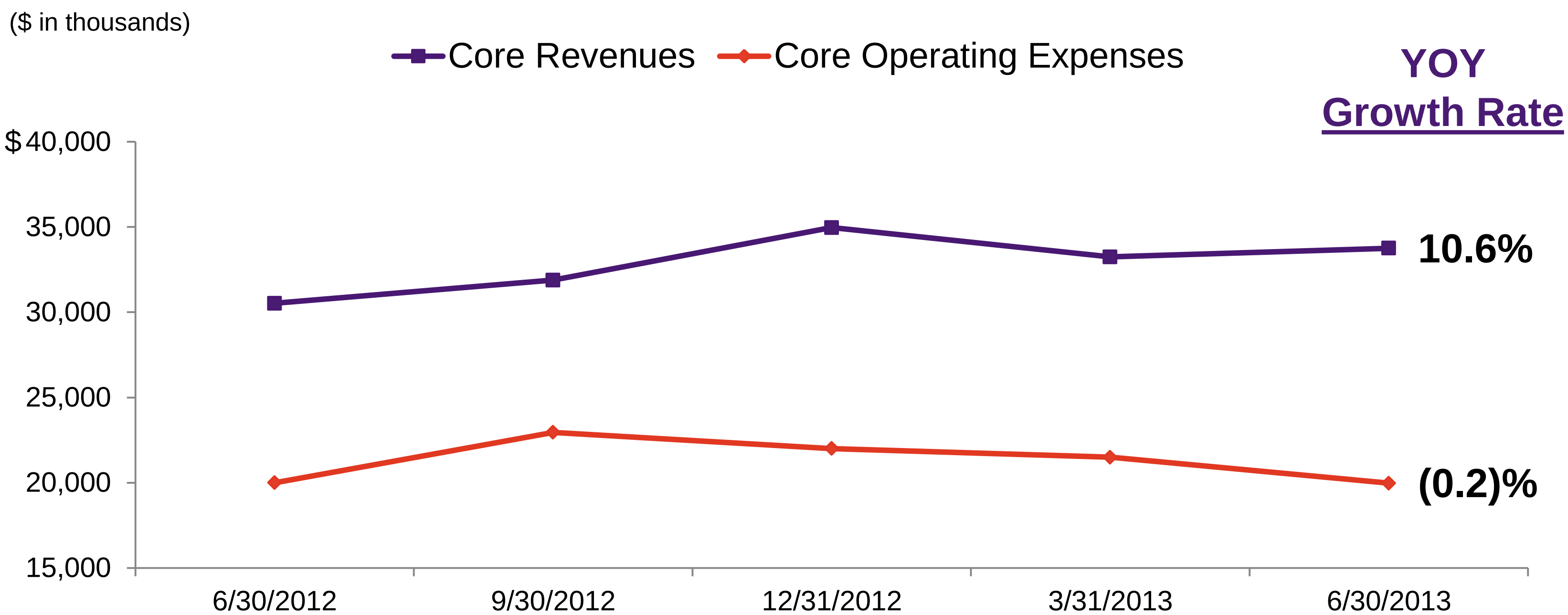

**Total Deposits $2,739 mm**

(1) Includes non-interest bearing demand deposits

# Operating Efficiency is Improving

- Year-over-year core revenues have grown while core operating expenses were unchanged

## Revenue and Expense Growth




## Core Efficiency Ratio

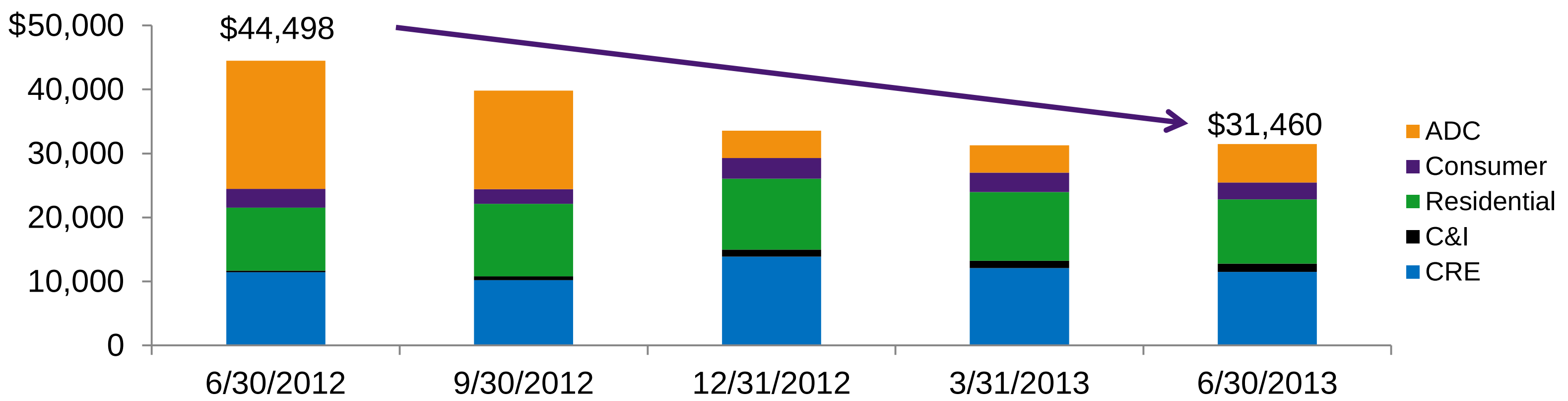
| 6/30/2012 | 9/30/2012 | 12/31/2012 | 3/31/2013 | 6/30/2013 |
|---|---|---|---|---|
| **65.5%** | **72.0%** | **62.9%** | **64.6%** | **59.1%** |

(1) See page 16 for the calculation of the core efficiency ratio.

# Continued Improvement in Asset Quality

## Non-Accruals and Past Due 90 Days

($ in thousands)

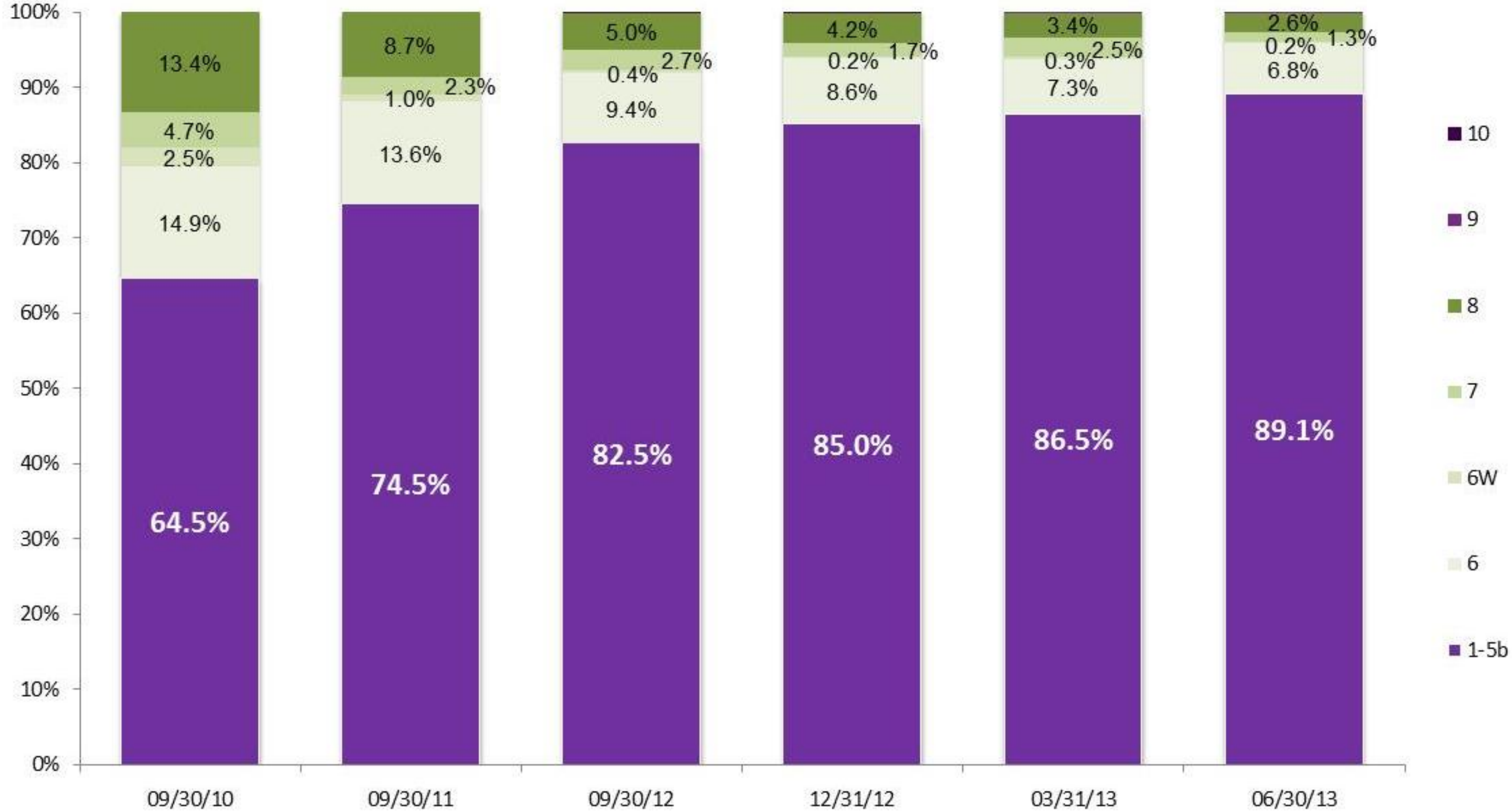



| Asset Quality Ratios | 3Q12 | 4Q12 | 1Q13 | 2Q13 | 3Q13 |
|---|---|---|---|---|---|
| **Non-performing loans to total loans** | **2.40%** | **1.88%** | **1.53%** | **1.42%** | **1.35%** |
| **Net charge-offs to average loans [(1)]** | **0.55%** | **0.57%** | **0.58%** | **0.58%** | **0.54%** |
| **Allowance for loan losses to:** | | | | | |
| **Total loans** | **1.49%** | **1.33%** | **1.28%** | **1.25%** | **1.21%** |
| **Total loans excluding Gotham [(2)]** | **N/A** | **1.47%** | **1.41%** | **1.36%** | **1.30%** |
| **Allowance for loan losses to non-performing loans** | **62%** | **71%** | **84%** | **88%** | **90%** |
| **Non-performing assets to toal assets** | **1.64%** | **1.15%** | **1.07%** | **0.99%** | **0.94%** |
| **Special Mention (MM)** | **$37.6** | **$42.4** | **$29.8** | **$41.8** | **$24.3** |
| **Substandard/Doubltful (MM)** | **$88.4** | **$88.7** | **$83.1** | **$70.7** | **$62.2** |

(1) Represents annualized data.
(2) This non-GAAP measure presents the allowance to total loans excluding acquired Gotham loans, which were recorded at fair value and carry no allowance for loan losses at these dates. See Page 16 for a reconciliation to GAAP measures.

# Positive Trends in Risk Ratings

**6/30/13 Risk Rating Report**
**Commercial Loans – Excluding Business Banking Loans**



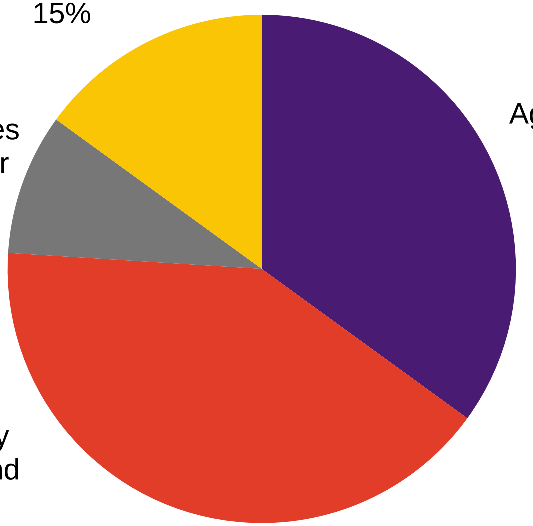

| | | | | | | |
|---|---|---|---|---|---|---|
| Portfolio Avg RR | 5.692 | 5.421 | 5.239 | 5.195 | 5.210 | 5.137 |
| Performing Avg RR | 5.240 | 5.130 | 5.042 | 5.049 | 5.062 | 5.035 |

# Strong Capital and Liquidity Position

- Provident Bank Tier 1 Leverage ratio of approximately 8.49%
  - Decrease of 13 bps quarter over quarter due to loan growth
  - Total risk-based capital of approximately 13%
- Consolidated tangible equity to tangible assets ratio of 8.5%
- Completed $100mm Senior Notes offering on July 2, 2013
  - Approximately $70mm will be contributed to Provident Bank prior to merger close
- Our liquidity remains strong
  - Cash and available for sale securities represented approximately $1 billion at June 30, 2013 (approximately 27% of total assets)

# Interest Rate Risk Positioning

## Securities Portfolio Composition (6/30/2013)




**Total Portfolio: $1,065 million**

**Portfolio Yield: 2.38%(1)**

**Effective Duration: 5.1 years**

**Effective Duration up 300: 5.8 years (2)**

## Estimated Change in Net Interest Income (NII)

- The table below presents the impact of a parallel and instantaneous shift/increase in interest rates of 0, 100, 200 and 300 basis points

Impact over a 12-month period (3)

| Change in Interest Rates: | Estimated NII | Amount | Percent |
|---|---|---|---|
| UP 300 | $123.9 | $10.7 | 9.5% |
| UP 200 | $119.9 | $6.7 | 5.9% |
| UP 100 | $116.6 | $3.4 | 3.0% |
| No Change | $113.2 | $0 | 0% |

(1) For the three months ended 6/30/13.
(2) Represents estimated duration assuming a parallel shift in interest rates.
(3) Based on balance sheet data as of May 31, 2013, amounts in millions.

# Third Quarter Summary

- Strong earnings performance and momentum
- Robust loan growth
- Continued focus on expense management
- Increased operating efficiency
- Continued improvement in credit quality
- Strong capital ratios and liquidity further strengthened by $100mm capital raise
- Sterling merger is on-track
- Strategy is working — ***Execution*** *is the* ***Key***

# Adjusted Information (non-GAAP information)

- In this presentation, we have referred to adjusted results to help illustrate the impact of certain types of items, such as the following:
  - The allowance for loan losses to the total loan portfolio and the allowance for loan losses to the total loan portfolio less Gotham acquired loans, which were recorded at fair value at acquisition and carry no allowance.
  - Our tangible equity (common stockholders' equity, less intangible assets, other than servicing rights).
  - The impact of securities gains, non-taxable income, merger expenses, intangible asset amortization and foreclosed property expense on our efficiency ratio.
  - The impact of merger-related expenses to our net income.
- We believe this additional information and reconciliations we provide may be useful to investors, analysts, regulators and others as they evaluate the impact of these respective items on our results for the periods presented due to the extent to which the items may not be indicative of our ongoing operations. This information supplements our results as reported in accordance with GAAP and should not be viewed in isolation from, or as a substitute for, our GAAP results.

# Non-GAAP to GAAP Reconcilement

| **Non GAAP Financial Measures** | **As of and for the Quarter Ended** | | | | |
|---|---|---|---|---|---|
| **(in thousands except share and per share data)** | **6/30/2012** | **9/30/2012** | **12/31/2012** | **3/31/2013** | **6/30/2013** |

The Company provides supplemental reporting of non-GAAP measures as management believes this information is useful to investors.

**The following table shows the reconciliation of stockholders' equity to tangible equity and the tangible equity ratio:**

| | 6/30/2012 | 9/30/2012 | 12/31/2012 | 3/31/2013 | 6/30/2013 |
|---|---|---|---|---|---|
| Total assets | $ 3,150,040 | $ 4,022,982 | $ 3,789,514 | $ 3,710,440 | $ 3,824,429 |
| Goodwill and other amortizable intangibles | (164,579) | (170,411) | (170,173) | (169,655) | (169,318) |
| Tangible assets | 2,985,461 | 3,852,571 | 3,619,341 | 3,540,785 | 3,655,111 |
| Stockholders' equity | 444,670 | 491,122 | 493,883 | 494,711 | 480,165 |
| Goodwill and other amortizable intangibles | (164,579) | (170,411) | (170,173) | (169,655) | (169,318) |
| Tangible stockholders' equity | 280,091 | 320,711 | 323,710 | 325,056 | 310,847 |
| Shares of common stock outstanding at period end | 37,899,007 | 44,173,470 | 44,348,787 | 44,353,276 | 44,353,276 |
| Tangible equity as a % of tangible assets | 9.38% | 8.32% | 8.94% | 9.18% | 8.50% |
| Tangible book value per share | $7.39 | $7.26 | $7.30 | $7.33 | $7.01 |

**The following table shows the reconciliation of return on average tangible equity:**

| | 6/30/2012 | 9/30/2012 | 12/31/2012 | 3/31/2013 | 6/30/2013 |
|---|---|---|---|---|---|
| Average stockholders' equity | $ 441,956 | $ 475,652 | $ 492,506 | $ 492,725 | $ 494,049 |
| Average goodwill and other amortizable intangibles | (164,751) | (167,623) | (172,723) | (170,042) | (169,509) |
| Average tangible stockholders' equity | 277,205 | 308,029 | 319,783 | 322,683 | 324,540 |
| Net income | 6,209 | 2,261 | 7,020 | 6,529 | 6,376 |
| Net income, if annualized | 24,972 | 8,995 | 27,851 | 26,479 | 25,574 |
| Return on average tangible equity | 9.01% | 2.92% | 8.71% | 8.21% | 7.88% |

# Non-GAAP to GAAP Reconcilement

| Non GAAP Financial Measures<br>(in thousands except share and per share data) | As of and for the Quarter Ended<br>6/30/2012 | <br>9/30/2012 | <br>12/31/2012 | <br>3/31/2013 | <br>6/30/2013 |
|---|---|---|---|---|---|
| **The following table shows the reconciliation of the core operating efficiency ratio:** | | | | | |
| Net interest income | $ 24,082 | $ 25,239 | $ 27,923 | $ 27,819 | $ 28,317 |
| Non-interest income | 7,979 | 9,026 | 7,659 | 6,852 | 6,581 |
| Total net revenues | 32,061 | 34,265 | 35,582 | 34,671 | 34,898 |
| Tax equivalent adjustment on securities interest income | 852 | 830 | 785 | 802 | 808 |
| Net gain on sales of securities | (2,412) | (3,152) | (1,416) | (2,229) | (1,945) |
| Other than temporary loss on securities | 6 | 3 | 25 | 7 | — |
| Other, (other gains and fair value loss on interest rate caps) | 14 | (64) | (4) | — | — |
| Core total revenues | 30,521 | 31,882 | 34,972 | 33,251 | 33,761 |
| Non-interest expense | 21,162 | 28,784 | 22,546 | 23,339 | 21,789 |
| Merger related expense | (451) | (4,928) | — | (542) | (1,516) |
| Foreclosed property expense | (428) | (573) | (285) | (915) | 28 |
| Amortization of intangible assets | (283) | (334) | (261) | (388) | (337) |
| Core non-interest expense | 20,000 | 22,949 | 22,000 | 21,494 | 19,964 |
| Core efficiency ratio | 65.50% | 72.00% | 62.90% | 64.60% | 59.10% |
| **The following table shows the reconciliation of the allowance for loan losses to total loans and to total loans excluding Gotham loans:** | | | | | |
| Total loans | $ 1,851,027 | $ 2,119,472 | $ 2,193,129 | $ 2,204,555 | $ 2,336,534 |
| Gotham loans | — | (201,794) | (194,518) | (176,383) | (152,825) |
| Total loans, excluding Gotham loans | 1,851,027 | 1,917,678 | 1,998,611 | 2,028,172 | 2,183,709 |
| Allowance for loan losses | 27,587 | 28,282 | 28,114 | 27,544 | 28,374 |
| Allowance for loan losses to total loans | 1.49% | 1.33% | 1.28% | 1.25% | 1.21% |
| Allowance for loan losses to total loans, excluding Gotham l | NA | 1.47% | 1.41% | 1.36% | 1.30% |

# Non-GAAP to GAAP Reconcilement

| Non GAAP Financial Measures<br>(in thousands except share and per share data) | As of and for the Quarter Ended<br>6/30/2012 | 9/30/2012 | 12/31/2012 | 3/31/2013 | 6/30/2013 |
|---|---|---|---|---|---|
| **The following table shows the reconciliation of net income and earnings per share excluding merger-related expenses:** | | | | | |
| Income before income tax expense | $ 8,587 | $ 1,981 | $ 10,086 | $ 8,732 | $ 9,209 |
| Income tax expense | 2,378 | (280) | 3,066 | 2,203 | 2,833 |
| Net income | 6,209 | 2,261 | 7,020 | 6,529 | 6,376 |
| Merger-related expenses | 451 | 4,928 | — | 542 | 1,516 |
| Income tax benefit | 125 | 697 | — | 137 | 466 |
| After-tax merger-related expenses | 326 | 4,231 | — | 405 | 1,050 |
| Net income excluding merger-related expenses | $ 6,535 | $ 6,492 | $ 7,020 | $ 6,934 | $ 7,426 |
| Diluted shares | 37,330,467 | 41,099,237 | 43,721,091 | 43,848,486 | 43,906,158 |
| Diluted EPS as reported | $0.17 | $0.06 | $0.16 | $0.15 | $0.15 |
| Diluted EPS excluding merger-related expenses | $0.18 | $0.16 | $0.16 | $0.16 | $0.17 |

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